

ARGONAUT GOLD INC.

MANAGEMENT'S DISCUSSION & ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2021

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 March 1, 2022. 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, 2021. The financial statements were prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"). 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 \$102.9 million in the fourth quarter (“Q4”) of 2021 (Q4 2020 - \$100.8 million). Revenue of \$436.9 million in 2021 (2020 - \$319.7 million).
- Sales of 55,094 ounces of gold in Q4 2021 (Q4 2020 - 51,497). Sales of 233,349 ounces of gold in 2021 (2020 - 172,024 ounces of gold).
- Net loss of \$37.3 million or \$0.12 per share in Q4 2021 (Q4 2020 - net income of \$18.0 million or \$0.07 per basic or diluted share). Net income of \$26.5 million or \$0.09 per basic share or \$0.08 per diluted share in 2021 (2020 - net income of \$14.2 million or \$0.06 per basic or diluted share).
- Adjusted net income of \$10.2 million or \$0.03 per basic share in Q4 2021 (Q4 2020 - adjusted net income of \$18.6 million or \$0.06 per basic share). This is a Non-IFRS Measure; please see “Non-IFRS Measures” section. Adjusted net income of \$57.1 million or \$0.19 per basic share in 2021 (2020 - \$44.6 million or \$0.19 per basic share).
- Cash flows from operating activities before changes in non-cash operating working capital and other items were \$18.3 million in Q4 2021 (Q4 2020 - \$39.5 million). Cash flows from operating activities before changes in non-cash operating working capital and other items were \$124.9 million in 2021 (2020 - \$95.0 million).
- Production of 61,926 gold equivalent ounces (“GEO” or “GEOs”) (based on a silver to gold ratio of 85:1) in Q4 2021 (Q4 2020 - 56,985 GEOs (based on a silver to gold ratio of 80:1)). Production of 244,156 GEOs (based on a silver to gold ratio of 85:1) in 2021 (2020 - 179,003 GEOs (based on a silver to gold ratio of 80:1)).
- Cash cost per gold ounce sold of \$1,172 in Q4 2021 (Q4 2020 - \$913). This is a Non-IFRS Measure; please see “Non-IFRS Measures” section. Cash cost per gold ounce sold of \$1,006 in 2021 (2020 - \$946). Cash cost per gold ounce sold for 2020 was adjusted slightly to reflect an immaterial adjustment due to non-cash impairment write-downs related to the net realizable value of work-in-process inventory.
- All-in sustaining cost (“AISC”) per gold ounce sold of \$1,514 in Q4 2021 (Q4 2020 - \$1,200). This is a Non-IFRS Measure; please see “Non-IFRS Measures” section. AISC per gold ounce sold of \$1,311 in 2021 (2020 - \$1,261). AISC per gold ounce sold for 2020 was adjusted slightly to reflect an immaterial adjustment due to non-cash impairment write-downs related to the net realizable value of work-in-process inventory.
- Cash and cash equivalents were \$199.2 million as at December 31, 2021 (September 30, 2021 - \$167.6 million, December 31, 2020 - \$214.2 million).
- Net cash was \$119.2 million as at December 31, 2021 (September 30, 2021 - \$167.6 million, December 31, 2020 - \$214.2 million). This is a Non-IFRS Measure; please see “Non-IFRS Measures” section.
- A non-cash impairment of mineral properties, plant and equipment of \$64.9 million in Q4 2021 and the year ended December 31, 2021.
- In Q4 2021, the Company announced an adjusted construction capital estimate for the Magino project of \$640.0 million (CA\$800.0 million) (see “Advanced exploration and development projects” section).

2021 AND RECENT COMPANY HIGHLIGHTS

- Corporate Highlights:
 - **Full year 2021:**
 - Record annual production of 244,156 GEOs.
 - Record annual revenue of \$436.9 million.
 - Record annual cash flow before changes in working capital and other items of \$124.9 million.
 - Year-over-year lost time injury frequency rate (“LTIFR”) reduction of 7%.
 - **Fourth quarter 2021:**
 - Acquired key mineral concessions surrounding the San Agustin mine for \$5.75 million that more than quadruples the mineral tenure in the San Agustin district (see press release dated October 12, 2021).
 - Strengthened the management team in Mexico with the appointment of Alfredo Phillips as Vice President, Corporate Affairs & Country Manager. In this role, Mr. Phillips will be responsible for leading government relations and ESG strategy and execution in Mexico.
 - **Subsequent to year end 2021:**
 - Announced the promotion of Lowe Billingsley to Chief Operating Officer.
 - Launched a CA\$45 million flow-through equity financing to fund 2022 eligible Canadian Development Expenditures and Canadian Exploration Expenditures at Magino.
- Social and Environmental Responsibility
 - Received nationally awarded Environmental Socially Responsible Company recognition for the 10th consecutive year for its Mexican operations.
 - Installation of solar panels to power pumps for water wells for a school in the community near San Agustin.
 - Donation of school and craft supplies to children and youth in the community near El Castillo.
 - Sponsored the Minnovacion event in the municipality of La Colorada, which included an innovative collaboration with a well known local photographer showcasing the La Colorada mine in contrast to dancers in a project called "Contrastes", an exhibit inaugurated by the Governor of Sonora.
 - Assisted in road repairs for the local community church in Cerro del Gallo.
 - Continued meetings and monthly updates for the Magino construction project with the Indigenous community leaders.
- El Castillo
 - Production of 48,861 GEOs for the year, an increase of 6% compared to 2020.
- San Agustin
 - Production of 74,116 GEOs for the year, an increase of 16% compared to 2020.
 - Declared initial sulphide inferred Mineral Resource, which has the potential to extend mine life by six to ten years with further drilling and metallurgical work.
 - Zero lost time accidents in 2021.
- La Colorada
 - Production of 66,964 GEOs for the year, an increase of 44% compared to 2020.
 - Reduction in cash cost per gold ounce sold of 22% in 2021 compared to 2020 (This is a Non-IFRS Measure; please see "Non-IFRS Measures" section).
 - Discovered high-grade gold mineralization below the El Crestón pit.
 - Year-over-year 68% reduction in LTIFR annual rate.
- Florida Canyon
 - Production of 54,215 GEOs for the year.
 - Received Air Quality permit modification and installed new conveying and stacking system.
- Magino
 - **Construction**
 - Commenced construction and provided monthly newsletter updates detailing construction highlights. Major milestones included:
 - Placed orders on long lead time components;
 - Logged project area;
 - Constructed camp facilities;

- Made significant progress at process facility site;
 - Made significant progress at Tailings Management Facility;
 - Commenced open pit mining to generate waste rock;
 - Made significant progress at Water Quality Control Pond;
 - Commenced fish habitat work; and
 - Continued operational readiness preparation.
- During Q4 2021 and year ended December 31, 2021, Argonaut incurred \$65.6 million and \$236.8 million in capital costs, respectively, related to construction of the Magino project. Of this amount incurred, the majority was for securing long lead time components for the mineral processing plant and for site development, camp construction and earthworks.
- **Exploration**
 - Continue to discover high-grade gold mineralization in six distinct zones below and adjacent to the planned pit: Elbow, Central, Scotland, #42, Sandy and South.
- Announced updated technical report results (see press release dated February 14, 2022).

DESCRIPTION OF BUSINESS AND NATURE OF OPERATIONS

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, 2021, 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 Gold Inc. (“Alio”). Through the acquisition, the Company acquired the Florida Canyon mine and the Ana Paula project. The Ana Paula project was a disposal group classified as assets held for sale as at December 31, 2020 and its results from operations were included in discontinued operations for the year ended December 31, 2020 and was re-presented as a part of continuing operations as at and for the year ended December 31, 2021 (see “Discussion of operations” section).

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 consolidated financial statements, which have been prepared in accordance with IFRS, for the years noted:

	2021	2020	2019
Revenue (\$000s)	\$ 436,911	\$ 319,692	\$ 268,885
Inventory reversal (write-down) (\$000s)	\$ 2,693	\$ 1,611	\$ (27,464)
Mineral properties, plant and equipment (impairment) reversal (\$000s)	\$ (64,877)	\$ 6,251	\$ (111,291)
Net income (loss) (\$000s)	\$ 26,529	\$ 14,211	\$ (93,092)
Earnings (loss) per share - basic	\$0.09	\$0.06	\$(0.52)
Earnings (loss) per share - diluted	\$0.08	\$0.06	\$(0.52)
Total assets (\$000s)	\$ 1,269,327	\$ 1,053,410	\$ 606,625
Long-term liabilities (\$000s)	\$ 267,877	\$ 186,823	\$ 34,687
Gold ounces sold	233,349	172,024	187,802
GEOs produced	244,156	179,003	186,615
Average realized gold price per ounce	\$ 1,791	\$ 1,789	\$ 1,390
Cash cost per gold ounce sold ⁽¹⁾	\$ 1,006	\$ 946	\$ 1,041
Dividends declared per share	Nil	Nil	Nil

⁽¹⁾ This is a Non-IFRS Measure; please 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 (This is a Non-IFRS Measure; please see “Non-IFRS Measures” section) and any unusual matters including impairment (write-downs) reversals of mineral properties, plant and equipment and inventories.

SUMMARY OF QUARTERLY RESULTS

The following table sets forth quarterly financial information extracted from audited consolidated financial statements and unaudited consolidated financial statements for each of the eight most recent quarters:

	2021 Q4	2021 Q3	2021 Q2	2021 Q1	2020 Q4 ⁽²⁾	2020 Q3 ⁽²⁾	2020 Q2 ⁽²⁾	2020 Q1
Revenue (\$000s)	\$ 102,870	\$ 108,580	\$ 120,194	\$ 105,267	\$ 100,804	\$ 94,382	\$ 57,956	\$ 66,550
Inventory reversal (write-down) (\$000s)	\$ 540	\$ 233	\$ (236)	\$ 2,156	\$ 191	\$ 1,942	\$ (602)	\$ 80
(Impairment) reversal of mineral properties, plant and equipment (\$000s)	\$ (64,877)	\$ —	\$ —	\$ —	\$ 311	\$ 5,940	\$ —	\$ —
Net (loss) income (\$000s)	\$ (37,252)	\$ 14,996	\$ 21,778	\$ 27,007	\$ 18,007	\$ 13,435	\$ (7,702)	\$ (9,529)
(Loss) earnings per share - basic and diluted	\$ (0.12)	\$ 0.05	\$ 0.07	\$ 0.09	\$ 0.06	\$ 0.05	\$ (0.04)	\$ (0.05)
Gold ounces sold	55,094	58,528	63,000	56,727	51,497	47,651	32,707	40,169
Average realized gold price per ounce	\$ 1,799	\$ 1,789	\$ 1,812	\$ 1,761	\$ 1,882	\$ 1,915	\$ 1,713	\$ 1,585
Cash cost per gold ounce sold ⁽¹⁾	\$ 1,172	\$ 992	\$ 876	\$ 1,003	\$ 913	\$ 1,008	\$ 885	\$ 967

⁽¹⁾ This is a Non-IFRS Measure; please see “Non-IFRS Measures” section.

