ARGONAUT GOLD

Management's Discussion & Analysis of

ARGONAUT GOLD INC.

For the three and nine months ended September 30, 2023

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MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023

This Management's Discussion and Analysis ("MD&A") of Argonaut Gold Inc. ("Argonaut" or the "Company") and its subsidiaries has been prepared as at November 13, 2023. 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 unaudited interim condensed consolidated financial statements and notes thereto for the three and nine months ended September 30, 2023. 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 including International Accounting Standard ("IAS") 34 - Interim Financial Reporting. Additional information relating to the Company, including its Annual Information Form for the year ended December 31, 2022, is available on the Company's website www.argonautgold.com and on the Company's profile on the SEDAR+ website at www.sedarplus.ca.

This MD&A contains forward-looking information as further described in the "Forward-Looking Statements" section at the end of this MD&A. Reference to the risk factors described in the "Risk Factors" section and to the other cautionary language under the heading "Technical Information and Qualified Persons" at the end of this MD&A is advised.

DESCRIPTION OF BUSINESS AND NATURE OF OPERATIONS

Argonaut is a Canadian gold company listed on the Toronto Stock Exchange ("TSX") and is principally engaged in the production and sale of gold, as well as related activities such as mine development and exploration. On November 1, 2023 the Company had met the criteria to enable it to declare that commercial production had been achieved at the Magino mine, located in Ontario, Canada. The Company has three additional operating mines: the Florida Canyon mine in Nevada, USA, the La Colorada mine in Sonora, Mexico, and the San Agustin mine in Durango, Mexico. The El Castillo mine in Durango, Mexico, ceased mining operations in 2022 and is now in residual leaching and reclamation. The San Agustin mine and the El Castillo mine together form the El Castillo mining complex. In addition, the Company holds the advanced exploration stage Cerro del Gallo project, in Guanajuato, Mexico, and several other exploration stage projects, all of which are in North America.

The registered office of the Company is located at One First Canadian Place, 100 King Street West, Suite 3400, Toronto, Ontario, M5X 1A4, Canada. The corporate office is located at Royal Bank Plaza, South Tower, 200 Bay Street, Suite 1302, Toronto, Ontario M5J 2J3, Canada. The principal address of Argonaut Gold (U.S.) Corp., a subsidiary of the Company providing management services, is 9600 Prototype Ct., Reno, Nevada, 89521, USA.

Overview of the Business

The Company has completed construction of its flagship Magino mine and declared commercial production on November 1, 2023. Magino has the potential to be one of the largest and lowest cost gold mines in Canada. The Florida Canyon mine, located in Nevada, is a low-grade heap leach operation and represents significant potential for redevelopment and future growth in the Company's portfolio. The Company also operates the La Colorada, San Agustin and El Castillo mines, with the latter in residual leaching and reclamation. The Company optioned the San Antonio project in the fourth quarter of 2022 and closed the sale of the Ana Paula project in the first quarter of 2023 to focus on its core assets.

Vision, Mission and Values

As part of the Company's evolution from a predominately Mexican gold producer to a more Canadian and United States centric producer, the Company has strengthened its senior management team and revisited its overall strategy over the past 12 months. As a result of the management changes and review of its strategy, the Company shifted its strategy to focus on the Magino mine and the Florida Canyon mine and is now guided by its new vision, mission and values which are embedded in everything the Company's employees do. Argonaut's vision is to become a low-cost, mid-tier North American gold producer that creates significant value for its stakeholders and proudly demonstrates responsible mining. Its mission is to deliver asset growth and operational excellence while protecting its people and the environment and being a good partner to its communities. The Company will leverage its core values of integrity, respect, communication, collaboration, care and performance in the continuing pursuit of its vision and mission.

FINANCIAL AND OPERATING HIGHLIGHTS

		Three months ended September 30,			Nine months ended September 30,		
Financial Data		2023	2022	% Change	2023	2022	% Change
Revenues[1]	$000s	104,801	75,257	39 %	256,879	292,464	(12)%
Cost of sales[1]	$000s	87,680	68,304	28 %	226,839	244,039	(7)%
Gross profit	$000s	17,121	6,953	146 %	30,040	48,425	(38)%
Net (loss) income	$000s	(471)	(1,295)	(64)%	10,339	22,735	(55)%
Per basic and diluted share	$/share	0.00	0.00	N/A	0.01	0.05	(80)%
Adjusted net income[2]	$000s	9,945	364	2632 %	13,167	11,778	12 %
Per basic share[2]	$/share	0.01	0.00	N/A	0.02	0.03	(33)%
Operating cash flow before changes in working capital and other items	$000s	21,101	13,582	55 %	49,012	61,980	(21)%
Operating cash flow	$000s	43,189	(23,516)	N/A	35,686	(6,121)	N/A
Total sustaining capital expenditures	$000s	5,642	12,476	(55)%	15,816	34,249	(54)%
Magino construction capital	$000s	70,692	97,925	(28)%	243,924	282,115	(14)%
Cash and cash equivalents	$000s	44,866	89,195	(50)%	44,866	89,195	(50)%
Net (debt) cash[2]	$000s	(179,067)	9,195	N/A	(179,067)	9,195	N/A

[1]In the three and nine months ended September 30, 2023, the Company recognized $22.0 million and $22.1 million of revenues, respectively, and $15.1 million and $15.2 million of cost of sales, respectively, related to the pre-commercial production phase of the Magino mine.
[2]This is a Non-IFRS Measure; please see “Non-IFRS Measures” section.

		Three months ended September 30,			Nine months ended September 30,		
Operating Data		2023	2022	% Change	2023	2022	% Change
Gold produced[1]	oz	53,094	44,857	18 %	133,074	155,531	(14)%
Gold equivalent ounces (“GEOs”) produced[1,2]	oz	53,911	45,939	17 %	135,988	160,645	(15)%
Gold sold[1]	oz	54,571	38,639	41 %	133,285	150,089	(11)%
Average realized price	$/oz sold	1,888	1,895	0 %	1,885	1,883	0 %
Cost of sales	$/oz sold	1,607	1,768	(9)%	1,702	1,626	5 %
Cash cost[3]	$/oz sold	1,383	1,405	(2)%	1,433	1,253	14 %
All-in sustaining costs[3] (“AISC”)	$/oz sold	1,601	1,893	(15)%	1,683	1,595	6 %

[1]In the three and nine months ended September 30, 2023, 10,661 and 13,956 gold ounces were produced, respectively, and 11,454 and 11,526 gold ounces were sold, respectively, from the pre-commercial production phase of the Magino mine.

[2]Based on a silver to gold ratio of 80:1 in 2023 and 2022.

[3]This is a Non-IFRS Measure; please see “Non-IFRS Measures” section.

THIRD QUARTER COMPANY HIGHLIGHTS

Financial Highlights

- Revenues of $104.8 million was 39% higher than $75.3 million from the third quarter of 2022, due to initial production at the Magino mine and higher production at the Florida Canyon mine, partially offset by lower planned production from the Company's three Mexican mines - El Castillo, La Colorada, and San Agustin.
- Revenues include $22.0 million of pre-commercial production ounces sold from the Magino mine. Subsequent to the end of the third quarter, the Magino mine achieved commercial production on November 1, 2023.
- Gross profit of $17.1 million was 146% higher than $7.0 million from the third quarter of 2022, due to higher revenues from the Magino mine and Florida Canyon mine.
- Generated cash flow from operating activities before changes in working capital and other items totalling $21.1 million, an increase of 55% from the 2022 comparative period due to higher gross profit.
- Net loss of $0.5 million, or $0.00 per share, compared to net loss of $1.3 million, or $0.00 per share, a decrease largely due to higher gross profit, partially offset by increases in foreign exchange losses and unrealized losses on derivative instruments.
- Adjusted net income[1] of $9.9 million, or $0.01 per basic share, compared to an adjusted net income[1] of $0.4 million, or $0.00 per basic share, an increase of $9.6 million primarily due to an increased gross profit of $10.2 million.
- Cash and cash equivalents of $44.9 million and net debt[1] of $179.1 million, as at September 30, 2023.
- Consolidated production of 53,911 GEOs, including pre-commercial production of 10,693 GEOs from the Magino mine, was 17% higher compared to 45,939 GEOs from the third quarter of 2022. The increase in production was largely due to initial production from the Magino mine, as higher production from the Florida Canyon mine offset lower production from the Company's Mexican mines.
- Cost of sales per gold ounce sold of $1,607, cash cost[1] per ounce of $1,383 and AISC[1] per ounce of $1,601 for the three months ended September 30, 2023 were lower compared to the prior year. Lower costs at Florida Canyon and initial production from Magino, more than offset higher costs at the Company's Mexican operations.
- On September 29, 2023, the Company obtained a waiver on certain financial covenants on its $250 million financing package (collectively referred to as the "Loan Facilities") for the ongoing development and construction of the Magino mine. A subsequent waiver was obtained on October 31, 2023 which now requires the Company to maintain a minimum cash balance of $10 million at all times until November 30, 2023 and additional funding to be raised by the same date. It was anticipated the Company would not be in compliance with certain financial covenants and accordingly obtained the waivers to prevent a default event which could trigger the Loan Facilities becoming immediately due and payable.
- On November 2, 2023, the Company announced the sale to Franco-Nevada Corporation and certain of its subsidiaries ("Franco-Nevada") of an additional 1.0% net smelter return ("NSR") royalty on its Magino mine, and its non-core royalty holdings in Canada and Mexico for an aggregate price of $29.5 million. Upon the closing of this transaction, Franco-Nevada will hold an aggregate 3.0% NSR royalty on the Magino mine.

