

ARGONAUT GOLD INC.

MANAGEMENT'S DISCUSSION & ANALYSIS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2015

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 August 12, 2015. All dollar amounts are expressed in United States dollars unless otherwise stated (CA\$ represents Canadian dollars). This MD&A should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements and notes thereto for the three and six months ended June 30, 2015. The financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and as applicable to interim financial statements. 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.

SECOND QUARTER AND RECENT HIGHLIGHTS

FINANCIAL HIGHLIGHTS

- Revenues of \$43.5 million in the second quarter.
- Sales of 35,321 ounces of gold in the second quarter (20,679 at El Castillo; 14,642 at La Colorada).
- Cash flow from operating activities before changes in non-cash operating working capital and other items was \$11.4 million in the second quarter.
- Production of 36,529 gold equivalent ounces ("GEO" or "GEOs") (based on a silver to gold ratio of 55:1), a 21% improvement over the second quarter of 2014.
- Cash cost per gold ounce sold of \$779 (see Non-IFRS Measures section) and all-in sustaining cost per gold ounce sold of \$909 (see Non-IFRS Measures section).
- Cash and cash equivalents of \$43.7 million at June 30, 2015, after giving effect to the final payment of \$23.2 million, including value added tax ("VAT"), to Silver Standard Resources Inc. ("Silver Standard") for the San Agustin purchase.

COMPANY HIGHLIGHTS

- Restructured operations to reflect the lower gold price environment, including reduction in site personnel and lowering cyanide concentrations in solution.

El Castillo

- Quarterly production of 21,624 GEOs.
- During the quarter, 27,954 contained gold ounces loaded on the leach pads.
- 80 thousand tonnes per day mined and 2.8 million tonnes of mineralized material placed on the heap leach pads during the quarter.
- Construction of the heap leach pads in 2015 has been completed ahead of schedule.

La Colorada

- Quarterly production of 13,948 gold ounces and 52,648 silver ounces, for 14,905 GEOs.
- During the quarter, 20,331 contained gold ounces and 417,223 contained silver ounces loaded on the heap leach pads.
- Record quarterly crusher throughput for the quarter of over 14,700 tonnes per day.
- Construction
 - The first phase of the leach pad 6 is complete and the second phase of leach pad 6 is expected to be completed during the fourth quarter of 2015.
 - Construction of leach pad 9a is 95% complete.
 - Installation of the second phase of the overland conveyor was completed.

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 the Americas. As at the date of this MD&A, the Company owns the producing El Castillo mine in the State of Durango, Mexico, the producing La Colorada mine in the State of Sonora, Mexico, the advanced exploration stage San Antonio property in the State of Baja California Sur, Mexico, the advanced exploration stage Magino property in the Province of Ontario, Canada, the advanced exploration stage San Agustin property located 10 kilometers from the El Castillo mine in the State of Durango, Mexico, and several other exploration stage projects, all of which are located in North America. The Company is pursuing a development strategy for the San Agustin project that it expects to rely upon common infrastructure with the nearby El Castillo mine. In the event that this strategy is proven out, the Company intends any future development of the San Agustin project to proceed as an extension of the El Castillo mine.

SUMMARY OF QUARTERLY RESULTS

The following table sets forth selected unaudited quarterly financial information prepared in accordance with IFRS for each of the eight most recent quarters:

	2015 Q2	2015 Q1	2014 Q4	2014 Q3	2014 Q2	2014 Q1	2013 Q4	2013 Q3
Revenue (\$000s)	\$43,532	\$50,958	\$48,959	\$37,310	\$40,943	\$39,054	\$34,604	\$42,447
Net income (loss) (\$000s)	\$(10,504)	\$1,506	\$(7,205)	\$(1,823)	\$2,022	\$2,816	\$(20,058)	\$6,577
Income (loss) per share – basic	\$(0.07)	\$0.01	\$(0.05)	\$(0.01)	\$0.01	\$0.02	\$(0.13)	\$0.04
Income (loss) per share – diluted	\$(0.07)	\$0.01	\$(0.05)	\$(0.01)	\$0.01	\$0.02	\$(0.13)	\$0.04
Gold ounces sold	35,321	40,974	40,277	29,410	30,822	28,639	26,918	30,792
Average realized gold price per ounce	\$1,201	\$1,211	\$1,196	\$1,251	\$1,296	\$1,304	\$1,248	\$1,331

Quarterly results are predominantly influenced by the number of ounces of gold sold, the realized price per ounce of gold sold, the cash cost per ounce of gold sold (see Non-IFRS Measures section) and any unusual matters. The quarterly year-over-year increase in revenue for the second quarter of 2015 was primarily due to an increase in gold ounces sold. The quarterly year-over-year decrease in net income (loss) was principally due to a lower average realized gold price per ounce sold and a non-cash impairment write down of \$13.6 million related to net realizable value and changes in the expected recovery of gold ounces from mineralized material in the work-in-process inventory at the El Castillo mine during the second quarter of 2015.