⁽²⁾ Cash cost per gold ounce sold for was adjusted slightly to reflect an immaterial adjustment due to non-cash impairment write-downs related to the net realizable value of work-in-process inventory.

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 (This is a Non-IFRS Measure; please see “Non-IFRS Measures” section) and any unusual matters. The quarterly year-over-year increase in revenue of \$2.1 million for Q4 2021 was primarily due to an increase in gold ounces sold of 55,095 during Q4 2021, compared to 51,497 during Q4 2020, resulting in an increase in revenue of \$6.8 million, offset by a lower average realized gold price of \$1,799 for Q4 2021, compared to \$1,882 for Q4 2020, resulting in a decrease in revenue of \$4.6 million. The increase in gold ounces sold was due to increased production primarily due to higher grade ore processed at the La Colorada mine.

The net loss for Q4 2021 was \$37.3 million compared to net income of \$18.0 million for Q4 2020. The difference was primarily due to an increase in impairment of mineral properties, plant and equipment of \$64.9 million in Q4 2021 compared to \$0.3 million in Q4 2020, a lower average realized gold price of \$1,799 in Q4 2021 compared to \$1,882 in Q4 2020, a higher cash cost per gold ounce sold of \$1,172 in Q4 2021 compared to a cash cost of gold ounce sold of \$913 in Q4 2020 (This is a Non-IFRS Measure; please see “Non-IFRS Measures” section), offset by a 3,598 ounce increase in gold ounces sold, an income tax recovery of \$13.1 million compared to \$2.3 million expense in the same period of 2020, a \$2.9 million gain on derivatives compared to a \$2.2 million loss on derivatives in Q4 2020, and other income of \$1.1 million in Q4 2021 compared to other expense of \$4.2 million in Q4 2020 which primarily relates to changes in the foreign exchange rate of the Mexican Peso.

In Q4 2021, a non-cash impairment of mineral properties, plant and equipment of \$64.9 million was recorded primarily due to a non-cash impairment of \$57.5 million at the Florida Canyon mine related to increases in operating costs and changes in recovery rate assumptions. Additionally, \$7.3 million of non-cash impairment was recorded upon the reclassification of the Ana Paula project as no longer an asset held for sale.

DISCUSSION OF OPERATIONS

Expressed in \$000s	Three months ended December 31,		Year Ended December 31,	
	2021	2020 ⁽¹⁾	2021	2020 ⁽¹⁾
Revenue	\$ 102,870	\$ 100,804	\$ 436,911	\$ 319,692
Cost of sales				
Production costs	68,278	50,937	253,750	174,622
Depreciation, depletion and amortization	17,314	17,252	71,494	50,683
Reversal of inventory write-down	(540)	(191)	(2,693)	(1,611)
Total cost of sales	85,052	67,998	322,551	223,694
Gross profit	17,818	32,806	114,360	95,998
Exploration expenses	1,063	613	4,315	2,063
General and administrative expenses	5,411	3,548	18,130	14,455
Other operating expense	413	1,209	413	1,209
Care and maintenance expenses	—	—	—	8,201
Transaction costs on acquisition	—	—	—	4,604
Impairment (reversal) of mineral properties, plant and equipment	64,877	(311)	64,877	(6,251)
(Loss) profit from operations	(53,946)	27,747	26,625	71,717
Finance income	331	601	1,233	920
Finance expenses	(686)	(1,654)	(2,838)	(3,329)
Gains (losses) on derivatives	2,909	(2,179)	17,207	(25,415)
Other income (expense)	1,078	(4,185)	309	(3,526)
(Loss) income before income taxes	(50,314)	20,330	42,536	40,367
Current income tax expense (recovery)	6,618	(4,193)	34,812	11,931
Deferred income tax (recovery) expense	(19,680)	6,516	(18,805)	14,225
Net (loss) income for the period	\$ (37,252)	\$ 18,007	\$ 26,529	\$ 14,211

⁽¹⁾ Expenses of \$2,265 and \$3,719 related to the Ana Paula project disposal group incurred during Q4 2020 and the year ended December 31, 2020, respectively, have been re-presented as a part of continuing operations within the consolidated statements of income, for comparative purposes (see note 6 of the Company's audited consolidated financial statements for the year ended December 31, 2021).

For the three months ended December 31, 2021, as compared to the three months ended December 31, 2020

Revenue for Q4 2021 was \$102.9 million, an increase from \$100.8 million for Q4 2020. During Q4 2021, gold ounces sold totaled 55,094 at an average realized price per ounce of \$1,799, compared to 51,497 gold ounces sold at an average price per ounce of \$1,882 during the same period of 2020. Gold ounces sold for Q4 2021 increased compared to the same period in 2020 primarily due to a change in the timing of gold ounces sold versus gold ounces produced and higher grade ore processed, which resulted in greater ounces produced at the La Colorada mine.

Production costs for Q4 2021 were \$68.3 million, an increase from \$50.9 million in Q4 2020, primarily due to the increase in gold ounces sold, a production adjustment at the Florida Canyon mine and overall higher mining costs. Cash cost per gold ounce sold (This is a Non-IFRS Measure; please see "Non-IFRS Measures" section) was \$1,172 in Q4 2021, an increase from \$913 in the same period of 2020, primarily due to the increase in cash costs at each of the Company's mines as disclosed further in the discussion of operations for the respective mine. Depreciation, depletion and amortization ("DD&A") included in cost of sales for Q4 2021 totaled \$17.3 million, comparable to \$17.3 million in Q4 2020.

General and administrative expenses for Q4 2021 were \$5.4 million, an increase from \$3.5 million for the same period of 2020 primarily due to severance costs related to the former CEO and other personnel related costs.

Other operating expense for Q4 2021 was \$0.4 million, compared to other operating expense of \$1.2 million in Q4 2020, primarily due to lower estimated reclamation costs associated with areas where mining activities have ceased in Q4 2021 as compared to Q4 2020.

Impairment of mineral properties, plant and equipment for Q4 2021 was \$64.9 million, compared to an impairment reversal of mineral properties, plant and equipment of \$0.3 million in Q4 2020, primarily due to a non-cash impairment of \$57.5 million at the Florida Canyon mine related to increases in operating costs and changes in recovery rate assumptions. Additionally, the Company recorded a \$7.3 million non-cash impairment related to the Ana Paula project (see “Critical Accounting Estimates - Impairment (Impairment reversal) of non-current assets” section of this MD&A).

Gain on derivatives for Q4 2021 was \$2.9 million, compared to a loss of \$2.2 million in Q4 2020. The \$2.9 million gain in Q4 2021 was primarily due to a \$2.9 million reversal of prior period unrealized losses on the change in fair value of the derivative liability component of the convertible debentures and a \$0.9 million reversal of prior period unrealized losses, offset by \$0.9 million in realized losses on the Company’s zero-cost collar commodity derivative contracts (see “Financial Instruments and Risks - Commodity derivative contracts” section of this MD&A).

Other income for Q4 2021 was \$1.1 million, compared to other expense of \$4.2 million in Q4 2020. Other income for Q4 2021 was primarily due to \$0.2 million in foreign exchange gains and \$0.3 million in unrealized gains on marketable securities. Other expense in Q4 2020 was primarily due to \$3.1 million in foreign exchange losses related to the weakening of the Mexican Peso.

Income tax recovery for Q4 2021 was \$13.1 million compared to \$2.3 million expense in the same period of 2020. The change was primarily driven by a deferred tax recovery in Q4 2021 of \$19.7 million compared to deferred tax expense in the same period of 2020 of \$6.5 million, offset by \$6.6 million in current income tax expense in Q4 2021 compared to current income tax recovery of \$4.2 million in the same period of 2020. The deferred tax recovery in Q4 2021 of \$19.7 million was mostly due to a \$12.1 million reduction in the deferred tax liability related to the impairment booked at the Florida Canyon mine, which decreased the temporary book tax difference of mineral property plant and equipment, and \$5.0 million in amortization of flow-through share premium liability.

Net loss for Q4 2021 was \$37.3 million or \$0.12 per share compared to net income of \$18.0 million or \$0.07 per basic or diluted share for Q4 2020.

For the year ended December 31, 2021, as compared to the year ended December 31, 2020

Revenue for 2021 was \$436.9 million, an increase from \$319.7 million for 2020. During 2021, gold ounces sold totaled 233,349 at an average realized price per ounce of \$1,791, compared to 172,024 gold ounces sold at an average realized price per ounce of \$1,789 during 2020. Gold ounces sold for 2021 increased compared to 2020 primarily due to the addition of the gold ounces sold from the Florida Canyon mine (acquired effective July 1, 2020), higher gold grade at the La Colorada mine, and both leach pad improvements and the addition of the Merrill-Crowe recovery plant in Q4 2020 at the San Agustin mine. All Mexican mines were also impacted in 2020 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 2021 were \$253.8 million, an increase from \$174.6 million in 2020 primarily due to the addition of the gold ounces from the Florida Canyon mine, a large increase in gold ounces sold, and an increase in cash cost per gold ounce sold (This is a Non-IFRS Measure; please see “Non-IFRS Measures” section). Cash cost per gold ounce sold was \$1,006 in 2021, an increase from \$946 in 2020 primarily due to the increase in cash costs at the El Castillo mining complex and at the Florida Canyon mine (acquired effective July 1, 2020), as disclosed further in the discussion of operations for the respective mine. DD&A expense included in cost of sales for 2021

totaled \$71.5 million, an increase from \$50.7 million in 2020, due to the increase in gold ounces sold, as many of the mining assets are amortized on a unit-of-production basis.

General and administrative expenses for 2021 were \$18.1 million, an increase from \$14.5 million in 2020 primarily due to personnel related costs.

Transaction costs on acquisition for 2021 were \$nil compared to \$4.6 million for 2020 related to the Alio acquisition.

Care and maintenance expenses for 2021 were \$nil compared to \$8.2 million for 2020. 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.

Other operating expense for 2021 was \$0.4 million, compared to other operating expense of \$1.2 million in 2020, primarily due to lower estimated reclamation costs associated with areas where mining activities have ceased in 2021 as compared to 2020.

Impairment of mineral properties, plant and equipment for 2021 was \$64.9 million, compared to an impairment reversal of mineral properties, plant and equipment \$6.3 million in 2020, primarily due to a non-cash impairment of \$57.5 million at the Florida Canyon mine related to increases in operating costs and changes in recovery rate assumptions. Additionally, a \$7.3 million non-cash impairment was recorded upon the reclassification of the Ana Paula project as no longer an asset held for sale (see “Critical Accounting Estimates - Impairment (Impairment reversal) of non-current assets” section of this MD&A). 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.

Gain on derivatives for 2021 was \$17.2 million, compared to a loss of \$25.4 million in 2020. The \$17.2 million gain in 2021 was primarily due to \$16.4 million in reversal of prior period unrealized losses, offset by \$3.8 million in realized losses on the Company’s zero-cost collar commodity derivative contracts (see “Financial Instruments and Risks - Commodity derivative contracts” section of this MD&A). Additionally, the gain on derivatives in 2021 included \$4.6 million in reversal of prior period unrealized losses on the change in fair value of the derivative liability component of the convertible debentures.