Growth Highlights

<u>Magino Mine</u>

- The Magino mine achieved commercial production on November 1, 2023. Plant throughput has averaged 9,200 tonnes per day since the beginning of the fourth quarter, with tonnes per operating hour ("TPOH") in-line with nameplate capacity.
- Plant ramp up was delayed due to 20 days of unplanned downtime in September. This was the result of facilitating equipment repairs and plant reliability issues centred on the process control system, which is comprised of several disparate systems. The plant has been largely operating at nameplate TPOH capacity since the beginning of the fourth quarter.

[1]This is a Non-IFRS Measure; please see "Non-IFRS Measures" section.

- During the three months ended September 30, 2023, the Magino mine produced 10,661 gold ounces and sold 11,454 gold ounces. Production was lower than expected due to the unplanned downtime, the delay in completing and commissioning the gravity circuit, and lower feed grades.
- As at September 30, 2023, the Company had fully incurred the $755 million (CA$980 million) estimated cost at completion ("EAC"). An additional $31 million in non-EAC expenditures were capitalized during the third quarter.
- Workforce buildup of the permanent operating team is nearing completion but sourcing the remaining labour remains a challenge in the current economic environment, however, vacant roles are being temporarily filled by contract personnel.
- The 63,000-metre reserve development drill program began on schedule on August 1 and is expected to be completed by mid-2024. The goal is to increase proven and probable reserves by between 500,000 and 1.0 million ounces of gold.
- In addition, engineering work is underway to evaluate a potential plant expansion from the current nameplate capacity of 10,000 tonnes per day to 17,500 and 20,000 tonnes per day.

Florida Canyon Mine

- Permitting is well underway for Phase III of the South Heap Leach Pad, scheduled to be built in 2024, as well as permits to increase solution flow rates on to the leach pads to further increase gold recoveries.
- The Florida Canyon mine is expected to initiate civil earthworks for the Phase III pad in the fourth quarter of 2023.
- The proof-of-concept drill program on the East sulfide resource began on schedule on August 1, with the 8,300-metre Phase II drill program expected to be completed by mid-November at a cost of $4 million, with analysis work expected through the end of the year.
- Drilling concluded in the 1,250 metre West sulfide program in July and logging and analysis work is ongoing.
- An in-fill drill program is also underway on the oxide resources, which is expected to be completed by year end.

Operating Highlights

Magino Mine	GEOs produced	Cost of sales	Cash cost[1]	AISC[1]
Q3 2023	10,693 ozs	$1,322/oz	$1,287/oz	$1,287/oz
Q3 2022	N/A	N/A	N/A	N/A
	All figures represent pre-commercial production gold ounces from the Magino mine. Commercial production was achieved at the Magino mine on November 1, 2023.			
Florida Canyon Mine	GEOs produced	Cost of sales	Cash cost[1]	AISC[1]
Q3 2023	22,384 ozs	$1,549/oz	$1,304/oz	$1,531/oz
Q3 2022	12,051 ozs	$1,963/oz	$1,692/oz	$2,201/oz
	GEOs produced increased by 86% mainly due to an increase in ore tonnes placed on the leach pad, partially offset by a decrease in the gold grade. The higher ore tonnage in 2023 was accomplished by lowering the cutoff grade to facilitate an increase in tonnes processed and gold production compared to the comparative prior year period.			
La Colorada Mine	GEOs produced	Cost of sales	Cash cost[1]	AISC[1]
Q3 2023	6,741 ozs	$1,900/oz	$1,474/oz	$1,543/oz
Q3 2022	8,657 ozs	$1,332/oz	$1,060/oz	$1,796/oz
	GEOs produced decreased by 22% mainly due to the reduction in ore tonnes placed in 2023 as mining is only taking place in the Veta Madre pit, compared to the prior year period which included ore from both the El Crestón and Veta Madre pits.			
San Agustin Mine	GEOs produced	Cost of sales	Cash cost[1]	AISC[1]
Q3 2023	10,208 ozs	$1,842/oz	$1,550/oz	$1,642/oz
Q3 2022	16,616 ozs	$1,692/oz	$1,240/oz	$1,281/oz
	GEOs produced decreased primarily due to lower ore tonnes mined and processed, partially offset by higher gold grades. During the second quarter, a decision was made to process sulfide ore stockpiled as part of the mine closure plan, resulting in a reduction of ore and waste mining during the third quarter.			
El Castillo Mine	GEOs produced	Cost of sales	Cash cost[1]	AISC[1]
Q3 2023	3,885 ozs	$1,595/oz	$1,482/oz	$1,514/oz
Q3 2022	8,615 ozs	$2,135/oz	$1,660/oz	$1,661/oz
	GEOs produced decreased due to the suspension of mining activities in late December 2022. Site activities included leaching of the ore placed on the pads in 2022 and rinsing of the pads as part of the reclamation process.			

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

2023 OUTLOOK

The following table outlines the Company's 2023 outlook for key operating and financial statistics:

		Magino Mine	Florida Canyon Mine	La Colorada Mine	San Agustin Mine	El Castillo Mine	2023 Consolidated Guidance
Ore mined	000t	3,500 - 4,000	9,300 - 10,000	1,900 - 2,000	4,600 - 5,000	–	
Waste	000t	13,000 - 16,000	12,800 - 13,700	3,300 - 3,500	3,300 - 3,600	–	
Total mined	000t	16,500 - 20,000	22,100 - 23,700	5,200 - 5,500	7,900 - 8,600	–	
Grade mined	g/t	0.95 - 1.00	0.30 - 0.35	0.57 - 0.63	0.25 - 0.30	–	
Contained ounces mined	oz	120,000 - 130,000	105,000 - 115,000	39,000 - 42,000	45,000 - 50,000	–	
Strip ratio	waste/ore mined	3.50 - 4.00	1.25 - 1.75	1.50 - 2.00	0.65 - 0.75	–	
Crushed	000t	3,500 - 4,000	5,500 - 6,000	1,900 - 2,000	4,600 - 5,000	–	
Run-of-mine ("ROM")	000t	–	3,800 - 4,000	–	–	–	
Total milled	000t	2,000 - 2,100	9,300 - 10,000	1,900 - 2,000	4,600 - 5,000	–	
Crushed grade	g/t	1.30 - 1.35	0.37 - 0.41	0.57 - 0.63	0.25 - 0.30	–	
ROM grade	g/t	–	0.20 - 0.25	–	–	–	
Processed grade	g/t	1.30 - 1.35	0.30 - 0.35	0.57 - 0.63	0.25 - 0.30	–	
Crushed recovery	%	89 - 91	62 - 64	71 - 72	65 - 66	–	
ROM recovery	%	–	51 - 53	–	–	–	
Recovery rate	%	89 - 91	59 - 61	71 - 72	65 - 66	–	
Recoverable ore placed	oz	74,000 - 82,000	65,000 - 71,000	27,000 - 30,000	29,000 - 32,000	–	
GEOs production	oz	72,000 - 81,000	55,000 - 65,000	27,000 - 30,000	35,000 - 39,000	10,000 - 14,000	**200,000 - 230,000**
Cost of sales	$/oz sold	1,150 - 1,250	1,675 - 1,775	1,400 - 1,500	1,750 - 1,850	2,000 - 2,100	**1,500 - 1,600**
Cash cost[1]	$/oz sold	850 - 950	1,400 - 1,500	1,200 - 1,300	1,400 - 1,500	1,650 - 1,750	**1,200 - 1,300**
AISC[1]	$/oz sold	1,150 - 1,250	1,700 - 1,800	1,350 - 1,450	1,500 - 1,600	1,700 - 1,800	**1,625 -1,725**
Production cost	$000s	77,000 - 81,000	95,000 - 100,000	39,000 - 41,000	62,000 - 64,000	23,000 - 24,000	
Cost Per Tonne							
Mining	$/t mined	2.60 - 3.00	2.25 - 2.50	3.10 - 3.30	2.30 - 2.50	–	
Mining	$/t ore mined	10.00 - 11.00	5.25 - 5.50	7.60 - 8.00	4.00 - 4.50	–	
Crushing	$/t milled	–	2.10 - 2.30	1.80 - 2.00	1.30 - 1.45	–	
Processing	$/t milled	11.80 - 12.50	1.70 - 2.00	4.75 - 5.00	3.75 - 4.00	–	
General and administrative	$/t milled	6.80 - 7.20	1.50 - 1.75	2.00 - 2.20	1.40 - 1.50	–	
Capital Expenditures							
Sustaining capital	$000s	28,000 - 30,000	18,000 - 19,000	1,000 - 1,500	3,000 - 4,000	–	**50,000-55,000**
Reclamation capital	$000s	3,500 - 4,500	–	–	–	6,000 - 7,000	**10,000-12,000**
Magino construction capital	$000s	173,000	–	–	–	–	**173,000**

[1]This is a Non-IFRS Measure; please see "Non-IFRS Measures" section.