DISCUSSION OF OPERATIONS

Unaudited and expressed in \$000s	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Revenue	\$ 43,532	\$ 40,943	\$ 94,490	\$ 79,997
Cost of sales				
Production costs	28,627	24,278	60,065	46,922
Depreciation, depletion and amortization	11,535	9,307	24,288	17,699
Inventory write down	13,611	-	13,611	-
Total cost of sales	53,773	33,585	97,964	64,621
Gross profit (loss)	(10,241)	7,358	(3,474)	15,376
Exploration expenses	156	209	318	338
General and administrative expenses	2,689	2,677	5,855	5,930
Other operating expenses	208	-	208	-
Profit (loss) from operations	(13,294)	4,472	(9,855)	9,108
Finance income	95	106	123	281
Finance expenses	(267)	(478)	(635)	(1,136)
Other income (expense)	(1,198)	(394)	(633)	118
Income (loss) before income taxes	(14,664)	3,706	(11,000)	8,371
Income tax expense (benefit)	(4,160)	1,684	(2,002)	3,533
Net income (loss) for the period	\$ (10,504)	\$ 2,022	\$ (8,998)	\$ 4,838

For the three months ended June 30, 2015, as compared to the three months ended June 30, 2014

Revenue for the three months ended June 30, 2015 was \$43.5 million, an increase from \$40.9 million for the three months ended June 30, 2014. During the second quarter of 2015, gold ounces sold totaled 35,321 at an average realized price per ounce of \$1,201 (compared to 30,822 gold ounces sold at an average price per ounce of \$1,296 during the same period of 2014).

Production costs for the second quarter of 2015 were \$28.6 million, an increase from \$24.3 million in the second quarter of 2014 primarily due to the increased gold ounces sold. Cash cost per gold ounce sold (see Non-IFRS Measures section) increased to \$779 in the second quarter of 2015 from \$756 in the same period of 2014, principally due to a decrease in gold ounces delivered to the leach pad at the El Castillo mine. Depreciation, depletion and amortization expense included in cost of sales for the second quarter of 2015 totaled \$11.5 million, an increase from \$9.3 million in the second quarter of 2014, due to the increased gold ounces sold, as many of the mining assets are amortized on a unit-of-production basis. Additionally included in cost of sales in the second quarter of 2015 is a non-cash impairment write down of \$13.6 million related to net realizable value and changes in the expected recovery of gold ounces from mineralized material in the work-in-process inventory at the El Castillo mine.

General and administrative expenses for the second quarter of 2015 were \$2.7 million, consistent with the same period of 2014. Other expense for the second quarter of 2015 was \$1.2 million, an increase from \$0.4 million in the second quarter of 2014 primarily due to fluctuation of foreign exchange gains and losses.

Income tax benefit for the second quarter of 2015 was \$4.2 million compared to income tax expense of \$1.7 million in the same period of 2014; the change is primarily due to lower taxable income during the second quarter of 2015.

Net loss for the second quarter of 2015 was \$10.5 million or \$0.07 per basic share, a decrease from net income of \$2.0 million or \$0.01 per basic share for the second quarter of 2014.

For the six months ended June 30, 2015, as compared to the six months ended June 30, 2014

Revenue for the six months ended June 30, 2015 was \$94.5 million, an increase from \$80.0 million for the six months ended June 30, 2014. During the first half of 2015, gold ounces sold totaled 76,295 at an average realized price per ounce of \$1,206 (compared to 59,461 gold ounces sold at an average price per ounce of \$1,300 during the same period of 2014).

Production costs for the six months ended June 30, 2015 were \$60.1 million, an increase from \$46.9 million in the comparative period of 2014, primarily due to the increased gold ounces sold. Cash cost per gold ounce sold (see Non-IFRS Measures section) increased slightly to \$755 in the first half of 2015 from \$744 in the same period of 2014, principally due to a decrease in gold ounces delivered to the leach pad at the El Castillo mine. Depreciation, depletion and amortization expense included in cost of sales for the six months ended June 30, 2015 totaled \$24.3 million, an increase from \$17.7 million for the six months ended June 30, 2014, due to the increased gold ounces sold, as many of the mining assets are amortized on a unit-of-production basis. Additionally included in cost of sales in the first half of 2015 is a non-cash impairment write down of \$13.6 million related to net realizable value and changes in the expected recovery of gold ounces from mineralized material in the work-in-process inventory at the El Castillo mine.

General and administrative expenses for the six months ended June 30, 2015 were \$5.9 million, consistent with the same period of 2014. Other expense for the six months ended June 30, 2015 was \$0.6 million compared to other income of \$0.1 million in the same period of 2014; the change is primarily due to fluctuation of foreign exchange gains and losses.

Income tax benefit for the six months ended June 30, 2015 was \$2.0 million compared to income tax expense of \$3.5 million in the same period of 2014; the change is primarily due to lower taxable income in the first half of 2015.