Other income for 2021 was \$0.3 million, an increase from other expense of \$3.5 million in 2020, primarily related to a \$2.3 million gain on the sale of a 2.5% net smelter return royalty, a \$1.8 million gain on the settlement of receivables from the acquisition of Alio, offset by \$2.8 million of foreign exchange losses and \$2.0 million in unrealized losses on marketable securities.

Income tax expense for 2021 was \$16.0 million, compared to \$26.2 million in 2020. The change was primarily due to a \$22.9 million increase in current income tax expense, due to higher taxable income during 2021 compared to 2020 in tax jurisdictions where the Company no longer has net operating loss carryforwards, offset by a \$33.0 million decrease in deferred income tax expense (recovery) mostly related to temporary book tax differences for the operating mines. The deferred tax recovery in 2021 of \$18.8 million was mostly due to \$12.1 million in reduction of the deferred tax liability related to the impairment booked at the Florida Canyon mine, which decreased the temporary book tax difference of mineral property, plant and equipment, and \$5.0 million in amortization of flow-through share premium liability.

Net income was \$26.5 million or \$0.09 per basic share or \$0.08 per diluted share for 2021 compared to net income of \$14.2 million or \$0.06 per basic or diluted share in 2020.

El Castillo Mining Complex

Operating Statistics for the El Castillo Mine	Three months ended December 31,		Year Ended December 31,	
	2021	2020	2021	2020
Tonnes ore (000s)	2,116	2,910	9,159	8,608
Tonnes waste (000s)	2,752	3,107	10,220	9,531
Tonnes mined (000s)	4,868	6,017	19,379	18,139
Waste/ore ratio	1.30	1.07	1.12	1.11
Tonnes ore direct to leach pads (000s)	2,125	2,911	9,168	8,420
Tonnes crushed (000s)	—	—	—	340
Gold grade to leach pads (g/t)	0.32	0.25	0.28	0.37
Contained gold ounces to leach pads	22,034	23,148	83,638	105,286
Gold ounces produced	12,313	12,390	48,131	45,305
Gold ounces sold	11,066	9,863	47,755	43,815
Cash cost per gold ounce sold (This is a Non-IFRS Measure; please see “Non-IFRS Measures” section) ⁽¹⁾	\$ 1,081	\$ 891	\$ 1,099	\$ 946

⁽¹⁾ Cash cost per gold ounce sold for 2020 was adjusted slightly to reflect an immaterial adjustment due to non-cash impairment write-downs related to the net realizable value of work-in-process inventory.

During Q4 2021, the Company mined 4.9 million tonnes including 2.1 million tonnes of ore from the El Castillo mine. During the same period, the El Castillo mine loaded 2.1 million tonnes to the leach pads, which resulted in an estimated 22,034 contained gold ounces. During Q4 2021, the El Castillo mine produced 12,313 gold ounces, compared to 12,390 gold ounces for Q4 2020. The El Castillo mine sold 11,066 gold ounces during Q4 2021, compared to 9,863 gold ounces during Q4 2020. The decrease in tonnes ore direct to the leach pads was anticipated as mining areas narrowed, geological fault issues reduced available mining areas, and due to lower equipment availability. The increase in gold ounces sold was primarily due to the timing of gold ounces sold versus gold ounces produced. Cash cost per gold ounce sold (This is a Non-IFRS Measure; please see “Non-IFRS Measures” section) for Q4 2021 was \$1,081, an increase from \$891 for Q4 2020 primarily due to the increased strip ratio and increased mining and processing costs.

During 2021, the Company mined 19.4 million tonnes including 9.2 million tonnes of ore from the El Castillo mine. During the same period, the El Castillo mine loaded 9.2 million tonnes to the leach pads during 2021, which resulted in an estimated 83,638 contained gold ounces. The increase in tonnes ore direct to the leach pads for 2021, as compared to the same period of 2020, was due to the temporary suspension in mining activities in 2020 offset by lower tonnes mined during operations in 2021. During 2021, the El Castillo mine produced 48,131 gold ounces, compared to 45,305 for 2020. Production during 2021 as compared to 2020 was slightly higher as a result of higher recovery rates for materials placed in 2021, the temporary suspension in mining activities in 2020, additional ounces from the re-leach program, offset by higher gold grades mined in 2020. The El Castillo mine sold 47,755 gold ounces during 2021 at a cash cost per gold ounce sold (This is a Non-IFRS Measure; please see “Non-IFRS Measures” section) of \$1,099, compared to 43,815 gold ounces at a cash cost per gold ounce sold of \$946 for 2020. The increase in cash cost per gold ounce sold over the comparable period of 2020 was primarily related to increased mining and processing costs offset in part by better recoveries for materials placed.

Capital expenditures at the El Castillo mine during Q4 2021 and the year ended December 31, 2021 were \$4.6 million and \$10.9 million, respectively, primarily related to capital stripping. In addition to the above capital expenditures, during Q4 2021 and the year ended December 31, 2021, there were \$0.7 million and \$2.5 million, respectively, of 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,	
	2021	2020	2021	2020
Tonnes ore (000s)	2,815	2,807	11,001	9,261
Tonnes waste (000s)	1,834	1,904	6,865	6,171
Tonnes mined (000s)	4,649	4,711	17,866	15,432
Waste/ore ratio	0.65	0.68	0.62	0.67
Tonnes crushed (000s)	2,627	2,888	11,210	9,428
Gold grade to leach pads (g/t)	0.30	0.31	0.30	0.32
Contained gold ounces to leach pads	25,485	28,778	106,783	98,431
Gold ounces produced	16,498	17,265	68,132	59,695
Gold ounces sold	15,672	16,124	68,778	58,189
Silver ounces produced	111,451	108,553	508,661	333,713
Silver ounces sold	103,585	98,029	499,366	324,576
GEOs produced (2021 - 85:1 ratio; 2020 - 80:1 ratio)	17,809	18,621	74,116	63,866
GEOs sold (2021 - 85:1 ratio; 2020 - 80:1 ratio)	16,891	17,349	74,653	62,246
Cash cost per gold ounce sold (This is a Non-IFRS Measure; please see “Non-IFRS Measures” section)	\$ 1,060	\$ 765	\$ 915	\$ 780

During Q4 2021, the Company mined 4.6 million tonnes including 2.8 million tonnes of ore from the San Agustin mine. During the same period, the San Agustin mine loaded 2.6 million tonnes to the leach pads, which resulted in an estimated 25,485 contained gold ounces. Ore tonnes mined, crushed and stacked were similar during Q4 2021 compared to Q4 2020. During Q4 2021, the San Agustin mine produced 16,498 gold ounces and 111,451 silver ounces, or 17,809 GEOs, a decrease from 17,265 gold ounces and 108,553 silver ounces, or 18,621 GEOs, in Q4 2020 mostly due to lower contained ounces being placed on the pads primarily as a result of lower tonnes being crushed and stacked. The San Agustin mine sold 15,672 gold ounces during Q4 2021, compared to 16,124 gold ounces during Q4 2020. Cash cost per gold ounce sold for Q4 2021 was \$1,060 (This is a Non-IFRS Measure; please see “Non-IFRS Measures” section), an increase from the \$765 for Q4 2020 primarily due to lower grade ore processed and higher mining costs per tonne.

During 2021, the Company mined 17.9 million tonnes including 11.0 million tonnes of ore from the San Agustin mine. During the same period, the San Agustin mine loaded 11.2 million tonnes to the leach pads, which resulted in an estimated 106,783 contained gold ounces. During 2021, the San Agustin mine produced 68,132 gold ounces and 508,661 silver ounces or 74,116 GEOs. Ore tonnes mined and crushed during 2021 increased compared to 2020 as a result of the temporary suspension in mining activities in 2020. The San Agustin mine sold 68,778 gold ounces during 2021 at a cash cost per gold ounce sold of \$915 (This is a Non-IFRS Measure; please see “Non-IFRS Measures” section), compared to 58,189 gold ounces at a cash cost per gold ounce sold of \$780 for 2020. The increase in cash cost per gold ounce sold was primarily due to increased mining costs and lower gold grades in 2021, partially offset by a lower strip ratio.

Capital expenditures at the San Agustin mine during Q4 2021 and the year ended December 31, 2021 were \$6.4 million and \$11.0 million, respectively, primarily related to leach pad construction and the purchase of key mineral concessions.

La Colorado Mine

Operating Statistics	Three months ended December 31,		Year Ended December 31,	
	2021	2020	2021	2020
Tonnes ore (000s)	1,233	1,363	4,834	4,019
Tonnes waste (000s)	3,228	3,974	11,389	14,303
Tonnes mined (000s)	4,461	5,337	16,223	18,322
Waste/ore ratio	2.62	2.92	2.36	3.56
Tonnes crushed (000s)	1,246	1,332	5,014	4,058
Gold grade to leach pads (g/t)	0.54	0.45	0.63	0.43
Contained gold ounces to leach pads	21,726	19,872	101,146	56,274
Gold ounces produced	16,885	14,045	64,860	44,340
Gold ounces sold	15,825	14,049	62,486	44,820
Silver ounces produced	40,174	36,570	178,821	162,499
Silver ounces sold	36,635	39,105	169,634	161,644
GEOs produced (2021 - 85:1 ratio; 2020 - 80:1 ratio)	17,358	14,502	66,964	46,371
GEOs sold (2021 - 85:1 ratio; 2020 - 80:1 ratio)	16,256	14,538	64,482	46,841
Cash cost per gold ounce sold (This is a Non-IFRS Measure; please see “Non-IFRS Measures” section)	\$ 869	\$ 756	\$ 730	\$ 937

During Q4 2021, the Company mined 4.5 million tonnes including 1.2 million tonnes of ore from the La Colorado mine. During the same period, the La Colorado mine loaded 1.2 million tonnes to the leach pads, which resulted in an estimated 21,726 contained gold ounces. Total ore tonnes mined, crushed and stacked were similar during Q4 2021 compared to Q4 2020. Total waste tonnes decreased from 4.0 million in Q4 2020 to 3.2 million in Q4 2021 primarily due to a change in the mine plan. During Q4 2021, the La Colorado mine produced 16,885 gold ounces and 40,174 silver ounces, or 17,358 GEOs, compared to 14,045 gold ounces and 36,570 silver ounces, or 14,502 GEOs for Q4 2020. The La Colorado mine sold 15,825 gold ounces in Q4 2021 compared to 14,049 gold ounces in Q4 2020. Gold ounces produced and sold during Q4 2021 increased primarily due to increased grade and better recoveries. Cash cost per gold ounce sold for Q4 2021 was \$869 (This is a Non-IFRS Measure; please see “Non-IFRS Measures” section), an increase from \$756 for Q4 2020 primarily related to a lower tax credit on diesel consumption in Q4 2021, partially offset by higher recoveries.