2023 Outlook Analysis

The Magino mine achieved commercial production on November 1, 2023, however due to a slower than planned commissioning and ramp up to commercial production and lower than planned gold grades processed, gold production is expected to be below the published production guidance. GEO production for the Company's United States and Mexican operations are expected to total between 160,000 and 165,000 ounces, approximately 5% to 10% above the higher end of the production guidance range. As a result of the slower than planned ramp up and lower gold grades processed at the Magino mine, the cost of sales per ounce, cash cost[1] per ounce and AISC[1] per ounce are expected to be higher than guidance targets set at the beginning of the year. The Company remains on track to achieve the low end of consolidated production guidance for 2023.

[1] This is a Non-IFRS Measure; please see "Non-IFRS Measures" section.

Exploration cost guidance was updated at mid-year, increasing by $10 million, to account for exploration and reserve development programs underway at the Magino and Florida Canyon mines.

Estimates of future production, cost of sales per gold ounce sold, cash cost[1] per ounce, and AISC[1] per ounce are based on mine plans that reflect the method by which we are expected to mine reserves at each site. Actual gold production and associated costs may vary from these estimates due to a number of operational and non-operational risk factors. Refer to the "Risk Factors" section for more details.

ADVANCED EXPLORATION AND DEVELOPMENT PROJECTS

In the second quarter of 2023, the Company closed a $12.9 million (CA$17.5 million) bought deal private placement of flow-through shares. This included 6,613,800 Canadian exploration expenditures ("CEE") flow-through common shares of the Company at CA$0.76 for total gross proceeds of $3.7 million (CA$5.0 million) and 18,656,800 Canadian development expenditures ("CDE") flow-through shares of the Company at CA$0.67 per share for total gross proceeds of $9.2 million (CA$12.5 million).

During the three and nine months ended September 30, 2023, the Company used $1.4 million (CA$1.9 million) and $12.1 million (CA$16.2 million), respectively, of CDE proceeds to fund the development of the Magino project and $nil (CA$nil) and $1.0 million (CA$1.4 million), respectively, of the CEE proceeds to fund exploration activities related to the Company's Magino mine and adjacent properties in Ontario, Canada. As at September 30, 2023, the Company had incurred all qualifying CDE. As at September 30, 2023, the remaining qualifying CEE to be incurred by December 31, 2024, is $3.4 million (CA$4.6 million).

The use of proceeds is summarized as follows:

Expressed in CA$ millions	Amounts raised	Incurred to September 30, 2023	Remaining
Magino Construction[1]	$ 70.1	$ 70.1	$ –
Magino Exploration[2]	$ 16.5	$ 11.9	$ 4.6

[1]Amounts raised were from the March 2022 CA$40.3 million, November 2022 CA$17.3 million, and May 2023 CA$12.5 million CDE flow-through financings. The March 2022, November 2022, and the May 2023 CDE proceeds have been fully spent.

[2]Amounts raised were from the March 2022 CA$11.5 million and May 2023 CA$5.0 million CEE flow-through financings. The March 2022 CEE proceeds have been fully spent.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

We recognize the critical importance of understanding and effectively managing our Environmental, Social and Governance ("ESG") risks and impacts and have executed several initiatives in 2023 to begin aligning with industry best practices in ESG.

In the third quarter of 2023 we finalized Argonaut's first ESG strategy, establishing the principles, objectives and metrics that will drive improved ESG performance. The strategy was developed through engagement with senior and site leadership and technical leads and encompassed a detailed review of corporate and site risks and opportunities, plans and systems, practices and performance, and attitudes and behaviours.

The strategy includes four pillars and commitments:

a. People: Be the employer of choice by empowering our people to improve how we work and ensure a safe workplace for everyone.
b. Community: Partner with communities in which we operate to manage the impacts and benefits of mining and build a positive legacy.

[1]This is a Non-IFRS Measure; please see "Non-IFRS Measures" section.

c. Environment: Minimize our environmental impacts and help conserve surrounding ecosystems as we design, operate and eventually close our mines.
d. Governance: Live our values, be accountable and operate with integrity.

We created an Executive ESG Committee that meets regularly to review site performance and to provide oversight of ESG strategy, policy and practices. We have initiated the development of ESG policies and standards that will align with international best practices. Our 2022 ESG Report, the first report for Argonaut that aligns with international reporting standards, was released in the fourth quarter of 2023.

Health and Safety

Our goal is to send our people home safe and healthy every day. We had zero lost time injuries in the third quarter of 2023. Our lost time injury frequency rate ("LTIFR") for the third quarter of 2023 was below national averages in the United States and Canada. We had a 26% decrease in our total recordable injury frequency rate ("TRIFR") in the third quarter of 2023 compared to the prior year period due largely to fewer incidents at the Magino mine.

Our sites continue to improve their health and safety management systems. In the third quarter of 2023, the Magino mine launched a Critical Risk Control strategy which included risk assessment training for supervisors and workers. The Florida Canyon mine continues its Visible Felt Leadership program which involves the management team regularly engaging with front line workers on health and safety, and re-launched its Care to Lead program that strengthens health and safety awareness, understanding and culture, and trained over 100 workers in the third quarter of 2023.

The injury rates for the Company's sites are as follows:

	Three months ended September 30,			Nine months ended September 30,		
	2023	2022	% Change	2023	2022	% Change
Lost time injuries	0	1	(100)%	2	2	0%
LTIFR	0	0.13	(100)%	0.12	0.09	33%
TRIFR	1.95	2.65	(26)%	2.24	1.94	15%

Environment

We believe that improving our environmental performance will lead to reduced risks and costs. One non-compliance was reported in the third quarter of 2023 related to leaks at a heap leach pad at the Florida Canyon mine. A third-party analysis has been commissioned to determine the risk of groundwater contamination.

Spills were reduced significantly for the nine months ended September 30, 2023, compared to the same period in 2022, largely due to fewer spills at the Magino mine. In the three months ended September 30, 2023, there were two reportable spills. One was at the Magino mine wherein 211 gallons of diesel were spilled in the open pit, and another at the Florida Canyon mine wherein 100 gallons of process solution were released from a heap leach pad. There were no long-term negative environmental impacts to either spill due to effective containment and clean up measures.

Our sites continue to strengthen their environmental management systems and manage risks. The Magino mine is reviewing its water management plan based on operating conditions and is working to continue reducing spills. The Florida Canyon mine is improving its stormwater management systems and preparing for more stringent incoming dust regulation. The La Colorada mine has completed 92% of an action plan to receive certification under Mexico's voluntary National Environmental Audit Program, which demonstrates regulatory compliance and leadership in environmental management. Risks relate to outstanding results from regulatory inspections and water shortages. The El Castillo Mining Complex received regulatory approval for updated waste management plans in the third quarter of 2023. The San Agustin mine is working on a mine waste management plan based on testing and monitoring for acid rock drainage which we plan to present to authorities in 2024. The San Agustin mine is implementing a reforestation project with a neighbouring community in an area affected by dust. The El Castillo mine continues to execute on its physical closure plan.

Argonaut recognizes the importance of managing climate-related risks and opportunities and reducing greenhouse gas emissions. We are in the process of formalizing our approach, including through policy commitments and corporate requirements. A climate change risk assessment was completed at the Magino mine in the third quarter of 2023 and we plan to conduct a similar assessment at the Florida Canyon mine. The Magino mine was designed with consideration to the current and future impacts of climate change, with the tailings facility and water management infrastructure designed to withstand variations due to climate change. Greenhouse gas emissions inventories will be developed for the Magino mine and the Florida Canyon mine, and planning for decarbonization will be initiated in 2024.

The Company’s reportable spills and incidents are as follows:

	Three months ended September 30,			Nine months ended September 30,		
	2023	2022	% Change	2023	2022	% Change
Reportable spills and incidents	2	2	0%	3	12	(75)%

Community and Indigenous Relations

Argonaut is dedicated to helping our local communities improve their quality of life. This begins with managing our operational activities to eliminate or minimize adverse impacts and engaging with stakeholders to understand and respond to their perspectives and concerns.

At the Magino mine, we maintain productive relations with our Indigenous partners. We continue to engage on significant issues including employment and procurement expectations, and environmental impacts including spills, water quality and closure. The Magino mine is fully compliant with its Indigenous agreements and maintains support for ongoing permitting. The Company continues to increase its Indigenous employee headcount.

At the El Castillo Mining Complex, an agreement was signed in September 2023 with four ejidos (agrarian land-owning governance structure) and private landowners to resolve a land rental dispute. A separate agreement was signed with private landowners in August that will enable the continued operation of the San Agustin mine. The risks of social tension remain due to ongoing claims from certain landowners and ejidos.