Net loss for the six months ended June 30, 2015 was \$9.0 million or \$0.06 per basic share, a decrease from net income of \$4.8 million or \$0.03 per basic share for the six months ended June 30, 2014.

El Castillo Mine

Operating Statistics	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Tonnes mineralized material	2,855,031	3,766,965	5,666,466	7,432,522
Tonnes waste	4,400,727	4,523,984	8,282,660	8,687,702
Tonnes mined	7,255,758	8,290,949	13,949,126	16,120,224
Waste/mineralized material ratio	1.54	1.20	1.46	1.17
Tonnes mineralized material direct to leach pad	0	683,078	0	1,505,973
Tonnes crushed East	1,263,420	1,615,616	2,659,478	3,112,939
Tonnes West - overland conveyor	1,532,931	1,468,270	2,948,308	2,813,609
Gold grade to leach pad (grams per tonne)	0.31	0.31	0.32	0.32
Gold ounces to leach pad	27,954	37,352	58,510	77,276
Gold ounces produced	21,409	21,041	46,031	43,017
Gold ounces sold	20,679	22,292	44,535	43,198
Silver ounces sold	11,847	17,474	24,106	28,211
Cash cost per gold ounce sold (see Non-IFRS Measures section)	\$907	\$790	\$897	\$772

During the second quarter of 2015, El Castillo mined 7,255,758 tonnes including 2,855,031 tonnes of mineralized material. At El Castillo, the East facility crushed and loaded 1,263,420 tonnes and the West facility conveyed and loaded 1,532,931 tonnes, which resulted in 27,954 gold ounces to the leach pad. El Castillo produced 21,409 gold ounces during the second quarter of 2015. El Castillo sold 20,679 gold ounces during the second quarter of 2015 at a cash cost per gold ounce sold of \$907 (see Non-IFRS Measures section), compared to 22,292 gold ounces sold at a cash cost of \$790 during the second quarter of 2014. The higher cash cost in 2015 is due primarily to higher reagent consumption in the plants and a decrease in gold ounces delivered to the leach pad.

During the six months ended June 30, 2015, the Company mined 13,949,126 tonnes including 5,666,466 tonnes of mineralized material. At El Castillo, the East facility crushed and loaded 2,659,478 tonnes and the West facility conveyed and loaded 2,948,308 tonnes, which resulted in 58,510 gold ounces to the leach pad. El Castillo produced 46,031 gold ounces during the six months ended June 30, 2015. El Castillo sold 44,535 gold ounces during the first half of 2015 at a cash cost per gold ounce sold of \$897 (see Non-IFRS Measures section), compared to 43,198 gold ounces sold at a cash cost of \$772 during the same period of 2014. The higher cash cost in 2015 is due primarily to higher reagent consumption in the plants and a decrease in gold ounces delivered to the leach pad.

Capital expenditures on El Castillo during the three and six months ended June 30, 2015 were \$4.5 million and \$9.8 million, respectively, primarily for capitalized stripping and leach pad construction. In addition to the above capital expenditures, during the three and six months ended June 30, 2015, there were \$0.7 million and \$2.0 million, respectively, in capital expenditures by another subsidiary of the Company that is primarily related to mining equipment currently being used at the El Castillo mine site.

Also included in the El Castillo segment, and in addition to those capital expenditures above, were capital expenditures during the three and six months ended June 30, 2015 of \$0.9 million and \$1.2 million, respectively, related to the San Agustin project. Detail of capital expenditures for the San Agustin project is as follows:

Expressed in \$ millions	Six months ended June 30,	
	2015	2014
Assays and geochemistry	\$ 0.1	\$ 0.5
Camp costs, land costs and other	0.1	0.2
Technical studies and personnel costs	0.8	0.5
Drilling and geology	0.2	1.5
	\$ 1.2	\$ 2.7

On January 12, 2015, Argonaut released the results of a Preliminary Economic Assessment (“PEA”) for the San Agustin project. A technical report in support of the PEA was filed under Argonaut’s issuer profile on SEDAR on February 20, 2015. See “Cautionary Statement” and “Technical Information and Qualified Person” at the end of this MD&A. Subsequent to completing the PEA, an additional 5,277 metres of RC drilling in 31 holes was completed at the San Agustin project. This drilling was completed as a preliminary test of the San Agustin mineral system beyond the defined resource, with the majority of drilling positioned on a trend to the northwest. During 2015, the Company expects to complete an additional 5,000 metres to further test the expansion potential of the San Agustin gold system.