During 2021, the Company mined 16.2 million tonnes containing 4.8 million tonnes of ore from the La Colorado mine. During the same period, the La Colorado mine loaded 5.0 million tonnes to the leach pads during 2021, which resulted in an estimated 101,146 contained gold ounces. The La Colorado mine produced 64,860 gold ounces and 178,821 silver ounces, or 66,964 GEOs, during 2021. Higher ore tonnes mined and production during 2021, as compared to 2020, was primarily a result of the temporary suspension in mining activities in 2020 and increased gold grades in 2021, offset by lower recoveries. Total waste tonnes decreased to 11.4 million in 2021 from 14.3 million in 2020 primarily due to a change in the mine plan. The La Colorado mine sold 62,486 gold ounces in 2021 at a cash cost per gold ounce sold of \$730 (This is a Non-IFRS Measure; please see “Non-IFRS Measures” section), compared to 44,820 gold ounces sold at a cash cost per gold ounce sold of \$937 for 2020. The decrease in cash cost per gold ounce sold over the comparable period of 2020 was primarily related to a lower strip ratio and increased grade, offset by lower recoveries.

Capital expenditures at the La Colorado mine during Q4 2021 and the year ended December 31, 2021 were \$1.5 million and \$5.8 million, respectively, primarily for capital stripping, exploration and mining equipment.

Florida Canyon Mine

Operating Statistics for the Florida Canyon Mine ⁽¹⁾	Three months ended December 31,		Year Ended December 31,
	2021	2020	2021
Tonnes ore (000s)	1,845	2,251	8,475
Tonnes waste (000s)	2,687	3,060	12,274
Tonnes mined (000s)	4,532	5,311	20,749
Waste/ore ratio	1.46	1.36	1.45
Tonnes ore direct to leach pads (000s)	181	302	1,574
Tonnes crushed (000s)	1,522	1,965	6,786
Gold grade to leach pads (g/t)	0.35	0.29	0.33
Contained gold ounces to leach pads	18,947	21,484	89,584
Gold ounces produced	14,205	11,202	53,889
Gold ounces sold	12,531	11,461	54,330
Silver ounces produced	8,159	7,356	27,681
Silver ounces sold	8,040	7,109	32,147
GEOs produced (2021 - 85:1 ratio)	14,301	11,294	54,215
GEOs sold (2021 - 85:1 ratio)	12,625	11,550	54,708
Cash cost per gold ounce sold (This is a Non-IFRS Measure; please see “Non-IFRS Measures” section)	\$ 1,774	\$ 1,335	\$ 1,356

⁽¹⁾ Comparative information prior to July 1, 2020 has not been included due to the Florida Canyon mine being acquired by the Company as part of the Alio acquisition effective July 1, 2020.

During Q4 2021, the Company mined 4.5 million tonnes including 1.8 million tonnes of ore from the Florida Canyon mine. During the same period, the Florida Canyon mine loaded 1.7 million tonnes to the leach pads, which resulted in an estimated 18,947 contained gold ounces, compared to 2.3 million tonnes and 21,484 contained ounces in Q4 2020. The decrease in tonnes loaded onto the leach pads is due to longer hauling distances and equipment availability issues. The Florida Canyon mine produced 14,205 gold ounces and 8,159 silver ounces, or 14,301 GEOs, an increase from 11,202 gold ounces and 7,356 silver ounces, or 11,294 GEOs in Q4 2020. The Florida Canyon mine sold 12,531 gold ounces during Q4 2021, compared to 11,461 gold ounces sold during Q4 2020. The increase in gold ounces produced during Q4 2021 is primarily due to higher gold grades as well as a production adjustment, offset by lower tonnes and ounces loaded to pads. Cash cost per gold ounce sold was \$1,774 (This is a Non-IFRS Measure; please see “Non-IFRS Measures” section), an increase from \$1,335 for Q4 2020 primarily due to the year-to-date production adjustment recorded in Q4 2021, higher mining costs, and lower tonnes placed during the quarter.

The Florida Canyon mine, similar to other heap leach mines, calculates its daily production based on samples taken from the effluent at the bottom of the leach pads. These samples are used to estimate the monthly produced ounces. For the El Castillo mine, the San Agustin mine and the La Colorada mine, this information is then reconciled with other known information, including inventory and sales, to obtain the adjusted production number reported at the end of each month. The Florida Canyon mine did not previously have this process in place, but has adopted it as of Q4 2021. As this reconciliation was not calculated monthly throughout 2021, the full 2021 adjustment to produced gold ounces was recognized during Q4 2021. As a result of the adjustment, additional costs were recognized in Q4 2021 that would have been recognized in prior quarters of 2021. Since the number of gold ounces sold does not change, the cash cost per gold ounce sold was affected (This is a Non-IFRS Measure; please see “Non-IFRS Measures” section). The resulting higher costs appear abnormal for the quarter, but when compared to the full year 2021, appear reasonable and consistent with expectations.

During 2021, the Company mined 20.7 million tonnes containing 8.5 million tonnes of ore from the Florida Canyon mine. During the same period, the Florida Canyon mine loaded 8.4 million tonnes to the leach pads during 2021,

which resulted in an estimated 89,584 contained gold ounces. The Florida Canyon mine produced 53,889 gold ounces and 27,681 silver ounces, or 54,215 GEOs, during 2021. The Florida Canyon mine sold 54,330 gold ounces in 2021 at a cash cost per gold ounce sold of \$1,356 (This is a Non-IFRS Measure; please see “Non-IFRS Measures” section).

Capital expenditures at the Florida Canyon mine during Q4 2021 and the year ended December 31, 2021 were \$5.0 million and \$29.0 million, respectively, primarily related to the new leased trucks, additional capitalized costs associated with the modification of the lease for the existing equipment in the first and second quarters of 2021, and the construction of the stack convey system that began operations in the third quarter of 2021.

Advanced Exploration and Development Projects

Magino project

Construction

In December 2021, the Company announced an updated capital estimate of \$640.0 million (CA\$800.0 million) primarily related to the impacts of cost increases, inflation, COVID-19, adjustments to the development plans and contingencies (see “Critical accounting estimates - Impairment (impairment reversal) of non-current assets” section).

In March 2021, the Company completed a private placement of common shares for gross proceeds of \$7.9 million (CA\$10.0 million) with Ausenco Engineering Canada Inc. (“Ausenco”). The Company has used the proceeds for Magino construction activities and general corporate purposes.

In February 2021, the Company completed a flow-through financing with gross proceeds of \$20.8 million (CA\$26.5 million), which have been used for development expenses on the Magino project as permitted under the Income Tax Act (Canada) to qualify as Canadian development expenditures (“CDE”).

During Q4 2021 and the year ended December 31, 2021, the Company incurred \$65.6 million and \$236.8 million in costs, respectively, related to construction of the Magino project. Of this amount incurred, the majority was for securing long lead time components for the mineral processing plant and for site development, camp construction, and earthworks.

Exploration

During Q4 2021, the Company completed an additional 17,355 meters of drilling on the high-grade targets, including 17 drill holes totaling 4,509 meters of first pass scout drilling on newly defined extensional targets for gold mineralization elsewhere on the Magino property. The Elbow Zone infill detailed definition drilling program was completed in mid-December of 2021 and the program was reduced back to four diamond drills. As of December 31, 2021, the Company has completed 148 diamond drill holes and approximately 106,945 total meters of drilling since the start-up of the exploration program in 2019.

The use of proceeds from the various financings since July 2020 are summarized as follows:

Expressed in \$ millions	Amounts raised	Incurring to December 31, 2021	Remaining	Construction Capital Estimate ⁽¹⁾
Magino Construction ⁽²⁾	\$ 180.7	\$ 260.2	\$ —	\$ 640.0
Magino Exploration ⁽³⁾	\$ 8.8	\$ 11.6	\$ —	N/A

⁽¹⁾ Upon approval in October 2020, the construction capital estimates were between \$360.0-\$380.0 million (CA\$480.0 - CA\$510.0 million) at an exchange rate of \$0.75 per CA\$1.00. On December 14, 2021, the Company announced an adjusted capital estimate of \$640.0 million (CA\$800.0 million) at an exchange rate of \$0.80 per CA\$1.00 (see “Critical accounting estimates - Impairment (impairment reversal) of non-current assets” section).

⁽²⁾ Amounts raised are a combination of \$94.5 million (CA\$126.5 million) from the equity raise in July 2020 at an exchange rate of \$0.75 per CA\$1.00, \$57.5 million from the convertible debentures raised in October 2020, \$20.8 million (CA\$26.5 million) from the February 2021 CDE flow-through financing at an exchange rate of \$0.79 per CA\$1.00, and \$7.9 million (CA\$10.0 million) from the private placement to Ausenco in March 2021 at an exchange rate of \$0.80 per CA\$1.00.

⁽³⁾ The \$8.8 million (CA\$11.5 million) was raised from the flow-through private placement in October 2020 and was spent on qualified Canadian exploration expenditures (“CEE”), 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,		Year Ended December 31,	
	2021	2020	2021	2020
Assays and geochemistry	\$ —	\$ —	\$ 0.1	\$ —
Camp costs, land costs and other	—	0.3	0.3	0.6
Technical services and personnel costs	0.3	0.3	1.2	0.6
Total	\$ 0.3	\$ 0.6	\$ 1.6	\$ 1.2

In Q3 2021, the Company received notice from SEMARNAT, the federal environmental regulatory agency in Mexico, that the mandatory time in which it has to make an environmental permit decision had expired. SEMARNAT also provided the Company with requests for additional information within this notice, and the Company is working on updating the baseline studies and preparing a new Environmental Impact Assessment (Manifiesto de Impacto Ambiental or “MIA”) for the Cerro del Gallo project.

Other Canadian Exploration

The use of proceeds from other financing are summarized as follows:

Expressed in \$ millions	Amounts raised	Incurred to December 31, 2021	Remaining
Other exploration financing ⁽¹⁾	\$ 1.4	\$ 0.7	\$ 0.7

⁽¹⁾ The \$1.4 million (CA\$1.8 million) raised is from the flow-through private placement in September 2021, to be spent on qualified CEE on one of the Company’s exploration properties in Quebec, Canada, at an exchange rate of \$0.78 per CA\$1.00.

LIQUIDITY AND CAPITAL RESOURCES

The Company’s cash and cash equivalents balance as at December 31, 2021 was \$199.2 million, as compared to \$214.2 million as at December 31, 2020. The Company’s net cash balance as at December 31, 2021 was \$119.2 million, as compared to \$214.2 million as at December 31, 2020 (This is a Non-IFRS Measure; please see “Non-IFRS Measures” section). A summary of the significant financings and certain other activities during 2021 are provided below.

Private placement

In March 2021, the Company completed a private placement of 4,255,319 common shares, issued at a price of CA\$2.35 per common share, for gross proceeds of \$7.9 million (CA\$10.0 million) with Ausenco related to the Magino project. The Company and Ausenco had previously executed a fixed-bid engineering, procurement, construction, and commission contract for the construction of the Magino processing facility and other parts of the

Magino project at which time a private placement was contemplated. The Company used the proceeds for the Magino project construction activities and general corporate purposes.