The El Castillo mine is undergoing closure and reclamation activities, with consultations conducted on land use options post-remediation and related socio-economic opportunities.

Our Mexican operations are working on finalizing community grievance procedures to align with international best practices.

Management Changes

On September 6, 2023, Mr. Owen Nicholls was appointed as the Vice President, Exploration. Mr. Nicholls has considerable experience prioritizing exploration targets, assessing technical reports, resource estimation, feasibility studies, project evaluations, permit applications, and project development. He has successfully led exploration projects at mine sites and greenfield projects for Equinox Gold including resource expansion at the Mesquite mine and at Castle Mountain mine. Mr. Nicholls is a Certified Registered Professional Geologist and has obtained an MSc Geology from the Colorado School of Mines.

New Mexican Mining Law

In April 2023, the Government of Mexico approved a wide range of reforms to a broad set of existing laws, including the mining law ("Mining Law Reforms"). These reforms were fast-tracked through the legislative approval process, with little debate and support from parties not affiliated with the current President. While these amendments have now been published in the official gazette, neither updated bylaws or regulations have been issued which are required to give further clarity on the full impacts of these reforms. In response to these Mining Law Reforms, the Company has filed legal injunctions on behalf of three of its Mexican subsidiaries. These legal challenges are at their initial stages and definitive results may not be known for some time. In addition to these legal challenges initiated by a majority of the operating mining companies in Mexico, the Lower House of Congress has also initiated its own constitutional challenge, alleging procedural violations amongst other grounds and seeking the nullification of the Mining Law Reforms themselves. A decision of the Supreme Court on the Lower House of Congress challenge is anticipated within the next four months. In the meantime, management awaits the issuance of the revised bylaws and implementing regulations to fully evaluate the impact of the Mining Law Reforms to the Company and the industry as a whole.

DISCUSSION OF OPERATING RESULTS

Magino Mine

Construction

The Magino mine achieved commercial production on November 1, 2023. As at September 30, 2023, the Company had fully incurred the $755 million (CA$980 million) EAC estimate that was disclosed on February 26, 2023. As the Company experienced a delay in first gold pour and a delayed ramp up to commercial production, accounting standards require the Company to capitalize certain non-EAC expenditures until commercial production is achieved, subject to certain conditions, including $16.3 million in deferred waste stripping, $5.2 million of costs related to plant commissioning and ramp up to commercial production, and $9.5 million for tailings management facility expansion incurred during the three months ended September 30, 2023. Management had expected these expenditures would be operating costs and sustaining capital costs at the time the 2023 guidance for Magino was provided. The $31.0 million of non-EAC expenditures incurred during ramp up to commercial production have been capitalized to assets under construction for accounting purposes. Overall, combined EAC, operating and sustaining expenditures are expected to be between $5 million and $10 million higher than guidance set out at the beginning of the year, larger due to higher than planned costs to complete the next lift of the tailings management facility.

During July and August, the plant followed a normal commissioning ramp up schedule putting the plant on track for commercial production in September. However, 20 days of unplanned downtime in September delayed the ramp up. This was the result of two events, the first centred on the ball mill motor drive and inching system and the second involved the semi-autogenous grinding mill motor. The engineering, procurement and construction ("EPC") contractor, equipment suppliers and specialized contractors were mobilized to assist the site team in facilitating equipment repairs and addressing the various causes of the unplanned downtime. During commissioning, the greatest plant reliability issues centred on the process control system, which is comprised of several disparate systems. As a result, we are systematically centralizing all control functionality. The plant has been largely operating at nameplate TPOH capacity since the beginning of the fourth quarter.

The Magino mining team has completed an analysis comparing the reserve model to the grade control model and the in-pit ore polygons confirming ore tonnage and grades being at least in-line with the reserve model. The next step in the confirmatory process of the reserve model is a reconciliation to mill grades. With the mill now being operational, management will be better able to assess the actual grades achieved compared to the reserve model.

Magino Mine Pre-Commercial Production Results

Operating Statistics for the Magino Mine		Three months ended September 30,	Nine months ended September 30,
		2023	2023
Ore	000t	813	1,242
Waste	000t	2,901	5,909
Total mined	000t	3,714	7,151
Strip ratio	waste/ore	3.57	4.76
Total milled	000t	522	681
Processed grade	g/t	0.77	0.78
Recovery rate	%	83	82
Gold produced	oz	10,661	13,956
Gold sold	oz	11,454	11,526
Silver produced	oz	2,544	2,644
Silver sold	oz	2,435	2,450
GEOs produced (2023 - 80:1 ratio)	oz	10,693	13,989
GEOs sold (2023 - 80:1 ratio)	oz	11,485	11,557
Cost of sales	$/oz sold	1,322	1,321
Cash cost[1]	$/oz sold	1,287	1,286
AISC[1]	$/oz sold	1,287	1,286

[1]This is a Non-IFRS Measure; please see "Non-IFRS Measures" section.

Mining capacity during the third quarter largely consisted of an owner operated fleet as well as some rental equipment. Mining activities were focused primarily on pioneering activities on the 390 bench, as well as mining on the 380 and 370 benches. A total of 3.7 million tonnes were mined from the pit during the quarter, at a strip ratio of 3.57:1. The strip ratio declined during the third quarter as expected as mining activities during the first half of the year were focused on mining through pioneering areas and construction of the ROM pad, both of which were unproductive, as well as lower tonnage due to the higher swell factor and lower than planned fleet availability.

Drilling costs are currently higher than planned due to the continued use of the pioneering drills and contract labour for operations and maintenance. Two larger production drills to improve productivity and reduce blast hole drilling costs, which were included in the planned fleet in the technical report, have been ordered. The first drill arrived on schedule at the end of the third quarter and is currently being commissioned, while the second drill is expected to arrive in the first quarter of 2024. Drilling costs are expected to decline materially with the addition of the two production drills and reduced mining of the overburden to rock interface.

In addition, the current fleet of loading equipment and haul trucks are not configured for the higher swell factor which increases the volume of material mined, as a result, larger truck beds are required to meet the design specifications of the equipment. The mobile equipment supplier was on site during the third quarter to complete a study on required changes to the truck beds, as the trucks are currently hauling approximately 20% fewer tonnes than the trucks are designed for. The truck bed modifications, which will include higher sideboards and potentially longer beds, are expected to be available in the first quarter of next year. The cost of the modifications to the beds is not expected to be material. Despite the early challenges, management does not foresee any material change in mobile equipment requirements, other than modifications to truck beds and the purchase of a face shovel in place of a large front-end-loader to meet life of mine production rates included in the latest technical report. Four haul trucks are being brought forward in the life of mine plan to make up for the material movement shortfall in 2023 and align the mine with the material movement and production targets set in the technical report.

Overall, material movement for the year is expected to be approximately 50% lower than planned, in part due to the 20% lower haulage capacity than planned, combined with slower ramp up than planned of operating personnel that meant equipment sat idle for periods of time during the first nine months, lower than planned productivity on the pioneering benches and on ROM pad construction, as well as lower than planned availability of the mobile equipment fleet earlier in the year. The additional loading machine and four haul trucks, modifications to the haul truck beds and a full complement of operators are expected to allow mining to move in-line with plan in 2024.

The total pre-commercial mill throughput for the third quarter was 522,000 tonnes at an average grade of 0.77 g/t. Unplanned downtime of 20 days in September lowered third quarter throughput by approximately 200,000 tonnes. Had the unplanned downtime not occurred, management believes the plant would have averaged approximately 80% of nameplate capacity and commercial production would have been achieved by the end of September. Lower grade ore was processed through the end of the second quarter and into the third quarter until the gravity circuit was completed. The gravity circuit was completed in mid-August; however, the circuit has not performed as planned. Design modifications were made and parts were ordered and installed in early November.

Mining costs are expected to be higher than planned due to the delay in expanding and staffing the mobile equipment fleet, lower productivity, as noted above, as well as the impact of operating mobile equipment 20% lower than design capacity. As a result of the delay, rental equipment and contract operators will be utilized for the balance of the year. Mobile equipment maintenance is also running higher than planned due partly to a shortage of experienced maintenance personnel. Management is currently reviewing options to reduce maintenance costs moving forward.

Processing costs are expected to be higher than plan due to the slower than planned ramp up of the plant. General and administrative costs are expected to be higher than planned due to higher camp costs and higher water management costs.

The Magino mine is expected to produce below the published production guidance of the 72,000 to 81,000 ounces set out in the Company's original guidance for the year. As a result of the slower than planned ramp up and lower gold grades processed at the Magino mine, the cost of sales per ounce, cash costs[1] per ounce and AISC[1] per ounce are expected to be higher than guidance targets set for Magino at the beginning of the year.