La Colorada Mine

Operating Statistics	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Tonnes mineralized material	578,161	700,042	1,060,890	1,259,964
Tonnes waste mined	2,130,439	3,144,742	4,674,425	7,187,960
Total tonnes mined	2,708,600	3,844,784	5,735,315	8,447,924
Waste/mineralized material ratio	3.68	4.49	4.41	5.70
Gold grade mined (grams per tonne)	0.54	0.68	0.56	0.63
Tonnes rehandled	766,894	245,034	1,430,329	315,463
Tonnes moved	3,475,494	4,089,818	7,165,644	8,763,387
Tonnes to leach pad including rehandled mineralized material	1,346,226	879,944	2,485,728	1,515,007
Gold grade to leach pad (grams per tonne)	0.47	0.55	0.48	0.54
Gold ounces to leach pad	20,331	15,651	38,539	26,463
Gold ounces produced	13,948	8,420	31,117	15,983
Gold ounces sold	14,642	8,530	31,760	16,263
Silver ounces produced	52,648	29,224	120,909	96,803
Silver ounces sold	55,628	32,083	122,762	105,294
GEOs produced (55:1 ratio)	14,905	8,951	33,315	17,743
GEOs sold (55:1 ratio)	15,653	9,113	33,992	18,177
Cash cost per gold ounce sold (see Non-IFRS Measures section)	\$598	\$666	\$557	\$670

During the second quarter of 2015, La Colorada mined 2,708,600 tonnes containing 578,161 tonnes of mineralized material. The waste to ore ratio during the second quarter of 2015 was 3.68. La Colorada loaded 1,346,226 tonnes to the leach pad during the quarter, including rehandled ore from old leach pad at the mine, for a total of an estimated 20,331 ounces of gold. La Colorada produced 13,948 gold ounces and 52,648 silver ounces during the second quarter of 2015. La Colorada sold 14,642 gold ounces in the second quarter of 2015 at a cash cost per gold ounce sold of \$598 (see Non-IFRS Measures section), compared to 8,530 gold ounces sold at a cash cost \$666 during the second quarter of 2014. The decrease in cash cost per gold ounce sold over the comparable period of 2014 is primarily due to an increase in gold ounces delivered to the leach pad in 2015.

During the six months ended June 30, 2015, La Colorada mined 5,735,315 tonnes containing 1,060,890 tonnes of mineralized material. The waste to ore ratio during the first half of 2015 was 4.41. La Colorada loaded 2,485,728 tonnes to the leach pad, including rehandled ore from old leach pad at the mine, for a total of an estimated 38,539 ounces of gold. La Colorada produced 31,117 gold ounces and 120,909 silver ounces during the six months ended June 30, 2015. La Colorada sold 31,760 gold ounces during the first half of 2015 at a cash cost per gold ounce sold of \$557 (see Non-IFRS Measures section), compared to 16,263 gold ounces sold at a cash cost of \$670 during the same period of 2014. The decrease in cash cost per gold ounce sold over the comparable period of 2014 is primarily due to an increase in gold ounces delivered to the leach pad in 2015.

Capital expenditures on La Colorada during the three and six months ended June 30, 2015 were \$2.1 million and \$5.2 million, respectively, primarily for capitalized stripping, leach pad construction and crushing circuit improvements.

San Antonio and Magino Projects

Capital expenditures for the San Antonio project during the three and six months ended June 30, 2015 were \$0.5 million and \$1.0 million, respectively, primarily for capitalized engineering, permitting and support expenses. See detail of capital expenditures below.

The Company continues to pursue approvals for its San Antonio project. As previously disclosed, on August 2, 2012 the Secretary for Environment and Natural Resources denied the authorization for a Manifestacion de Impacto Ambiental (“MIA”) for the Company's San Antonio project due to municipal zoning incompatibility over a portion of the site. In response, the Company appealed the determination in connection with its MIA before the Mexican Federal Court. The Company’s appeal regarding the MIA authorization was denied by the Mexican Federal Court on April 10, 2014. The Company has appealed that decision by the Mexican Federal Court. The Company is also pursuing dialogue with the local municipality to amend the zoning plan, which may allow the project to move forward. However, as 2015 is an election year, significant dialogue may be delayed until the newly elected officials take office. The Company believes that the project continues to have strong community support.

Capital expenditures for the Magino project during the three and six months ended June 30, 2015 were \$0.8 million and \$2.0 million, respectively, primarily for capitalized engineering, permitting, drilling and support expenses. See detail of capital expenditures below.

During the first half of 2015, Argonaut drilled 50 NQ core holes totaling approximately 11,200 metres at the Magino project. This work included testing for what Argonaut believes to be a probable easterly extension of Magino mineralization onto the adjacent property acquired from Richmond Mines Inc. (“Richmont”). Drilling also filled-in areas peripheral to historic underground mine workings where drill holes spacing was lacking. The purpose was to gain further insights into the area surrounding the historic underground workings. The infill drill program successfully identified areas of higher grade mineralization, which affirms our expectations for positive grade reconciliation in this area. The 2015 Magino drilling results will be incorporated into an updated mineral resource and Pre-Feasibility Study for the project, which is expected to be released by the end of 2015.

Argonaut continues to work towards permitting these projects and has engaged the community, regulators, and various agencies to define projects within the jurisdictional guidelines acceptable to all parties.