Flow-through common shares

On September 23, 2021, the Company issued 467,532 CEE flow-through common shares of the Company (“CEE Flow-Through Shares”) at a price of CA\$3.85 per share by way of private placement for gross proceeds of \$1.4 million (CA\$1.8 million). Share issuance costs of \$nil (CA\$nil) were incurred in relation to the offering, resulting in net proceeds to the Company of \$1.4 million (CA\$1.8 million). The net proceeds were bifurcated between share capital of \$1.1 million and flow-through share premium of \$0.3 million. Under the terms of this CEE Flow-Through Shares agreement, the Company agreed to incur \$1.4 million (CA\$1.8 million) of qualified CEE by December 31, 2022 and renounce those expenditures to the investors effective December 31, 2021. During 2021, the Company used \$0.7 million (CA\$0.9 million) of the proceeds to fund exploration activities in a joint operation in Quebec, Canada, and is required to incur the remainder of the expenditures before December 31, 2022. As at December 31, 2021, the remaining flow-through share premium liability was \$0.2 million (CA\$0.2 million).

In February 2021, the Company closed an offering of CDE flow-through common shares of the Company (the “CDE Flow-Through Shares”) with a syndicate of underwriters pursuant to which the underwriters purchased, on a bought deal basis, 9,379,515 CDE Flow-Through Shares at CA\$2.82 per share for total gross proceeds of \$20.8 million (CA\$26.5 million). Share issuance costs of \$1.3 million (CA\$1.7 million) were incurred in relation to the offering, resulting in net proceeds to the Company of \$19.5 million (CA\$24.8 million). The CDE Flow-Through Shares will provide the subscribers a Canadian tax deduction for qualified 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 CDE Flow-Through Shares were used on development expenses on the Magino project as permitted under the Income Tax Act (Canada) in order to qualify as CDE. The net proceeds were bifurcated between share capital of \$16.0 million and flow-through share premium of \$3.5 million. During 2021, the Company used all of the proceeds to fund development of the Magino project, achieving its development expenditure requirements and as at December 31, 2021 the remaining flow-through share premium liability was \$nil (CA\$nil).

Revolving credit facility

In October 2020, the Company amended and restated its credit agreement (the “Revolving Credit Facility” or “RCF”), with a syndicate of banks, whereby the lenders agreed to increase the amount of the RCF from \$75 million to \$100 million with an accordion feature of \$25 million (the “Amended Revolving Credit Facility” or “ARCF”). The ARCF interest rate is according to the terms described in the agreement and is on a scale ranging from London Interbank Offered Rate or an alternative benchmark rate as selected by the administrative agent (“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 ARCF was not utilized by the Company until it drew \$80.0 million in December 2021. As at December 31, 2021, the Company had utilized \$80.0 million of the ARCF (December 31, 2020 - \$nil). Subsequent to December 31, 2021, the Company exercised the accordion feature of the ARCF, making available the full \$25.0 million. The ARCF is secured by certain 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, 2021, the Company was in compliance with these covenants. At December 31, 2021, there were two letters of credit, totaling \$16,894, which were secured by the ARCF to support a reclamation obligation for the Magino project.

Magino project leases

During 2021, the Company entered into a number of lease agreements for various units of equipment at its Magino project. The lease agreements included leases for 30 units of equipment (trucks, loaders and excavators), 13 dorm

and container units, two drill rigs, an office trailer, and for a section of land and buildings. Comprehensively, the various units in the lease agreements comprise the Magino Leases. The lease terms vary in length from 13-months to 60-months and bear interest rates of 2.0% to 4.50%.

The Company valued the various lease agreements using the present value of the lease payments and buyout amounts, over the initially estimated terms of the various leases.

The initial recognition value of the leases was \$20.7 million. The Magino Leases are being amortized straight-line over the expected remaining lives of each unit down to each unit's estimated net recoverable value. For the year ended December 31, 2021, the Company capitalized depreciation on the Magino Leases of \$2.7 million.

At December 31, 2021, the lease liabilities for the Magino project leases total \$17.0 million, with \$6.1 million due within the next year.

Florida Canyon mine leases

Upon acquisition of Alio on July 1, 2020, the Company assumed a Master Services Agreement (the "Lease Agreement") to lease thirteen trucks and three loaders employed at the Florida Canyon mine site.

During 2021, the Company amended its Lease Agreement (the "Amended Lease Agreement") to enact modifications to the scope and structure of the lease including an increase to the number of trucks, for a total of seventeen trucks and three loaders (the "Equipment") and enact modifications to the interest rate and hourly fee structure found in the Lease Agreement. The hourly fees are comprehensive and include the lease charge, the service fees and the financing components.

For each unit of Equipment, the Amended 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 revaluation of the Amended Lease Agreement relating to the original Equipment resulted in a deemed increase of \$1.7 million. The value of the new trucks put into service during 2021, was determined to be \$10.8 million.

At December 31, 2021, the Company assessed the valuation of the Florida Canyon mine leases and determined that there was a \$1.2 million increase in the value of the lease liabilities due to the change in variables affecting the estimated cash flows over the remaining term of the Florida Canyon mine leases. At December 31, 2021, the lease liabilities for the Amended Lease Agreement total \$37.0 million, with \$10.9 million due within the next year.

Asset held for sale and discontinued operations

The Ana Paula project was previously classified as a disposal group held for sale as at December 31, 2020 and as discontinued operations for the year ended December 31, 2020. During 2021, the Company paused its active program to market the sale of the Ana Paula project, an exploration and evaluation asset included with the acquisition of Alio (see note 5 of the Company's audited consolidated financial statements for the year ended December 31, 2021). In accordance with IFRS 5 - *Non-current Assets Held for Sale and Discontinued Operations*, the Ana Paula project no longer meets the criteria to be classified as a disposal group held for sale as at December 31, 2021 and as a discontinued operation for the year ended December 31, 2021.

Cash Flows

Expressed in \$000s	Three months ended December 31,		Year Ended December 31,	
	2021	2020	2021	2020
Operating activities				
Cash flows from operating activities before changes in non-cash operating working capital and other items	\$ 18,330	\$ 39,542	\$124,933	\$ 95,017
Changes in non-cash operating working capital and other items	13,532	(8,074)	5,755	16,424
Net cash provided by operating activities	31,862	31,468	130,688	111,441
Investing activities				
Expenditures on mineral properties, plant and equipment	(83,227)	(34,820)	(252,069)	(63,919)
Proceeds from sale of net smelter return royalty	1,025	—	2,250	—
Receipt of receivables from acquisition	669	—	7,675	—
Cash acquired through acquisition of Alio	—	—	—	5,830
Transaction costs paid for acquisition	—	(383)	—	(3,839)
Reclamation deposits refunded	5,664	—	5,664	4,247
Other	597	386	839	400
Net cash used in investing activities	(75,272)	(34,817)	(235,641)	(57,281)
Financing activities				
Proceeds from issuance of common shares, net of share issuance costs	—	(189)	7,895	89,439
Proceeds from issuance of flow-through shares, net of share issuance costs	—	8,247	20,883	8,247
Proceeds from debt, net of issuance costs	80,000	53,958	80,000	53,958
Debt repayments	—	(22,090)	—	(28,656)
Principal element of lease payments	(4,214)	(1,834)	(13,887)	(4,467)
Payments on settlement of derivatives	(835)	(3,690)	(4,232)	(6,204)
Interest paid	(1,969)	(620)	(5,638)	(2,189)
Other	—	40	668	1,791
Net cash provided by financing activities	72,982	33,822	85,689	111,919
Effects of exchange rate changes on cash and cash equivalents	1,979	5,872	4,236	9,397
Increase (decrease) in cash and cash equivalents	31,551	36,345	(15,028)	175,476
Cash and cash equivalents, beginning of period	167,609	177,876	214,188	38,787
Cash declassified (classified) as assets held for sale	75	(33)	75	(75)
Cash and cash equivalents, end of period	\$199,235	\$214,188	\$199,235	\$214,188

For the three months ended December 31, 2021, as compared to the three months ended December 31, 2020

During Q4 2021, cash increased by \$31.6 million primarily due to \$73.0 million of cash flows provided by financing activities and \$31.9 million of cash flows provided by operations, offset by \$83.2 million of capital expenditures incurred, as compared to Q4 2020 in which cash increased by \$36.3 million due primarily to \$31.5 million of cash flows provided by 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.

Cash provided by operating activities totaled \$31.9 million in Q4 2021, as compared to \$31.5 million in Q4 2020. The increase in cash provided by operations compared to the same period last year was primarily related to a \$21.6 million increase in changes in non-cash operating working capital and other items, offset by a \$21.2 million decrease in cash flows from operating activities before changes in non-cash operating working capital and other items in Q4 2021 compared to Q4 2020. The \$21.6 million increase in changes in non-cash operating working capital and other items was mostly related to an increase in accounts payable and accrued liabilities and a decrease in inventories in Q4 2021 compared to Q4 2020. The \$21.2 million decrease in cash flows from operating activities before changes in non-cash operating working capital was primarily due to a higher cash cost per gold ounce sold and a lower average

realized gold price, offset by an increase in gold ounces sold at each of the Company's mines in Q4 2021 compared to Q4 2020.

Cash used in investing activities totaled \$75.3 million in Q4 2021, versus \$34.8 million in Q4 2020. The cash used in investing activities in Q4 2021 primarily relates to capital expenditures including \$61.8 million for Magino construction, \$14.1 million for exploration and development activities, \$2.8 million for mining equipment and crushing, \$4.0 million for deferred stripping at the El Castillo and La Colorada mines, and \$0.3 million for other capital at the Company's properties. The cash provided by investing activities in Q4 2021 also includes \$5.7 million of reclamation deposits refunded, \$1.0 million proceeds from sale of net smelter return royalty, and \$0.7 million of receipt of receivables from acquisition. The cash used in investing activities in Q4 2020 totaled \$34.8 million, primarily relates to capital expenditures including \$23.2 million for exploration and development activities, \$4.4 million for leach pad construction, \$3.9 million for deferred stripping, \$0.9 million for crushing and conveying circuit improvements and mining equipment, and \$2.4 million for other capital at the Company's properties.

Cash provided by financing activities totaled \$73.0 million in Q4 2021, as compared to \$33.8 million in cash provided by financing activities in Q4 2020. During Q4 2021, the Company received proceeds of \$80.0 million related to the drawdown of the ARCF, offset by principal payments on lease liabilities of \$4.2 million, interest payments of \$2.0 million, and derivative settlement payments of \$0.8 million. During Q4 2020, the Company received net proceeds of \$54.0 million from convertible debentures and \$8.2 million from the issuance of flow-through common shares, offset by principal repayments on debt of \$22.1 million, derivative settlement payments of \$3.7 million, principal payments on lease liabilities of \$1.8 million, and interest payments of \$0.6 million.

For the year ended December 31, 2021, as compared to the year ended December 31, 2020

During 2021, cash decreased by \$15.0 million mostly due to \$235.6 million of cash used in investing activities primarily related to capital expenditures incurred, offset by \$130.7 million of cash provided by operating activities, \$85.7 million of cash flows from financing activities, and \$4.2 million due to the change in the foreign exchange rate, as compared to 2020 in which cash increased by \$175.5 million due primarily to \$111.4 million and \$111.9 million of cash flows from operations and financing activities, respectively, offset by \$63.9 million of capital expenditures incurred.