Pre-commercial production costs

Pre-commercial production costs include mining, processing and general and administrative costs as of June 6, which was the date the plant was loaded with the necessary consumables and reagents to begin the leaching process. Depreciation and amortization costs, other than for mobile equipment, as well as interest costs were not expensed until the plant achieved commercial production on November 1, 2023. Project related costs that are capital in nature continue to be capitalized to assets under construction.

During the three and nine months ended September 30, 2023, the Magino mine sold 11,454 ounces and 11,526 ounces of gold, respectively, and recognized associated revenues of $22.0 million and $22.1 million and cost of sales of $15.1 million and $15.2 million, respectively.

[1] This is a Non-IFRS Measure; please see "Non-IFRS Measures" section.

Florida Canyon Mine

Operating Statistics for the Florida Canyon Mine		Three months ended September 30,			Nine months ended September 30,		
		2023	2022	% Change	2023	2022	% Change
Ore	000t	3,525	2,286	54 %	10,230	6,456	58 %
Waste	000t	1,728	4,093	(58)%	6,315	10,891	(42)%
Total mined	000t	5,253	6,379	(18)%	16,545	17,347	(5)%
Strip ratio	waste/ore	0.49	1.79	(73)%	0.62	1.69	(63)%
Ore direct to leach pads	000t	1,879	620	203 %	5,187	1,381	276 %
Crushed	000t	1,703	1,624	5 %	5,081	5,145	(1)%
Gold grade to leach pads	g/t	0.31	0.26	19 %	0.30	0.33	(9)%
Contained gold to leach pads	oz	35,977	18,865	91 %	100,417	68,211	47 %
Gold produced	oz	22,182	11,970	85 %	52,876	36,442	45 %
Gold sold	oz	21,455	11,480	87 %	52,206	35,637	46 %
Silver produced	oz	16,165	6,498	149 %	40,374	25,454	59 %
Silver sold	oz	15,976	6,049	164 %	40,390	22,581	79 %
GEOs produced (2023 and 2022 - 80:1 ratio)	oz	22,384	12,051	86 %	53,381	36,760	45 %
GEOs sold (2023 and 2022 - 80:1 ratio)	oz	21,655	11,555	87 %	52,711	35,919	47 %
Cost of sales	$/oz sold	1,549	1,963	(21)%	1,603	1,886	(15)%
Cash cost[1]	$/oz sold	1,304	1,692	(23)%	1,353	1,640	(18)%
AISC[1]	$/oz sold	1,531	2,201	(30)%	1,651	2,108	(22)%

[1]This is a Non-IFRS Measure; please see "Non-IFRS Measures" section.

During the three months ended September 30, 2023, the Florida Canyon mine produced 22,182 gold ounces and 16,165 silver ounces, or 22,384 GEOs, an increase of 86% from 11,970 gold ounces and 6,498 silver ounces, or 12,051 GEOs in the comparative prior year period. The increase in gold ounces produced during the three months ended September 30, 2023 was primarily due to the change in operating strategy to increase ROM tonnage placed directly on the leach pad and a 19% increase in gold grade. The higher ROM tonnage in 2023 was accomplished by lowering the cutoff grade to facilitate an increase in tonnes processed and gold production compared to the comparative prior year period. The increase in gold grade for the quarter is in-line with grades mined and processed for the year.

Cost of sales per gold ounce sold decreased by 21%, cash cost[1] per ounce decreased by 23%, and AISC[1] per ounce decreased by 30% primarily due to the 85% increase in gold production.

During the nine months ended September 30, 2023, the Florida Canyon mine produced 52,876 gold ounces and 40,374 silver ounces, or 53,381 GEOs, an increase of 45% from 36,442 gold ounces and 25,454 silver ounces, or 36,760 GEOs in the comparative prior year period. The increase in gold ounces produced during the nine months ended September 30, 2023 was primarily due to the change in operating strategy to increase ROM tonnage placed directly on the leach pad, partially offset by a 9% decrease in gold grade. The higher ROM tonnage in the first nine months of 2023 was accomplished by lowering the cutoff grade to facilitate an increase in tonnes processed and gold production compared to the comparative prior year period.

Cost of sales per gold ounce sold decreased by 15%, cash cost[1] per ounce decreased by 18%, and AISC[1] per ounce decreased by 22% primarily due to the 45% increase in gold production.

Capital expenditures at the Florida Canyon mine during the three and nine months ended September 30, 2023 were $2.4 million and $7.9 million, respectively, primarily related to leases of mining equipment.

[1]This is a Non-IFRS Measure; please see "Non-IFRS Measures" section.

Florida Canyon is expected to exceed its production guidance range by approximately 10% due in large part to a 30% increase in tonnage placed on the leach pad in 2023, partially offset by lower grades processed. The mine is expected to be in-line with per tonne and per ounce cost guidance for 2023, however total production costs are expected to exceed the higher end of guidance by 5% to 10% primarily due to the costs associated with higher ore placement rates as well as producing and selling more GEOs than originally planned. Capital expenditures are expected to come in at the top end of guidance.

La Colorada Mine

Operating Statistics for the La Colorada Mine		Three months ended September 30,			Nine months ended September 30,		
		2023	2022	% Change	2023	2022	% Change
Ore	000t	563	440	28 %	1,366	2,541	(46)%
Waste	000t	888	5,454	(84)%	3,894	16,502	(76)%
Total mined	000t	1,451	5,894	(75)%	5,260	19,043	(72)%
Strip ratio	waste/ore	1.58	12.39	(87)%	2.85	6.49	(56)%
Crushed	000t	575	504	14 %	1,417	2,687	(47)%
Gold grade to leach pads	g/t	0.53	0.43	23 %	0.52	0.44	18 %
Contained gold to leach pads	oz	9,766	6,900	42 %	23,844	38,086	(37)%
Gold produced	oz	6,624	8,392	(21)%	17,982	34,683	(48)%
Gold sold	oz	7,224	8,460	(15)%	17,990	34,862	(48)%
Silver produced	oz	9,367	21,171	(56)%	29,206	91,730	(68)%
Silver sold	oz	10,010	26,821	(63)%	30,310	100,300	(70)%
GEOs produced (2023 and 2022 - 80:1 ratio)	oz	6,741	8,657	(22)%	18,347	35,830	(49)%
GEOs sold (2023 and 2022 - 80:1 ratio)	oz	7,349	8,796	(16)%	18,369	36,116	(49)%
Cost of sales	$/oz sold	1,900	1,332	43 %	1,921	1,297	48 %
Cash cost[1]	$/oz sold	1,474	1,060	39 %	1,556	1,000	56 %
AISC[1]	$/oz sold	1,543	1,796	(14)%	1,628	1,363	19 %

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

During the three months ended September 30, 2023, the La Colorada mine produced 6,624 gold ounces and 9,367 silver ounces, or 6,741 GEOs, a decrease compared to 8,392 gold ounces and 21,171 silver ounces, or 8,657 GEOs in the comparative prior year period. GEO production during the three months ended September 30, 2023 were on plan but decreased 22% compared to the prior year, due to lower contained gold placed on the leach pad during the first half of 2023. Mining rates have decreased by over 70% in 2023 as mining is taking place only in the Veta Madre pit as compared to the prior year period which included ore from both the El Crestón and Veta Madre pits.

In the three months ended September 30, 2023, cost of sales per gold ounce sold of $1,900 and cash cost[1] per ounce of $1,474 increased by 43% and 39%, respectively, largely due to 21% lower gold production. AISC[1] of $1,543 per ounce decreased by 14% largely due to lower deferred stripping compared to the prior year period.

During the nine months ended September 30, 2023, the La Colorada mine produced 17,982 gold ounces and 29,206 silver ounces, or 18,347 GEOs, a decrease compared to 34,683 gold ounces and 91,730 silver ounces, or 35,830 GEOs in the comparative prior year period. GEO production during the nine months ended September 30, 2023, was on plan but decreased 49% compared to the prior year, due to a 47% reduction in processed tonnes. Mining rates have decreased by over 70% in 2023 as mining is taking place only in the Veta Madre pit, compared to the prior year period which included ore from both the El Crestón and Veta Madre pits.

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

During the nine months ended September 30, 2023, cost of sales per gold ounce sold of $1,921, cash cost[1] per ounce of $1,556 and AISC[1] per ounce of $1,628 increased by 48%, 56% and 19%, respectively, largely due to 48% lower gold production, the reversal of a diesel credit from prior year, a higher strip ratio during the initial phase of the lay-back, and costs related to a minor pit wall failure in the Veta Madre pit during the first and third quarters.

Capital expenditures at the La Colorada mine during the three and nine months ended September 30, 2023 were $0.3 million and $1.6 million, respectively, mainly due to exploration at El Crestón.

Production is expected to increase during the fourth quarter, as the waste stripping during the first half of the year allows access to the ore in the current phase of the layback. However, approximately 4,000 recoverable ounces of gold have been deferred to Phase 4 due to pit wall remediation work during the year, resulting in production falling between 1,000 ounces and 2,000 ounces below the low end of guidance for the year. Unit mining costs are expected to come in at the top end of unit cost guidance due to higher fuel and currency costs. Unit crushing costs are expected to be in-line with guidance, while unit processing costs are expected to exceed the higher end of guidance due to the increase in re-leach ounces produced in 2023 and a 10% reduction in tonnes crushed. Total production costs, on a cash basis, are expected to be below guidance, however, cost per ounce are expected to exceed the higher end of its cost guidance primarily due to lower production.