Detail of capital expenditures for the San Antonio and Magino projects for the six months ended June 30 is as follows:

Expressed in \$ millions	San Antonio		Magino	
	2015	2014	2015	2014
Assays and geochemistry	\$ -	\$ -	\$ 0.2	\$ -
Camp costs, land costs and other	0.5	0.5	0.3	0.4
Technical studies and personnel costs	0.5	0.4	0.9	2.9
Drilling and geology	-	-	0.6	-
	\$ 1.0	\$ 0.9	\$ 2.0	\$ 3.3

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash and cash equivalents balance as at June 30, 2015 was \$43.7 million, as compared to \$51.4 million as at December 31, 2014 and \$64.0 million as at March 31, 2015.

Additionally, the Company had restricted cash of CA\$2.0 million (\$1.6 million) as at June 30, 2015 (\$1.7 million as at December 31, 2014 and \$1.6 million as at March 31, 2015) related to the surface and mining rights exchange agreement signed with Richmond. The closing of this arrangement is conditional upon receiving consents and approvals required from certain persons or governmental bodies.

Cash Flows

Unaudited and expressed in \$000s	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Cash flows from operating activities				
Cash flows from operating activities before changes in non-cash operating working capital and other items	\$ 11,376	\$ 13,543	\$ 28,223	\$ 26,477
Changes in non-cash operating working capital and other items	(208)	(2,977)	10,011	(12,835)
Net cash provided by operating activities	11,168	10,566	38,234	13,642
Cash flows from investing activities				
Expenditures on mineral properties, plant and equipment	(10,912)	(13,006)	(22,040)	(26,907)
Cash consideration paid on acquisitions	(20,000)	(10,000)	(20,000)	(10,000)
Other	6	-	6	100
Net cash used in investing activities	(30,906)	(23,006)	(42,034)	(36,807)
Cash flows from financing activities				
Repayment of debt	(1,061)	(1,417)	(2,204)	(9,337)
Proceeds from debt	-	5,663	-	5,663
Proceeds from exercise of stock options	-	-	-	63
Interest paid	(158)	(83)	(207)	(337)
Net cash provided by (used in) financing activities	(1,219)	4,163	(2,411)	(3,948)
Effects of exchange rate changes on cash and cash equivalents	573	1,204	(1,585)	(1,308)
Decrease in cash and cash equivalents	(20,384)	(7,073)	(7,796)	(28,421)
Cash and cash equivalents, beginning of period	64,034	59,728	51,446	81,076
Cash and cash equivalents, end of period	\$ 43,650	\$ 52,655	\$ 43,650	\$ 52,655

For the three months ended June 30, 2015, as compared to the three months ended June 30, 2014

During the second quarter of 2015, cash decreased by \$20.4 million due primarily to the payment of \$20.0 million in deferred cash consideration, plus 16% VAT of \$3.2 million, in connection with the acquisition of the San Agustin project, as compared to the second quarter of 2014 in which cash decreased by \$7.1 million, due primarily to the payment of \$10.0 million in deferred cash consideration, plus 16% VAT of \$1.6 million, in connection with the acquisition of the San Agustin project, partially offset by proceeds from debt. The San Agustin project purchase is now complete and there are no further payments due.

Cash provided by operating activities totaled \$11.2 million in the second quarter of 2015, as compared to \$10.6 million generated in the second quarter of 2014. The slight increase in cash provided by operations is primarily related to the change in non-cash operating working capital in the second quarter of 2015, partially offset by the decrease in average realized gold price per ounce sold in the second quarter of 2015 as compared to the second quarter of 2014.

Cash used in investing activities totaled \$30.9 million in the second quarter of 2015, versus \$23.0 million used in the second quarter of 2014. The cash used in investing activities in the second quarter of 2015 includes capital expenditures of \$10.9 million primarily related to deferred stripping and leach pad construction at the El Castillo and La Colorada mines and payment of \$20.0 million in deferred cash consideration in connection with the acquisition of the San Agustin project. Investing activities during the second quarter of 2014 consisted of capital expenditures of

\$13.0 million principally related to deferred stripping and leach pad construction at the El Castillo and La Colorada mines and payment of \$10.0 million in deferred cash consideration in connection with the acquisition of the San Agustin project.

Cash used in financing activities totaled \$1.2 million in the second quarter of 2015, as compared to \$4.2 million generated in the second quarter of 2014. During the second quarter of 2015, the Company made debt and interest payments of \$1.1 million and \$0.1 million, respectively, on the leased mining equipment fleet. During the second quarter of 2014, the Company made debt and interest payments of \$1.4 million and \$0.1 million, respectively, on the leased mining equipment fleet, offset by \$5.7 million received for the refinancing of the finance lease obligations extinguished in the first quarter of 2014.