Cash provided by operating activities totaled \$130.7 million in 2021, as compared to \$111.4 million in 2020. The increase in cash provided by operations was primarily related to a \$29.9 million increase in cash flows from operating activities before changes in non-cash operating working capital and other items, offset by a \$10.7 million decrease in changes in non-cash operating working capital and other items in 2021 compared to 2020. The \$29.9 million increase in cash flows from operating activities before changes in non-cash operating working capital and other items was mostly related to an increase in ounces sold due to the addition of the Florida Canyon mine for all of 2021, compared to only six months of 2020, and the increase in ounces sold at each of the Company's other mines, primarily due to the temporary suspension of mining activities in 2020. The \$10.7 million decrease in changes in non-cash operating working capital and other items was primarily due to an increase in inventories and receivables in 2021, offset by a decrease in accounts payable and accrued liabilities in 2021 compared to 2020.

Cash used in investing activities totaled \$235.6 million in 2021, versus \$57.3 million in 2020. The cash used in investing activities in 2021 relates to capital expenditures including \$173.5 million for Magino construction, \$44.9 million for exploration and development activities, \$13.6 million for crushing and conveying circuit improvements and mining equipment, \$12.5 million for deferred stripping at the El Castillo and La Colorada mines, \$5.1 million for leach pad construction, \$0.6 million for power capacity improvements, and \$1.8 million for other capital at the Company's properties. The cash provided by investing activities in 2021 includes \$7.7 million of receipt of receivables from acquisition, \$5.7 million of reclamation deposit refunded, and \$2.3 million of proceeds from the sale of a net smelter return royalty on the La Fortuna property that the Company had retained on the sale of this non-core exploration property in 2016. The cash used in investing activities in 2020 relates mostly to capital expenditures including \$32.9 million for exploration 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, and \$4.5 million for other capital at the Company's properties. The cash used in investing activities in 2020 also includes \$5.8 million of cash acquired through the acquisition of Alio

and \$4.2 million of reclamation deposits refunded, offset by \$3.8 million of transaction costs paid for the Alio acquisition.

Cash provided by financing activities totaled \$85.7 million in 2021, as compared to cash provided by financing activities of \$111.9 million in 2020. During 2021, the Company received proceeds of \$80.0 million related to the drawdown on the ARCF, \$20.9 million from the issuance of flow-through common shares, and \$7.9 million from a private placement with Ausenco, partially offset by principal payments on lease liabilities of \$13.9 million, interest payments of \$5.6 million, and derivative settlement payments of \$4.2 million. During 2020, the Company received net proceeds of \$89.4 million from the issuance of common shares, net proceeds of \$54.0 million from convertible debentures, \$8.2 million from the issuance of flow-through common shares 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.

Total assets increased to \$1,269.3 million as at December 31, 2021, as compared to \$1,053.4 million as at December 31, 2020, primarily due to a \$267.3 million increase in mineral properties, plant and equipment and a \$21.9 million increase in inventories, offset by a \$21.7 million decrease in deferred income tax assets, and a \$15.0 million decrease in cash and cash equivalents. Total liabilities increased to \$437.7 million as at December 31, 2021, as compared to \$281.2 million as at December 31, 2020, primarily due to draw-downs of \$80.0 million on the ARCF, a \$51.7 million increase in accounts payable and accrued liabilities of which \$38.8 million of the increase related to accounts payable and accrued liabilities for mineral properties, plant and equipment additions, a \$44.9 million increase in the reclamation provision, a \$21.6 million increase in lease liabilities, and a \$13.4 million increase income taxes payable, offset by a \$35.5 million decrease in deferred income tax liabilities and a \$16.4 million decrease in derivative liabilities. Total shareholders' equity increased to \$831.6 million as at December 31, 2021, as compared to \$772.2 million as at December 31, 2020, primarily due to \$29.4 million of shares issued, foreign currency translation effects of \$4.0 million, and net income of \$26.5 million. The foreign currency translation effects are primarily due to the strengthening of the Canadian dollar against the US dollar during 2021.

Liquidity Outlook

In April 2021, the Government of Mexico's two houses of Congress approved amendments to the country's labor and tax laws (the "Final Reform") that required many businesses to reorganize their operations in Mexico to eliminate subcontracting arrangements and require specialized service providers to register with the Mexican Labor Department. To accomplish this objective, the Final Reform includes changes to the Federal Labor Law, the Federal Tax Code, the Income Tax Law and the Value-Added Tax Law, as well as the Social Security Law and National Employee Housing Fund Law (Payroll Tax Laws). The Final Reform became effective following a transitory four-month period that expired on September 1, 2021. The Company has begun to see the effect of the Final Reform on its business operations and organization structure in Mexico, which has resulted in a slight increase in consolidated cash cost per gold ounce sold and AISC per gold ounce sold (This is a Non-IFRS Measure; please see "Non-IFRS Measures" section) in Q4 2021 and the year ended December 31, 2021. The Company expects to see this trend continue in 2022 with only a slight increase in the consolidated cash cost per gold ounce sold and AISC per gold ounce sold.

In June 2021, the governor of Nevada signed into law a bill that imposed an excise tax (the "Nevada Mining Tax") on gross revenues of State of Nevada based business entities engaged in the business of extracting gold or silver in the State of Nevada. For State of Nevada based gross revenues between \$20.0 million and \$150.0 million in any one taxable year, the Nevada Mining Tax is at a rate of 0.75%. For State of Nevada based gross revenues in excess of \$150.0 million, the Nevada Mining Tax is at a rate of 1.10%. The applicable sections of the bill became effective on July 1, 2021. The Company has begun to see a slight increase in consolidated cash cost per gold ounce sold and AISC per gold ounce sold (This is a Non-IFRS Measure; please see "Non-IFRS Measures" section) in Q4 2021 and the year ended December 31, 2021, as a result of this bill. The Company expects to see this trend continue in 2022 with only a slight increase in the consolidated cash cost per gold ounce sold and AISC per gold ounce sold.

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.

	2021 Guidance ⁽³⁾	2021 Actual	2022 Guidance
GEO production ⁽¹⁾	210,000 – 250,000	244,156	200,000 – 230,000
Cash cost per gold ounce sold ⁽²⁾	\$950 – \$1,050	\$1,006	\$1,100 – \$1,190
AISC per gold ounce sold ⁽²⁾	\$1,250 – \$1,350	\$1,311	\$1,415 – \$1,525
Capital (including exploration and excluding Magino construction capital)	\$65 million – \$75 million	\$73.3 million	See footnote (4)
Magino construction capital ⁽⁴⁾	\$245 million - \$255 million	\$236.8 million	\$340 million

⁽¹⁾ Based on a silver to gold ratio of 85:1 in 2021 and 80:1 in 2022.

⁽²⁾ This is a Non-IFRS Measure; please see "Non-IFRS Measures" section.

⁽³⁾ The guidance details are consistent with those summarized in the most recently issued MD&A, dated November 15, 2021.

⁽⁴⁾ As the Company is currently evaluating several viable financing options to fund the remainder of the Magino construction project, it intends to provide full year 2022 capital guidance after financing is secured. The largest component of the projected 2022 capital spend will be the Magino construction project, where the Company forecasts it will invest approximately \$340 million (CA\$424 million) during 2022. The 2021 guidance details are consistent with those summarized in the press release, dated December 14, 2021.

While the Magino construction project is tracking on schedule, as noted in the press release dated December 14, 2021, after a review of the impacts of cost increases, inflation, COVID-19, adjustments to the development plans and contingencies, the updated Magino estimate at completion is approximately \$640.0 million (CA\$800.0 million). During Q4 2021 and the year ended December 31, 2021, the Company incurred \$65.6 million and \$236.8 million in costs, respectively, related to the construction of the Magino project. As of December 31, 2021, approximately \$260.2 million has been invested into the project, leaving approximately \$379.8 million remaining to be invested to complete the project.

The following table summarizes the Company's payments for commitments and contractual obligations as at December 31, 2021:

Expressed in \$000s	2022	2023	2024	2025	2026	Thereafter	Total
Accounts payable and accrued liabilities	\$104,369	\$ —	\$ —	\$ —	\$ —	\$ —	\$104,369
Lease obligations	17,530	17,440	16,250	6,733	2,638	223	60,814
Land agreement obligations ⁽¹⁾⁽³⁾	1,199	1,226	1,254	1,283	805	5,888	11,655
Purchase obligations ⁽²⁾⁽³⁾	271,497	19,079	31	31	31	—	290,669
Debt ⁽⁴⁾	—	80,000	—	57,480	—	—	137,480
Reclamation provision ⁽⁵⁾	20,904	14,917	9,559	5,098	6,638	65,437	122,553
	\$415,499	\$132,662	\$ 27,094	\$ 70,625	\$ 10,112	\$ 71,548	\$727,540

⁽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 \$205.2 million for the Magino project, \$30.6 million for mining services, \$53.9 million for supplies, \$0.7 million for flow-through and \$0.3 million 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 ARCF and 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 with the exception of Magino construction capital. The Company anticipates additional financing will be required to fund the Magino construction capital anticipated for 2022. The Company anticipates it can raise cash from the sale of shares, increasing its debt leverage, or from the sale of mineral properties or other assets to meet its cash requirements. There can be no assurance that such financing can be obtained promptly and upon terms acceptable to the Company. In the event that financing is not available promptly and upon acceptable terms, the Company may need to amend or adjust its plans for construction of the Magino project. The Company's sale 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 2020 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 (primarily the Mexican peso and the Canadian dollar), interest rates, regulatory, licensing and political risks and varying levels of taxation that can impact profitability and cash flow. 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 the 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. In addition, the Company is exposed to supply chain issues including inflationary pressures in certain inputs to its exploration, development and operating activities. This is of particular impact upon its construction of the Magino project.

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 consolidated financial statements on the date such changes occur.

The Company is required to incur expenses and renounce all qualified CDE and CEE in relation to its CDE Flow-Through Shares and CEE Flow-Through Shares in favor of the subscribers. The Company renounces all expenditures to flow-through shareholders at the end of the year in which the shares are issued. As at December 31, 2021, the remaining qualified CDE to be incurred by December 31, 2021 is \$nil and the remaining qualified CEE to be incurred by December 31, 2022 is \$0.7 million.

The Company received notice of a lien and legal claim from a former contractor at the Florida Canyon mine. The plaintiff is seeking \$5.0 million in compensation for claimed work completed on the heap leach pad. The Company believes the work was not completed as intended and originally agreed upon. In response, the Company has placed a surety bond for the amount of the lien and initiated a counterclaim for \$2.0 million against the plaintiff for the work not completed on the heap leach pad. The dispute is currently in the discovery phase of proceedings. The outcome of

the claim, and the counterclaim, are not determinable at this time. Accordingly, no liability has been accrued or recognized in the Company's consolidated financial statements.