El Castillo Mining Complex

San Agustin Mine

Operating Statistics for the San Agustin Mine		Three months ended September 30,			Nine months ended September 30,		
		2023	2022	% Change	2023	2022	% Change
Ore	000t	1,384	2,441	(43)%	4,108	8,212	(50)%
Waste	000t	1,257	2,046	(39)%	3,801	5,951	(36)%
Total mined	000t	2,641	4,487	(41)%	7,909	14,163	(44)%
Strip ratio	waste/ore	0.91	0.84	8 %	0.93	0.72	29 %
Crushed	000t	1,643	2,441	(33)%	5,310	8,198	(35)%
Gold grade to leach pads	g/t	0.33	0.25	32 %	0.34	0.28	21 %
Contained gold to leach pads	oz	17,821	19,699	(10)%	57,624	73,735	(22)%
Gold produced	oz	9,774	15,941	(39)%	32,482	52,374	(38)%
Gold sold	oz	10,327	12,266	(16)%	34,592	48,125	(28)%
Silver produced	oz	34,684	53,971	(36)%	151,565	262,299	(42)%
Silver sold	oz	42,661	65,184	(35)%	157,487	282,082	(44)%
GEOs produced (2023 and 2022 - 80:1 ratio)	oz	10,208	16,616	(39)%	34,377	55,653	(38)%
GEOs sold (2023 and 2022 - 80:1 ratio)	oz	10,861	13,081	(17)%	36,561	51,651	(29)%
Cost of sales	$/oz sold	1,842	1,692	9 %	1,841	1,508	22 %
Cash cost[1]	$/oz sold	1,550	1,240	25 %	1,492	1,045	43 %
AISC[1]	$/oz sold	1,642	1,281	28 %	1,529	1,069	43 %

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

During the three months ended September 30, 2023, the San Agustin mine produced 9,774 gold ounces and 34,684 silver ounces, or 10,208 GEOs, a decrease from 15,941 gold ounces and 53,971 silver ounces, or 16,616 GEOs in the comparative prior year period. The 39% lower GEO production was primarily due to lower ore tonnes mined and processed. During the second quarter, a decision was made to process sulfide ore stockpiled as part of the mine closure plan, resulting in a reduction of ore and waste mining during the third quarter. The mine plan for 2023 has

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

been reduced to 20,000 ore tonnes per day, a reduction of 33% or approximately 11,000 ore tonnes per day from the comparative prior year period due to land access and permitting constraints.

In the three months ended September 30, 2023, cost of sales per gold ounce sold of $1,842, cash cost[1] per ounce of $1,550 and AISC[1] per ounce of $1,642 increased by 9%, 25%, and 28% respectively due to a 39% decrease in gold production.

During the nine months ended September 30, 2023, the San Agustin mine produced 32,482 gold ounces and 151,565 silver ounces, or 34,377 GEOs, a decrease from 52,374 gold ounces and 262,299 silver ounces, or 55,653 GEOs in the comparative prior year period. The 38% lower GEO production was primarily due to lower ore tonnes processed. As a result of land access and permitting constraints, the 2023 mine plan has been reduced to 20,000 ore tonnes per day, a reduction of 33% or approximately 11,000 ore tonnes per day from the comparative prior year period.

During the nine months ended September 30, 2023, cost of sales per gold ounce sold of $1,841, cash cost[1] per ounce of $1,492 and AISC[1] per ounce of $1,529 increased by 22%, 43%, and 43%, respectively, due to a 38% decrease in gold production.

Capital expenditures at the San Agustin mine during the three and nine months ended September 30, 2023, were $0.9 million and $1.1 million, respectively.

Overall, production is expected to be approximately 10% higher than guidance for 2023, as a result of the decision to place sulfide material on the leach pad. On August 4, 2023, the Company signed an agreement to acquire the necessary land to complete mining of the current reserve base at the San Agustin mine. Subject to receipt of the necessary permit, expected later this year, mining is expected to continue into 2025. Unit mining costs are expected to exceed the higher end of guidance due to higher costs than expected below the water table earlier in the year, as well as higher fuel and currency costs. Crushing, processing, and general and administrative costs are expected to be below the lower end of guidance. Total production costs are expected to exceed the higher end of guidance by between 5% to 10% due to the additional cost of placing and processing the sulfide ore on the leach pad and higher mining costs below the water table. The San Agustin mine is expected to exceed its 2023 cost per ounce guidance by $50 and $75 per ounce.

[1]This is a Non-IFRS Measure; please see "Non-IFRS Measures" section.

El Castillo Mine

Operating Statistics for the El Castillo Mine		Three months ended September 30,			Nine months ended September 30,		
		2023	2022	% Change	2023	2022	% Change
Ore	000t	–	2,353	(100)%	–	5,335	(100)%
Waste	000t	–	1,576	(100)%	–	7,308	(100)%
Total mined	000t	–	3,929	(100)%	–	12,643	(100)%
Strip ratio	waste/ore	–	0.67	(100)%	–	1.37	(100)%
Ore direct to leach pads	000t	–	2,353	(100)%	–	5,335	(100)%
Gold grade to leach pads	g/t	–	0.32	(100)%	–	0.31	(100)%
Contained gold to leach pads	oz	–	24,272	(100)%	–	52,876	(100)%
Gold produced	oz	3,853	8,554	(55)%	15,778	32,032	(51)%
Gold sold	oz	4,111	6,433	(36)%	16,971	31,465	(46)%
Cost of sales	$/oz sold	1,595	2,135	(25)%	1,747	1,877	(7)%
Cash cost[1]	$/oz sold	1,482	1,660	(11)%	1,524	1,413	8 %
AISC[1]	$/oz sold	1,514	1,661	(9)%	1,547	1,542	0 %

[1]This is a Non-IFRS Measure; please see "Non-IFRS Measures" section.

During the three months ended September 30, 2023, the El Castillo mine produced 3,853 gold ounces, 55% lower than the 8,554 ounces produced in the comparative prior year period. At the El Castillo mine, mining activities were suspended in late December 2022. For the three months ended September 30, 2023, site activities included re-leaching to rinse the pads as part of the reclamation process. In the three months ended September 30, 2023, cost of sales per gold ounce sold of $1,595, cash cost[1] per ounce of $1,482, and AISC[1] per ounce of $1,514 decreased by 25%, 11%, and 9%, respectively.

During the nine months ended September 30, 2023, the El Castillo mine produced 15,778 gold ounces, 51% lower than the 32,032 ounces produced in the comparative prior year period. At the El Castillo mine, mining activities were suspended in late December 2022. For the nine months ended September 30, 2023, site activities included leaching of the ore placed on the pads in 2022 and re-leaching to rinse the pads as part of the reclamation process. In the nine months ended September 30, 2023, cost of sales per gold ounce sold of $1,747 decreased by 7%, while cash cost[1] per ounce of $1,524 and AISC[1] per ounce of $1,547 increased by 8% and less than 1%.

Reclamation expenditures at the El Castillo mine during the three and nine months ended September 30, 2023 were $1.0 million and $2.2 million, respectively, for activities related to contouring and laying of soil. For the year, reclamation costs are expected to be below guidance as certain activities have been delayed pending completion of technical studies scheduled for completion by mid-2024.

El Castillo was scheduled to complete the leaching process and the rinsing of the leach pads by June 30, 2023, however, gold continues to be recovered. Accordingly, pad rinsing is expected to continue through the fourth quarter of 2023. As a result of the ongoing rinsing of the leach pads, production is expected to exceed the mid-point of production guidance by about 50%. Total production costs are expected to be within the guidance range, which is expected to result in per ounce costs below the low end of the guidance range for the year.

[1]This is a Non-IFRS Measure; please see "Non-IFRS Measures" section.

DISCUSSION OF FINANCIAL RESULTS

	Three months ended September 30,			Nine months ended September 30,		
(US$000s)	2023	2022	% Change	2023	2022	% Change
Revenues	104,801	75,257	39 %	256,879	292,464	(12)%
Cost of sales						
Production costs	77,201	56,316	37 %	196,584	197,854	(1)%
Depreciation, depletion and amortization	10,479	11,988	(13)%	30,255	46,185	(34)%
Total cost of sales	87,680	68,304	28 %	226,839	244,039	(7)%
Gross profit	17,121	6,953	146 %	30,040	48,425	(38)%
General and administrative expenses	4,600	3,077	49 %	12,856	10,783	19 %
Exploration expenses	69	2,705	(97)%	2,212	3,497	(37)%
Share-based compensation	747	444	68 %	1,826	2,330	(22)%
Profit from operations	11,705	727	1510 %	13,146	31,815	(59)%
Net finance expenses	(1,887)	(296)	538 %	(4,504)	(1,904)	137 %
Other (expense) income	(10,826)	(889)	1118 %	1,243	4,829	(74)%
(Loss) income before income taxes	(1,008)	(458)	120 %	9,885	34,740	(72)%
Income tax recovery (expense)	537	(837)	N/A	454	(12,005)	N/A
Net (loss) income for the period	(471)	(1,295)	(64)%	10,339	22,735	(55)%

Financial results for the three months ended September 30, 2023

Revenues

Revenues for the three months ended September 30, 2023 were $104.8 million, an increase of 39% from $75.3 million in the comparative prior year period. During the three months ended September 30, 2023, gold ounces sold totalled 54,571 at an average realized price of $1,888 per ounce, compared to 38,639 gold ounces sold at an average realized price of $1,895 per ounce during the same period of 2022, an increase of 15,932 in gold ounces sold or 41%. The higher revenues were driven by pre-commercial production gold ounces sold at the Magino mine and higher production from the Florida Canyon mine, partially offset by lower production at the Company's three mines in Mexico.