For the six months ended June 30, 2015, as compared to the six months ended June 30, 2014

During the six months ending June 30, 2015, cash decreased by \$7.8 million due primarily to the payment of \$20.0 million in deferred cash consideration in connection with the acquisition of the San Agustin project and \$22.0 million of capital expenditures incurred, partially offset by \$38.2 million of cash flows from operations, as compared to the first half of 2014 in which cash decreased by \$28.4 million, due primarily to the payment of \$10.0 million deferred cash consideration in connection with the acquisition of the San Agustin project and \$26.9 million of capital expenditures incurred, partially offset by \$13.6 million of cash flows from operations.

Cash provided by operating activities totaled \$38.2 million in the six months ending June 30, 2015, as compared to \$13.6 million for the six months ending June 30, 2014. The increase in cash provided by operations is primarily related to the change in non-cash operating working capital in the first half of 2015, including the decrease in receivables upon recovery of VAT, inventories and prepaid income tax upon receipt of income tax refunds in the first half of 2015.

Cash used in investing activities totaled \$42.0 million for the six months ending June 30, 2015, versus \$36.8 million for the six months ending June 30, 2014. The cash used in investing activities during the first half of 2015 includes capital expenditures of \$22.0 million primarily related to deferred stripping and leach pad construction at the El Castillo and La Colorada mines and the payment of \$20.0 million in deferred cash consideration in connection with the acquisition of the San Agustin project. Investing activities during the first half of 2014 consisted of capital expenditures of \$26.9 million principally related to deferred stripping at the El Castillo and La Colorada mines and the payment of \$10.0 million in deferred cash consideration in connection with the acquisition of the San Agustin project.

Cash used in financing activities totaled \$2.4 million in the six months ending June 30, 2015, as compared to \$3.9 million in the six months ending June 30, 2014. During the first half of 2015, the Company made debt and interest payments of \$2.2 million and \$0.2 million, respectively, on the leased mining equipment fleet. During the first half of 2014, the Company made debt and interest payments of \$3.2 million and \$0.3 million, respectively, on the leased mining equipment fleet and paid a net \$0.5 million related to the refinancing of certain finance lease obligations.

Total assets decreased to \$850.8 million as at June 30, 2015, as compared to \$906.6 million as at December 31, 2014, principally due to a decrease in cash, inventories and depreciation, depletion, amortization and foreign currency effects on mineral properties, plant and equipment. Total liabilities decreased to \$91.8 million as at June 30, 2015, as compared to \$120.3 million as at December 31, 2014, primarily as a result of the payment of deferred cash consideration in connection with the acquisition of the San Agustin project. Total shareholders' equity decreased to \$759.0 million as at June 30, 2015, as compared to \$786.3 million as at December 31, 2014, primarily as a result of foreign currency effects of \$19.9 million.

Liquidity Outlook

In 2015, the Company plans to produce between 135,000 and 145,000 GEOs (based on a silver to gold ratio of 55:1). Cash cost per ounce of gold sold (see Non-IFRS measures section) in 2015 is expected to be between \$700 and \$750 per ounce.

The Company plans to invest a total of \$37 million on capital expenditures and exploration initiatives in 2015. Major capital expenditures in 2015 are expected to include approximately \$16 million at El Castillo (including \$4 million in leach pad expansion, \$6 million in sustaining capital and \$6 million on capitalized stripping), \$11 million at La Colorada (including \$3 million in leach pad expansion, \$2 million in sustaining capital and \$6 million on capitalized stripping), \$2 million at San Antonio, \$2 million at San Agustin and \$2 million at Magino. Exploration expenditures in 2015 are expected to amount to approximately \$4 million.

The Company's cash and cash equivalents balance and the cash expected to be generated from the operation of the El Castillo and La Colorada mines during 2015 are anticipated to be sufficient to meet debt repayments and the planned development and operating activities of the Company for the next 12 months. If required, the Company anticipates that it could raise cash from debt financing or proceeds from sale of shares to meet its cash requirements. The Company's results are highly dependent on the price of gold and future changes in the price of gold will therefore impact performance. Readers are encouraged to read the "Risk Factors" contained in the Company's 2014 Annual Information Form, which is available on SEDAR at www.sedar.com.

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

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

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

CONTINGENCIES

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

In October 2013, the Company signed a surface and mining rights exchange agreement with Richmond. Pursuant to this agreement, as amended, Argonaut will expand its surface and mining rights associated with its Magino project. The terms of this agreement provide for a CA\$2.0 million (\$1.6 million as at June 30, 2015) payment from Argonaut to Richmond that has been made to escrow and is included in restricted cash. The restricted cash is classified as non-current on the statement of financial position as the Company views this asset as long-term in nature. The closing of this transaction is conditional upon receiving consents and approvals required from certain persons or governmental bodies.

During the second quarter of 2015, the Company paid the remaining \$20.0 million in deferred cash consideration to Silver Standard, plus 16% VAT, in connection with the acquisition of the San Agustin project on December 30, 2013.