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. In March 2021, the court dismissed, in its entirety, the plaintiff's application to certify the action as a class proceeding. In April 2021, the Company received notice that the plaintiff is pursuing an appeal of the court's decision to dismiss the plaintiff's certification application. The appeal was argued in the Court of Appeal in January 2022 and the Company is currently awaiting judgment. The Company has reviewed the claim and is of the view that it is without merit. However, the outcome of the claim and the plaintiff's appeal of the court's decision on certification 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 14, 2022, the Company entered into an agreement with a syndicate of underwriters, under which the underwriters have agreed to buy on a bought deal basis by way of private placement, 3,400,000 CEE and 13,800,000 CDE flow-through common shares of the Company, at a price of CA\$2.95 per CEE Flow-Through Shares and CA\$2.54 per CDE Flow-Through Shares, for gross proceeds of approximately CA\$45.0 million. In addition, the Company has also granted the underwriters an option, exercisable up to 48 hours prior to the closing of the offering, to purchase up to an additional 15% of the number of the flow-through common shares, in the same percentages and at the same price, as initially issued pursuant to the offering. The Company intends to use the net proceeds of the offering for continued exploration and development activities at the Company's Magino project and for general corporate purposes. The offering is subject to Argonaut receiving all necessary regulatory approvals, including the approval of the Toronto Stock Exchange.

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.

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, 2020. 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, 2021 and December 31, 2020, 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, 2021 and December 31, 2020, the carrying amounts of other liabilities and debt 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.

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 consolidated statements of income. 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 5.0% as at December 31, 2021, with all the variables held constant, the Company’s marketable securities would have increased or decreased, respectively, by approximately \$0.3 million (2020 - \$0.4 million). 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 Canadian and 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 Canadian dollars, 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:

Expressed in \$000s	US dollar value of Canadian dollar balances		US dollar value of Mexican peso balances	
	2021	2020	2021	2020
Cash and cash equivalents	\$ 37,142	\$ 78,573	\$ 1,543	\$ 2,361
Marketable securities	6,049	7,998	—	—
Other receivables	1	8	279	(388)
Accounts payable and accrued liabilities	(39,587)	(3,685)	(23,017)	(17,300)
Other liabilities	—	—	(1,052)	(1,151)
	\$ 3,605	\$ 82,894	\$ (22,247)	\$ (16,478)

Based on the above net exposures as at December 31, 2021, a 10% appreciation in the Canadian dollar would result in a \$0.4 million increase in the Company's other comprehensive income for the year ended December 31, 2021 (December 31, 2020 - \$8.3 million increase in other comprehensive loss). A 10% appreciation in the Mexican peso would result in a \$2.2 million decrease in the Company's income before income taxes for the year December 31, 2021 (December 31, 2020 - \$1.6 million decrease in the Company's income before income taxes).

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, 2021, the Company had a cash balance of \$199.2 million (December 31, 2020 - \$214.2 million), an undrawn ARCF of \$45.0 million (December 31, 2020 - \$125.0 million), other current assets of \$147.1 million (December 31, 2020 - \$146.2 million) and current liabilities of \$169.8 million (December 31, 2020 \$94.4 million). The Company anticipates additional financing will be required to fund the Magino construction capital anticipated for 2022.

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 consolidated statements of income. 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. Based on the spread between the high and the low of the LIBOR rate during 2021 in which there was a 52.5% fluctuation, a relatively similar rate change would result in a nominal increase or decrease in interest expense in the consolidated statements of income. The Company does not enter into derivative contracts to manage this risk. The Company has utilized \$80.0 million of the ARCF as at December 31, 2021.

Commodity price risk

The Company is exposed to commodity price risk as its revenues are derived from the sale of precious 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

In August 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	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	Expired	51,600	January 2021 - December 2021	\$1,450
Gold call options - sold	Expired	38,700	January 2021 - December 2021	\$1,709
Gold call options - sold	Expired	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, 2021, have been recognized, on a net basis, in derivative liabilities on the consolidated statements of financial position. These derivative instruments were not designated as hedges by the Company and are fair valued at the end of each reporting period with the fair value adjustment recorded in the consolidated statements of income. The commodity contracts are valued using a Levy two moment valuation model which uses quoted observable inputs and are classified as Level 2 in the fair value hierarchy. During 2021, reversal of prior period unrealized losses of \$16.4 million (2020, unrealized losses - \$15.8) were recognized in the consolidated statements of income on the fair value of the commodity contracts. During 2021, realized losses on the commodity contracts of \$3.8 million (2020 - \$6.9 million). The current and long-term derivative liability for the outstanding commodity contract as at December 31, 2021 is \$1.3 million and \$nil, respectively.

OUTSTANDING SHARE DATA

As at December 31, 2021, the Company had 311,197,075 common shares issued and outstanding and 4,325,066 stock options, 118,770 Alio replacement options, 1,423,379 restricted share units (“RSUs”), 1,495,926 performance share units (“PSUs”) and 323,512 deferred share units (“DSUs”) granted and outstanding.

Subsequent to December 31, 2021:

- 626,760 and 75,254 stock options were exercised and expired, respectively;
- 1,576 and 1,237 Alio replacement options were forfeited and expired, respectively;
- 1,105,674 and 11,903 RSUs were granted and forfeited respectively;
- 704,173 RSUs vested and 507,964 common shares were issued, net of 196,209 RSUs that were withheld to satisfy tax withholdings;
- 687,398 and 612,149 PSUs were granted and vested, respectively, 462,397 common shares were issued, net of 149,752 PSUs that were withheld to satisfy tax withholdings;
- 327,462 DSUs were granted.

As at March 1, 2022, the Company had 312,794,196 common shares issued and outstanding and 3,623,052 stock options, 115,957 Alio replacement options, 1,812,977 RSUs, 1,571,175 PSUs and 650,974 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 expected recoverable ounces of gold on leach pads and the expected timing of recoveries in work-in-process inventory, which is also used in the determination of the cost of sales during the period. Expected recoverable ounces of gold on leach pads are determined based on the type of ore tonnes mined and placed on the leach pad, rock density, grams of gold per tonne and expected recovery rates. Management relies on internal geological and metallurgical experts to develop estimates related to expected recoverable ounces of gold on leach pads and timing of recoveries. The Company monitors the recovery of gold ounces from the leach pads and may refine its estimates based on these results. Assumptions used in the net realizable value assessment include the estimated gold price at the time of sale, remaining costs of completion to bring inventory into its saleable form and discount rate. Changes in these estimates can result in a change in the carrying amount of inventories and future cost of sales.

During 2021, the Company recognized a non-cash impairment reversal of \$2.7 million (2020 - \$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.

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 recoverable reserves and resources, metallurgical recovery estimates, and future production volumes. 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, 2021, the carrying amount of mineral properties, including assets under construction and exploration and evaluation assets, was \$784.6 million (December 31, 2020 - \$547.9 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. Recoverable amounts are determined by reference to relevant market data, discounted future cash flows, and in-situ fair value per ounce of gold equivalent mineral reserves and resources not considered in the discounted cash flow model. 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, metallurgical recovery estimates, estimated future commodity prices, future production volume, the expected future operating, capital and reclamation costs, discount rates and exchange rates. Management relies on internal geological and metallurgical experts to develop estimates of recoverable mineral reserves and resources, metallurgical recovery estimates, and future production volumes as well as expected future operating, capital and reclamation costs. 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 (see note 1 of the Company's audited consolidated financial statements for the year ended December 31, 2021). Changes in these assumptions could significantly impact the valuation of the Company's assets in the future.

During 2021, the Company recognized a non-cash impairment of mineral properties, plant and equipment of \$64.9 million (2020 - impairment reversal of \$6.3 million), as summarized in the following tables:

Expressed in \$000s	2021			
	Exploration and evaluation assets	Mineral properties	Plant and equipment	Total
Florida Canyon mine	\$ —	\$ 57,481	\$ —	\$ 57,481
Ana Paula project	7,330	—	—	7,330
Other	(606)	—	672	66
Total impairment	\$ 6,724	\$ 57,481	\$ 672	\$ 64,877

Expressed in \$000s	2020			
	Exploration and evaluation assets	Mineral properties	Plant and equipment	Total
La Colorada mine	\$ —	\$ (3,921)	\$ (2,019)	\$ (5,940)
Other	(383)	—	72	(311)
Total reversal of impairment	\$ (383)	\$ (3,921)	\$ (1,947)	\$ (6,251)

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, 2021.

Other 2020 impairment (reversal)

Other impairment (reversal) was mostly comprised of an impairment reversal related to cash received in the amount of \$383 from a third party as part of an option agreement entered into in 2020 (see note 9 of the Company's audited consolidated financial statements for the year ended December 31, 2021).

Impairment testing: 2021 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 fair value less direct costs of disposal ("FVLCD") includes the following key applicable assumptions:

- Long term and short term gold price per ounce: \$1,600 and \$1,700, respectively;
- Operating and capital costs based on budgeted and LOM costs;
- Production volume and recoveries as indicated in the LOM plans;
- In-situ value per ounce of gold equivalent mineral reserves and resources for the Magino project: \$76 per ounce; and
- Real after-tax discount rate: 5.0% for the La Colorada and Florida Canyon CGUs, and 6.0% for the Magino project CGU.

Sensitivity analysis 2021

The Company has performed a sensitivity analysis on the CGUs where an impairment or reversal was recorded. The Company assumed a 5.0% change in the long term gold price assumption, a 5.0% change in the operating cost assumption, and change in the discount rate from 5.0% to 6.0% while holding all other assumptions constant. Based on the impairment testing performed as at December 31, 2021, the sensitivity to changes in these key assumptions appear below for the Florida Canyon mine.

Expressed in \$000s	Change in recoverable amount from a 5% change in long term gold price	Change in recoverable amount from a 5% change in operating costs	Change in recoverable amount from a change in discount rate from 5% to 6%
Florida Canyon mine	\$ 35,313	\$ 31,056	\$ 6,320

The table below indicates the gold price per ounce, the discount rate, the construction capital, the in-situ value per ounce, and the percentage change in operating costs assumption which would cause the carrying values of the La Colorada mine and the Magino project CGUs to equal the recoverable amount while holding all other assumptions constant.

	Gold price per ounce required for recoverable amount to equal carrying amount	Discount rate required for recoverable amount to equal carrying amount	Construction capital required for recoverable amount to equal carrying amount (expressed in 000s) ⁽¹⁾	Percentage change in operating costs required for recoverable amount to equal carrying amount	In-situ value per ounce required for recoverable amount to equal carrying amount
La Colorada	\$ 1,533	9.49%	N/A	4.19%	N/A
Magino project	\$ 1,582	6.36%	\$ 665,577	2.10%	\$ 67

⁽¹⁾ The construction capital required for recoverable amount to equal carrying amount is \$665.6 million or CA\$832.0 million at an exchange rate of \$0.80 per CA\$1.00.

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, 2021, the carrying amount of the Company's provision for reclamation and remediation cost obligations was \$99.1 million (December 31, 2020 - \$54.2 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 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 years ended December 31, 2021 and December 31, 2020.

ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS

Accounting policies adopted

In May 2020, the International Accounting Standards Board ("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 with related costs in profit or loss. The effective date is for annual periods beginning on or after January 1, 2022, with early adoption permissible. The Company early adopted this amendment January 1, 2021 and determined that it does not have a material impact on the Company's consolidated financial statements.