During the three months ended September 30, 2023, 25,046 ounces were delivered at $1,856 per ounce related to the Company's gold forward sales contracts ("Gold Forwards") generating revenues of $46.5 million. Revenues for the three months ended September 30, 2023 from spot sales were $56.3 million from 29,294 ounces at an average realized gold price of $1,923 per ounce. In addition, deferred revenue recognized of $0.2 million from 231 ounces that were delivered into the NSR royalty at Magino.

During the three months ended September 30, 2023, the Company sold 11,454 gold ounces and recognized associated revenues of $22.0 million and cost of sales of $15.1 million related to the pre-commercial production phase of the Magino mine.

	Three months ended September 30,				
Spot price per ounce of gold		2023		2022	% Change
Average realized[1]	$	1,888	$	1,895	(0.4)%
Low	$	1,871	$	1,634	14.5 %
High	$	1,976	$	2,039	(3.1)%
Average	$	1,928	$	1,825	5.6 %

[1]Includes 11,454 gold ounces sold from the pre-commercial production phase of the Magino mine.

Production costs

Production costs for the three months ended September 30, 2023 were $77.2 million, which was an increase of 37% from $56.3 million in the comparative prior year period, largely related to a 41% increase in gold ounces sold, compared with the same period in 2022.

Depreciation, depletion and amortization

Total depreciation, depletion, and amortization expense for the three months ended September 30, 2023 was $10.5 million, or a $1.5 million decrease compared to the prior year period primarily due to lower production from the Mexican mines and cessation of mining activity at the El Castillo mining complex, partially offset by an increase in depreciation from the Florida Canyon mine due to higher ounces produced. Depreciation, depletion and amortization of the majority of Magino's property, plant and equipment only begins upon the achievement of commercial production, which occurred on November 1, 2023.

Inventory impairment reversals

Net inventory impairment reversals for the three months ended September 30, 2023 was $nil. There was an inventory impairment reversal of $0.2 million at the El Castillo Mining Complex primarily due to the increase in net realizable values, which was offset by a decrease in net realizable values of $0.2 million at the La Colorada mine, due to changes in estimates.

	Three months ended September 30,	
(US$000s)	2023	2022
La Colorada mine	(197)	–
El Castillo mining complex	210	(77)
Inventory reversal (impairment)	13	(77)

Other expense

Other expense in the three months ended September 30, 2023 was $10.8 million, compared to $0.9 million in the prior year period. The $9.9 million increase in other expense in the three months ended September 30, 2023 was primarily related to $6.6 million change in foreign exchange losses and $3.6 million change in unrealized losses on derivative instruments.

Income taxes

Income tax recovery for the three months ended September 30, 2023 was $0.5 million compared to income tax expense of $0.8 million in the same period of 2022. The change was primarily related to lower flow-through share renunciation expenditures.

Net (loss) income

Net loss for the three months ended September 30, 2023 was $0.5 million or $0.00 per share compared to net loss of $1.3 million or $0.00 per share for the same period in 2022.

Financial results for the nine months ended September 30, 2023

Revenues

Revenues for the nine months ended September 30, 2023 were $256.9 million, a decrease of 12% from $292.5 million in the prior year period. During the nine months ended September 30, 2023, gold ounces sold totalled 133,285 at an average realized price per ounce of $1,885, compared to 150,089 gold ounces sold at an average realized price per ounce of $1,883 during the same period of 2022, a decrease of 11% ounces sold. The lower revenues were driven by lower production at the Company's three mines in Mexico, partially offset by an increase in ounces from the Magino mine and Florida Canyon mine.

During the nine months ended September 30, 2023, the average realized gold price per ounce was comparable to the same period of 2022. The spot sales of $93.0 million were from 48,008 ounces delivered at an average realized gold price of $1,936, partially offset by 85,046 ounces delivered at $1,858 per ounce related to the Gold Forwards. In addition, deferred revenue recognized of $0.2 million from 231 ounces that were delivered into the NSR royalty at Magino.

During the nine months ended September 30, 2023, the Company sold 11,526 gold ounces and recognized associated revenues of $22.1 million and cost of sales of $15.2 million related to the pre-commercial production phase of the Magino mine.

	Nine months ended September 30,		
Spot price per ounce of gold	2023	2022	% Change
Average realized[1]	$ 1,885	$ 1,883	0.1 %
Low	$ 1,811	$ 1,634	10.8 %
High	$ 2,049	$ 2,039	0.5 %
Average	$ 1,931	$ 1,825	5.8 %

[1]Includes 11,526 gold ounces sold from the pre-commercial production phase of the Magino mine.

Production costs

Production costs for the nine months ended September 30, 2023 were $196.6 million, relatively unchanged from $197.9 million in the prior year period, primarily due to 11% lower gold ounces sold, largely related to decreased material mined and processed at the Company's Mexican mines offset by higher cost per ounce due to net inventory impairments of $5.9 million related to the Mexican operations. See inventory impairment analysis below.

Inventory impairment

Net inventory impairment for the nine months ended September 30, 2023 was $5.9 million compared to a $0.1 million inventory impairment reversal in the comparative prior year period. The inventory impairment was primarily due to the inability to apply fuel tax credits in Mexico and inventory obsolescence write-downs at the Company's Mexico mines partially offset by the reversal of a year end 2022 inventory impairment at the Florida Canyon mine.

	Nine months ended September 30,	
(US$000s)	2023	2022
Florida Canyon mine	1,551	–
La Colorada mine	(2,877)	–
El Castillo mining complex	(4,572)	117
Inventory (impairment) reversal	(5,898)	117

Other income

Other income for the nine months ended September 30, 2023 was $1.2 million, compared to other income of $4.8 million in the same period of 2022. Other income in the nine months ended September 30, 2023 was primarily related to $1.7 million change in unrealized gains on derivative instruments. Other income of $4.8 million for the nine months ended September 30, 2022 was primarily related to a $12.2 million change in unrealized gains on derivative instruments, partially offset by a $2.3 million increase in transaction costs on evaluating financing alternatives, $2.1 million of foreign exchange losses, and $2.0 million of realized losses on derivatives.

Income taxes

Income tax recovery for the nine months ended September 30, 2023 was $0.5 million, compared to income tax expense of $12.0 million in the same period of 2022. The change was primarily related to a $13.7 million decrease in current income tax expense due to lower pre-tax income from lower gross profit primarily from the Company's Mexican operations. There was also a $1.3 million decrease in deferred income tax recovery during the nine months ended September 30, 2023 due to $3.2 million lower flow-through share renunciation expenditures, partially offset by an increase in deferred tax assets not recognized.

Net income

Net income was $10.3 million or $0.01 per basic and diluted share for the nine months ended September 30, 2023, compared to net income of $22.7 million or $0.05 per basic and diluted share for the nine months ended September 30, 2022. The decrease in earnings per share was impacted by the 434 million shares of equity raised in 2022.

FINANCIAL CONDITION REVIEW

Summary Balance Sheet

(US$000s)	September 30, 2023	December 31, 2022
ASSETS		
Cash and cash equivalents	44,866	73,254
Inventories	109,870	94,242
Prepaid income tax	7,508	8,618
Mineral properties, plant and equipment	1,235,840	1,018,328
Other assets[1]	38,758	64,953
Total assets	1,436,842	1,259,395
LIABILITIES		
Trade and other payables	81,417	94,949
Debt	277,651	127,793
Provisions	87,231	96,012
Lease liabilities	59,560	52,505
Deferred revenue	58,158	37,549
Other liabilities[2]	12,500	14,318
Total liabilities	576,517	423,126
SHAREHOLDERS' EQUITY		
Total shareholders' equity	860,325	836,269
Total liabilities and shareholders' equity	1,436,842	1,259,395

[1]Includes trade and other receivables, asset held for sale, deferred income taxes, and other current and non-current assets.
[2]Includes current income tax liabilities, derivative liabilities, deferred income taxes, and other current and non-current liabilities.