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 to which the Company is exposed are credit risk, foreign exchange risk, liquidity risk and interest rate risk. In 2015, there have been no changes to the Company's exposure to financial risks, as described in the MD&A for the year ended December 31, 2014. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and reviews the Company's policies on an ongoing basis. Readers are encouraged to read and consider the "Risk Factors" described in the Company's Annual Information Form for the year ended December 31, 2014. 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

Marketable securities are recorded at fair value. The carrying amounts of cash and cash equivalents, receivables, and accounts payable and accrued liabilities are considered reasonable approximations of their fair values due to the short-term nature of these instruments. At June 30, 2015 and December 31, 2014, the carrying amount of restricted cash is considered to be a reasonable approximation of its fair value. At June 30, 2015 and December 31, 2014, the carrying amount of debt and at December 31, 2014, the carrying amount of deferred cash consideration is considered to be a reasonable approximation of its fair value as there have been no significant changes in market interest rates since inception.

OUTSTANDING SHARE DATA

As at June 30, 2015, the Company had 155,345,443 common shares and 4,031,739 stock options issued and outstanding each entitling the holder to acquire one common share. During the three and six months ended June 30, 2015, the Company granted nil and 1,004,001 stock options, respectively, under the amended and restated 2010 share incentive plan. During the three and six months ended June 30, 2015, the Company also granted 72,694 and 922,342 restricted shares, respectively, under the amended and restated 2010 share incentive plan. During the three and six months ended June 30, 2015, 4,500 and 17,000 stock options, respectively, were forfeited. During the three and six months ended June 30, 2015, 93,750 and 167,118 stock options, respectively, expired.

As of August 12, 2015, the Company had 155,345,443 common shares and 4,031,739 stock options issued 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 applied in the preparation of these unaudited interim condensed consolidated financial statements are consistent with those applied and disclosed in the annual consolidated financial statements for the year ended December 31, 2014.

Impairment of non-current assets

At each reporting date, the Company reviews its non-current assets to determine whether there are any indications of impairment. As at June 30, 2015, management of the Company determined the continued weakness in the Company's share price during 2015, resulting in the Company's market capitalization being below the carrying value of net assets, constituted an impairment indicator. Therefore, the Company completed an impairment assessment for each of the Company's cash generating units ("CGUs" or "CGU") whereby the carrying value of the CGU, including acquisition cost, was compared to its recoverable amount using assumptions consistent with those used at December 31, 2014. Management's impairment evaluation did not result in the identification of an impairment loss as at June 30, 2015.

Work-in-process inventory / Production costs

The Company's management makes estimates of the amount of recoverable ounces in work-in-process inventory which is used in the determination of the cost of goods sold during the period. Changes in these estimates can result in a change in the carrying amount of inventories and mine operating costs of future periods. The Company monitors the recovery of gold ounces from the leach pad and may refine its estimate based on these results. Assumptions used in inventory valuation include type of ore tonne mined, rock density, grams of gold per tonne, expected recovery rate based on the type of ore placed on the leach pad, and assays of solutions and gold on carbon, among others.

RECENT ACCOUNTING PRONOUNCEMENTS

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after January 1, 2015, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Company, except the following set out below:

IFRS 9, Financial Instruments ("IFRS 9"), addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income ("OCI") and fair value through profit or loss ("FVTPL"). There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in OCI, for liabilities designated as FVTPL. The standard is effective for accounting periods beginning on or after January 1, 2018. Early adoption is permitted. The Company has yet to assess the full impact of IFRS 9 on the Company's financial statements.

IFRS 15, Revenue from Contracts with Customers ("IFRS 15"), deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Under IFRS 15, revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18, Revenue, and IAS 11, Construction Contracts, and related interpretations. The standard is effective for annual periods beginning on or after January 1, 2017, with early adoption permitted. In July 2015, the IASB voted to confirm the deferral of the effective date of IFRS 15 to January

1, 2018, with early adoption permitted. The formal amendment to IFRS 15, specifying the new effective date, is expected to be issued in September 2015. Management is assessing the impact, if any, on the financial statements of this new standard.

There are no other IFRSs or IFRS Interpretations Committee interpretations that are not yet effective that would be expected to have a material impact on the 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 ("National Instrument 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.

INTERNAL CONTROL OVER FINANCIAL REPORTING

National Instrument 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 has continued to use 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.

Changes to Internal Control over Financial Reporting

National Instrument 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 three months ended June 30, 2015 that materially affected or are reasonably likely to materially affect the Company's ICFR.