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 adopted this amendment and determined that it does not have a material impact on the Company's consolidated financial statements.

Recent accounting pronouncements

In October 2020, the IASB published amendments to IAS 1 - *Presentation of Financial Statements - Classification of debt with covenants as current or non-current*. Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. As part of its amendments, the IASB has removed the requirement for a right to be unconditional and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period. A company classifies a liability as non-current if it has a right to defer settlement for at least 12 months after the reporting period. This new requirement may change how companies classify their debt. The amendments clarify how a company classifies a liability that includes a counterparty conversion option, which could be recognised as either equity or a liability separately from the liability component under IAS 32. Generally, if a

liability has any conversion options that involve a transfer of the company's own equity instruments, these would affect its classification as current or non-current. The IASB has now clarified that when classifying liabilities as current or non-current, a company can ignore only those conversion options that are recognised as equity. Therefore, companies may need to reassess the classification of liabilities that can be settled by the transfer of the company's own equity instruments. The effective date is for annual periods beginning on or after January 1, 2023, with early adoption permissible. The Company is assessing the effect of the amendments on its consolidated financial statements and the possibility of early adoption.

In May 2021, the IASB published amendments to IAS 12 - *Income Taxes*. The amendments will require companies to recognize deferred tax on particular transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The proposed amendments will typically apply to transactions such as leases for the lessee and decommissioning and restoration obligations related to assets in operation. The effective date is for annual periods beginning on or after January 1, 2023, with early adoption permissible. The Company is assessing the effect of the amendments on its consolidated financial statements and the possibility of early adoption.

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 individual performing the duties of the Company's Chief Executive Officer and the Chief Financial Officer have each evaluated the effectiveness of the Company's disclosure controls and procedures as at December 31, 2021 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 individual performing the duties of the Company's Chief Executive Officer and the Chief Financial Officer have each evaluated the effectiveness of the Company's ICFR as at December 31, 2021 and have concluded that these controls and procedures are effective.

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, 2021 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 “Adjusted net income” and “Net cash” and non-IFRS ratios including “Cash cost per gold ounce sold”, “AISC per gold ounce sold”, “Adjusted earnings per share - basic” 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 mine	Three months ended December 31,		Year Ended December 31,	
	2021	2020	2021	2020
Production costs, as reported (\$000s)	\$ 12,207	\$ 9,139	\$ 54,074	\$ 42,848
Less silver sales (\$000s)	244	349	1,578	1,379
Net cost of sales (\$000s)	\$ 11,963	\$ 8,790	\$ 52,496	\$ 41,469
Gold ounces sold	11,066	9,863	47,755	43,815
Cash cost per gold ounce sold	\$ 1,081	\$ 891	\$ 1,099	\$ 946

San Agustin mine	Three months ended December 31,		Year Ended December 31,	
	2021	2020	2021	2020
Production costs, as reported (\$000s)	\$ 19,043	\$ 14,743	\$ 75,397	\$ 52,157
Less silver sales (\$000s)	2,434	2,413	12,445	6,741
Net cost of sales (\$000s)	\$ 16,609	\$ 12,330	\$ 62,952	\$ 45,416
Gold ounces sold	15,672	16,124	68,778	58,189
Cash cost per gold ounce sold	\$ 1,060	\$ 765	\$ 915	\$ 780

La Colorada mine	Three months ended December 31,		Year Ended December 31,	
	2021	2020	2021	2020
Production costs, as reported (\$000s)	\$ 14,611	\$ 11,584	\$ 49,836	\$ 45,370
Less silver sales (\$000s)	864	968	4,225	3,382
Net cost of sales (\$000s)	\$ 13,747	\$ 10,616	\$ 45,611	\$ 41,988
Gold ounces sold	15,825	14,049	62,486	44,820
Cash cost per gold ounce sold	\$ 869	\$ 756	\$ 730	\$ 937

Florida Canyon mine	Three months ended December 31,		Year Ended December 31,	
	2021	2020	2021	2020
Production costs, as reported (\$000s)	\$ 22,417	\$ 15,471	\$ 74,443	\$ 34,247
Less silver sales (\$000s)	190	176	798	358
Net cost of sales (\$000s)	\$ 22,227	\$ 15,295	\$ 73,645	\$ 33,889
Gold ounces sold	12,531	11,461	54,330	25,199
Cash cost per gold ounce sold	\$ 1,774	\$ 1,335	\$ 1,356	\$ 1,345

All Mines	Three months ended December 31,		Year Ended December 31,	
	2021	2020	2021	2020
Production costs, as reported (\$000s)	\$ 68,278	\$ 50,937	\$ 253,750	\$ 174,622
Less silver sales (\$000s)	3,732	3,906	19,046	11,860
Net cost of sales (\$000s)	\$ 64,546	\$ 47,031	\$ 234,704	\$ 162,762
Gold ounces sold	55,094	51,497	233,349	172,024
Cash cost per gold ounce sold	\$ 1,172	\$ 913	\$ 1,006	\$ 946

AISC includes 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 AISC per gold ounce sold to the consolidated financial statements:

	Three months ended December 31,		Year Ended December 31,	
	2021	2020	2021	2020
Net cost of sales (\$000s)	\$ 64,546	\$ 47,031	\$ 234,704	\$ 162,762
General and administrative expenses (\$000s)	5,411	3,548	18,130	14,455
Exploration expenses (\$000s)	1,063	613	4,315	2,063
Accretion and other expenses (\$000s)	3,121	134	11,455	3,184
Sustaining capital expenditures (\$000s)	9,271	10,445	37,276	34,381
AISC (\$000s)	\$ 83,412	\$ 61,771	\$ 305,880	\$ 216,845
Gold ounces sold	55,094	51,497	233,349	172,024
AISC per gold ounce sold	\$ 1,514	\$ 1,200	\$ 1,311	\$ 1,261

Adjusted net income and adjusted earnings per share - basic exclude a number of temporary or one-time items described in the following table, which provides a reconciliation of adjusted net income to the consolidated financial statements:

	Three months ended December 31,		Year Ended December 31,	
	2021	2020	2021	2020
Net (loss) income, as reported (\$000s)	\$ (37,252)	\$ 18,007	\$ 26,529	\$ 14,211
Loss and comprehensive loss from discontinued operations	—	—	—	—
Impact of foreign exchange on deferred income taxes (\$000s)	(889)	(3,624)	(225)	5,629
Foreign exchange (gains) losses, net of tax (\$000s)	(258)	4,723	2,782	1,081
Reversal of inventory write-down, net of tax (\$000s)	(350)	(125)	(1,762)	(1,981)
Impairment (reversal) of mineral properties, plant and equipment, net of tax (\$000s)	52,903	(201)	52,903	(4,048)
Unrealized (gains) losses on derivatives (\$000s)	(3,776)	(1,061)	(21,015)	18,536
Care and maintenance expense (\$000s)	—	—	—	5,741
Transaction costs related to Alio acquisition, net of tax (\$000s)	—	—	—	4,604
Other operating expense, net of tax (\$000s)	356	846	356	846
Other non-operating income, net of tax (\$000s)	(511)	—	(2,432)	—
Adjusted net income (\$000s)	\$ 10,223	\$ 18,565	\$ 57,136	\$ 44,619
Weighted average number of common shares outstanding, as reported	311,196,542	293,757,980	307,975,052	233,204,334
Adjusted earnings per share - basic	\$ 0.03	\$ 0.06	\$ 0.19	\$ 0.19

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, 2021	September 30, 2021	December 31, 2020
Cash and cash equivalents (\$000s)	\$ 199,235	\$ 167,609	\$ 214,188
Debt (\$000s)	(80,000)	—	—
Net cash (\$000s)	\$ 119,235	\$ 167,609	\$ 214,188

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, 2020, available on SEDAR at www.sedar.com. The following, while not exhaustive, are important Risk Factors to consider: Construction and Start-up of New Mines; Infrastructure; Operational Risks; The Corporation may not achieve its Production Estimates; Increase in Production Costs; COVID-19 Public Health Crisis; Operations in Mexico; Safety and Security; Governmental Regulation of the Mining Industry; Commodity Price Volatility; Foreign Currency Exchange Rate Fluctuation; Permitting Risk; Mineral and Surface Rights; Rights, Licenses, Permits and Concessions; Environmental Risks and Hazards; Labour and Employment Matters; Work Stoppages or Labour Disputes; Contractors; Attracting and Retaining Talented Personnel; Local Legal, Political and Economic Factors; Use of Derivatives; The Revolving Credit Facility may present certain risks to the Corporation; Financing Requirements; Liquidity and Counterparty Risk; Recent Global Financial Conditions; Use of Ejido-owned Land; Unsettled First Nations Rights; Community Relations; Cybersecurity Risks; Security and Privacy Breaches;

Uncertainty of Exploration and Development; Uncertainty in the Estimation of Mineral Reserves and Mineral Resources; Uncertainty Relating to Mineral Resources; Fluctuations in Operating Results can cause Common Share Price Decline; Changes in Climate Conditions; Foreign Subsidiaries; Competition for Exploration, Development and Operation Rights; Contract Renegotiation; Volatility of Market for Common Shares; Foreign Private Issuer Status; Internal Control over Financial Reporting and Disclosure Controls and Procedures; Acquisitions and Integration; Undisclosed Risks and Liabilities Relating to the Alio Business Combination; 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; 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 availability and change in terms of financing, the possibility of cost overruns and unanticipated costs and expenses, the Magino construction capital estimate, the ability to finance additional construction costs on terms acceptable to Argonaut, the impact of inflation on costs of exploration, development and production, 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, La Colorada mine and Florida Canyon mine, costs of production (including cash cost per gold ounce sold, This is a Non-IFRS Measure; please 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 Gold Mine	El Castillo Gold Mine, Durango, Mexico NI 43-101 Technical Report dated February 14, 2022 (effective date of October 1, 2021)
San Agustin Gold/Silver Mine	San Agustin Gold/Silver Mine, Durango, Mexico, NI 43-101 Technical Report dated February 14, 2022 (effective date of August 1, 2021)
La Colorada Gold/Silver Mine	La Colorada Gold/Silver Mine, Sonora, Mexico, NI 43-101 Technical Report dated February 14, 2022 (effective date of October 1, 2021)
Florida Canyon Gold Mine	NI 43-101 Technical Report on Mineral Resource and Mineral Reserve Florida Canyon Gold Mine, Pershing County, Nevada, USA dated July 8, 2020 and with an effective date of June 1, 2020
Cerro del Gallo Project	Pre-Feasibility Study Technical Report on the Cerro del Gallo Project, Guanajuato, Mexico dated January 31, 2020 (effective date of October 24, 2019)

The key assumptions, parameters and methods used in the Magino technical report described in the press release dated February 14, 2022 will be further described in the full technical report being prepared for the Magino Project pursuant to NI 43-101 and will be available on www.sedar.com under Argonaut's issuer profile within 45 days from the first disclosure of the results of such report of February 14, 2022. The Company is not aware of any known legal, political, environmental or other risks that could materially affect the potential development of the Mineral Resources or Mineral Reserves beyond those contemplated in the prior technical report for Magino, as will be updated in the report to be filed.

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.