NON-IFRS MEASURES

The Company has included certain non-IFRS measures including "Cash cost per gold ounce sold" and "All-in sustaining cost per gold ounce sold" 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 improved ability to evaluate the performance of the Company by providing control of production costs and trends in cash costs of the Company. Management also uses these measures to monitor internal performance. Non-IFRS measures do not have any standardized meaning prescribed under IFRS. Therefore they may not be comparable to similar measures employed by other companies. The data is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

The following table provides a reconciliation of production costs per the financial statements to cash cost per gold ounce sold:

El Castillo	Three months ended		Six months ended	
	June 30,		June 30,	
	2015	2014	2015	2014
Production costs, as reported ⁽¹⁾ (\$000s)	\$18,951	\$17,966	\$40,334	\$33,900
Less silver sales (\$000s)	\$195	\$350	\$400	\$567
Net cost of sales (\$000s)	\$18,756	\$17,616	\$39,934	\$33,333
Gold ounces sold	20,679	22,292	44,535	43,198
Cash cost per gold ounce sold	\$907	\$790	\$897	\$772

La Colorada	Three months ended		Six months ended	
	June 30,		June 30,	
	2015	2014	2015	2014
Production costs, as reported ⁽¹⁾ (\$000s)	\$9,676	\$6,312	\$19,731	\$13,022
Less silver sales (\$000s)	\$918	\$634	\$2,044	\$2,129
Net cost of sales (\$000s)	\$8,758	\$5,678	\$17,687	\$10,893
Gold ounces sold	14,642	8,530	31,760	16,263
Cash cost per gold ounce sold	\$598	\$666	\$557	\$670

All Mines	Three months ended		Six months ended	
	June 30,		June 30,	
	2015	2014	2015	2014
Production costs, as reported ⁽¹⁾ (\$000s)	\$28,627	\$24,278	\$60,065	\$46,922
Less silver sales (\$000s)	\$1,113	\$984	\$2,444	\$2,696
Net cost of sales (\$000s)	\$27,514	\$23,294	\$57,621	\$44,226
Gold ounces sold	35,321	30,822	76,295	59,461
Cash cost per gold ounce sold	\$779	\$756	\$755	\$744

⁽¹⁾ Excludes depreciation, depletion and amortization.

All-in sustaining costs include net cost of sales at the Company's mining operations, which forms the basis of the Company's cash cost per gold ounce sold. Additionally, the Company includes general and administrative expenses, exploration expenses, accretion of reclamation provision and sustaining capital expenditures. Sustaining capital expenditures are defined as those expenditures that do not increase annual gold ounce production at a mine site and excludes all expenditures at the Company's advanced exploration projects and certain expenditures at the Company's operating sites that are deemed expansionary in nature. Capitalized stripping and leach pad construction costs are considered by management of the Company as expansionary in nature. The following table provides a reconciliation of all-in sustaining costs per gold ounce sold to the consolidated financial statements:

	Three months ended		Six months ended	
	June 30,		June 30,	
	2015	2014	2015	2014
Net cost of sales (\$000s)	\$27,514	\$23,294	\$57,621	\$44,226
General and administrative expenses (\$000s)	\$2,689	\$2,677	\$5,855	\$5,930
Exploration expenses (\$000s)	\$156	\$209	\$318	\$338
Accretion of reclamation provision (\$000s)	\$58	\$56	\$116	\$111
Sustaining capital expenditures (\$000s)	\$1,685	\$2,561	\$4,388	\$6,157
All-in sustaining cost (\$000s)	\$32,102	\$28,797	\$68,298	\$56,762
Gold ounces sold	35,321	30,822	76,295	59,461
All-in sustaining cost per gold ounce sold	\$909	\$934	\$895	\$955

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, 2014, available on SEDAR at www.sedar.com. Important risk factors to consider, among others, are

- Commodity Price Volatility
- Uncertainty in the Estimation of Mineral Reserves and Mineral Resources
- Uncertainty of Exploration and Development
- The Company May Not Achieve its Production Estimates
- Environmental Risks and Hazards
- Permitting Risk

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

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

Examples of such forward-looking information include statements pertaining to, without limitation, the future price of gold, 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 and La Colorada mines, costs of production (including cash cost per ounce of gold sold), expected capital expenditures, costs and timing of development of new deposits, success of exploration activities, permitting requirements, currency fluctuations, 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. 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. Thomas H. Burkhart, Argonaut's Vice President of Exploration, a qualified person as defined by National Instrument 43-101 ("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 Mine	NI 43-101 Technical Report on Resources and Reserves, Argonaut Gold Inc., El Castillo Mine, Durango State, Mexico dated February 24, 2011 and with an effective date of November 6, 2010
La Colorada Mine	NI 43-101 Preliminary Economic Assessment La Colorada Project, Sonora, Mexico dated December 30, 2011 and with an effective date of October 15, 2011
Magino Gold Project	Preliminary Feasibility Study Technical Report for the Magino Project, Wawa, Ontario, Canada dated January 30, 2014 and with an effective date of December 17, 2013
San Agustin Project	NI 43-101 Technical Report and Preliminary Economic Assessment on the San Agustin Heap Leach Project, Durango, Mexico dated February 19, 2015 and with an effective date of October 3, 2014
San Antonio Gold Project	NI 43-101 Technical Report on Resources, San Antonio Project, Baja California Sur, Mexico dated October 10, 2012 and with an effective date of September 2, 2012

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.

The Company cautions that a PEA is preliminary in nature and that it relies upon mineral resource estimates which have the considerations noted above applied to them. There is no certainty that a PEA will be realized or that any of the resources will ever be upgraded to reserves.