Cash and cash equivalents

The Company's cash balance as at September 30, 2023 was $44.9 million, $28.4 million lower than the balance at the start of the year. The decline was primarily due to $200.5 million in expenditures on mineral properties, plant and equipment, mostly related to ongoing construction at the Magino mine, $19.2 million in lease payments, and $19.2 million in interest paid, partially offset by $150.0 million in proceeds from loan facilities, $35.7 million in net cash provided by operating activities, $12.9 million in proceeds from issuance of flow-through shares, and $10.0 million in proceeds from the disposition of the Ana Paula project. Refer to the *Liquidity and Capital Resources* section below for further details.

Mineral properties, plant and equipment

Mineral properties, plant and equipment increased by $217.5 million to $1,235.8 million as at September 30, 2023 from $1,018.3 million as at December 31, 2022. The increase was largely attributable to $187.1 million of continuing development and construction at the Magino mine partially offset by depreciation, depletion and amortization during the nine months ended September 30, 2023. With the achievement of commercial production of the Magino mine on November 1, 2023, costs related to assets under construction were reclassified to producing mineral properties, plant and equipment, and depreciation and depletion commenced on that date.

Debt

(US$000s)	September 30, 2023	December 31, 2022
Loan Facilities - Term Loan	194,781	77,582
Loan Facilities - Revolving Credit Facility	29,152	–
Convertible Debentures debt liability	49,691	47,409
Convertible Debentures derivative liability	859	995
Florida Canyon mine equipment loan	364	—
Magino mine equipment loan	2,804	1,807
	277,651	127,793
Current portion of debt	38,819	350
Non-current portion of debt	238,832	127,443

Refer to *Liquidity and Capital Resources* section for further discussion on the Company's debt.

Deferred Revenue

Deferred revenue as at September 30, 2023 was $58.2 million, 55% higher than $37.5 million at the start of the year. The increase was primarily due to the addition of the $19.1 million in gold prepaid advances ("Advances") entered into during the third quarter of 2023.

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash and cash equivalents balance as at September 30, 2023 was $44.9 million, compared to $73.3 million as at December 31, 2022. The Company's net debt[1] as at September 30, 2023 was $179.1 million, compared to $4.3 million as at December 31, 2022. A summary of the significant financings and certain other activities during 2023 and 2022 is provided below.

Loan Facilities

In October 2022, the Company closed the Loan Facilities, which were a combined $250 million financing package for the ongoing development and construction of the Magino mine. The Loan Facilities consist of a term loan of $200 million (referred to as the "Term Loan") and a revolving credit facility of $50 million (referred to as the "Revolving Credit Facility").

On closing of the Loan Facilities, the Company incurred transaction costs and upfront fees of $7.9 million which were allocated between the Term Loan ($6.3 million) and Revolving Credit Facility ($1.6 million) based on the proportionate share of expected drawdowns.

The transaction costs are amortized separately over the life of the Term Loan and the Revolving Credit Facility, and disclosed as a reduction in the outstanding balance of each liability, when drawn, and presented in other current assets, when undrawn. The Loan Facilities are secured by the mineral properties and related plant and equipment of the Company, excluding the Company's Cerro del Gallo and San Antonio projects.

The Company is subject to both financial and nonfinancial covenants in relation to the Loan Facilities. The covenants require the Company to maintain defined minimum cash balances along with certain tangible net worth, leverage and interest coverage ratios.

On September 29, 2023, the Company obtained a waiver on certain financial covenants on the Loan Facilities. It was anticipated the Company would not be in compliance with certain financial covenants as at September 30, 2023 and accordingly obtained the waiver to prevent a default event which gives the lenders the ability to declare the Loan Facilities become immediately due and payable. As a result of the waiver amending the covenant requirements as at September 30, 2023, a default event has not occurred and the Loan Facilities continue to be classified as non-current liabilities as at that date.

Management anticipated it would likely not meet the requirements of the interest coverage and the net debt to earnings before interest, taxes, and amortization ("EBITDA") ratios. The interest coverage ratio stipulates that the Company shall maintain, as reported quarterly, a ratio of (i) greater than 3.0:1 prior to June 30, 2024 and (ii) greater than 4.5:1 from and after June 30, 2024. The net debt to EBITDA ratio stipulates that the Company shall maintain at all times a ratio of (i) less than 4.5:1 prior to June 30, 2024 and (ii) less than 3.5:1 from and after June 30, 2024. The anticipated breaches on these two financial covenants were due to an increase in estimated construction costs of the Magino mine from CA$920 million to CA$980 million, a delay in timing of first gold, which was originally scheduled for March 2023 and a delay in the ramp up to achieve commercial production.

The waiver on certain financial covenants also waived, until October 31, 2023, the Company's requirement to maintain an unrestricted cash balance of (i) not less than $40 million at all times prior to June 30, 2024 and (ii) not less than $25 million at all times from and after June 30, 2024. On October 31, 2023, this condition was amended to require the Company to maintain at all times an unrestricted cash balance of not less than $10 million until November 30, 2023 and additional funding to be raised by the same date.

An unremedied breach of covenants can have an impact on the Company's liquidity and solvency. In such a circumstance, the lenders have the contractual right to demand immediate payment of the Loan Facilities in full, and failing repayment, the lenders have the right to realize on the Loan Facilities by taking ownership of certain assets of the Company, which are collateral for the Loan Facilities.

[1]This is a Non-IFRS Measure; please see "Non-IFRS Measures" section.

Loan Facilities - Term Loan

The Term Loan matures on June 30, 2028 and is to be repaid in set quarterly repayment amounts of the outstanding balance commencing on December 31, 2023, with no penalty for voluntary prepayment. The Term Loan bears interest at 1.25% per annum on the committed but undrawn portions, and a rate on drawn portions equal to the adjusted term Secured Overnight Financing Rate (“Adjusted Term SOFR”) plus 6.0% per annum. Interest is accrued based on the timing of the drawdown and is payable on the quarterly principal repayment dates. The Term Loan is available to the Company in the form of drawdown tranches electable by the Company, subject to the satisfaction of certain drawdown conditions.

As at September 30, 2023, the Company had fully drawn $200 million under the Term Loan, with no amounts remaining undrawn. The Company incurred transaction costs of $6.3 million, which were fully allocated to the drawn amount of the Term Loan. As at September 30, 2023, transaction costs of $5.2 million remain unamortized.

During the three and nine months ended September 30, 2023, capitalized interest and accretion expense on the Term Loan were $6.2 million and $15.0 million, respectively. Interest and accretion expense were capitalized to the Magino mine until such time as it was ready for its intended use, defined as point of commercial production, which was achieved on November 1, 2023.

Loan Facilities - Revolving Credit Facility

The Revolving Credit Facility matures on October 27, 2025 and bears interest at 1.25% per annum on the committed but undrawn portions, and a rate on drawn portions equal to the Adjusted Term SOFR plus 6.0% per annum. Interest is accrued based on the timing of the drawdown and is payable on the quarterly principal repayment dates of the Term Loan. The entire drawn amount is due on the maturity date of the Revolving Credit Facility. The Revolving Credit Facility is available to the Company in the form of drawdown tranches electable by the Company, subject to the satisfaction of certain drawdown conditions.

As at September 30, 2023, the Company had drawn $30 million on the Revolving Credit Facility, with $20 million (December 31, 2022 - $50 million) remaining undrawn.

From allocated transaction costs of $1.6 million, a total of $0.9 million (December 31, 2022 - $nil) were applied against the drawn amount of the Revolving Credit Facility. As at September 30, 2023, transaction costs of $0.8 million (December 31, 2022 - $nil) remain unamortized. Transaction costs of $0.7 million (December 31, 2022 - $1.6 million) on the undrawn amounts of the Revolving Credit Facility are classified within other current assets.

During the three and nine months ended September 30, 2023, capitalized interest on the Revolving Credit Facility was $0.9 million, and capitalized accretion expense was $0.1 million. Interest and accretion expense were capitalized to the Magino mine until such time as it was ready for its intended use, defined as point of commercial production, which was achieved on November 1, 2023.

Convertible debentures

In October 2020, the Company issued unsecured convertible debentures with an aggregate principal amount of $57.5 million (the “Convertible Debentures”). As at September 30, 2023, the outstanding Convertible Debentures balance was $57.5 million. The Convertible Debentures mature on November 30, 2025 and bear interest at 4.625% per annum, payable semi-annually. The Convertible Debentures are not redeemable by the Company before November 30, 2023. The Company used the net proceeds of the Convertible Debentures for the advancement of the Magino mine. The principal amount is convertible, at the option of the holder, into common shares of the Company, at any time, at a rate of 350.1155 common shares per $1,000 of convertible debt, resulting in a conversion price of $2.86 per common share. As at September 30, 2023, the fair value of the conversion feature, which was a derivative liability, was estimated at $0.9 million.

Magino mine equipment loan

In September 2022, the Company entered into a purchase and financing agreement with a supplier for heavy equipment for the Magino mine. The agreement included a loan financing arrangement for four units of equipment with each unit to be delivered according to a staged schedule. The loan is secured by the units inclusive to the loan. The first two units were placed in use in 2022, with the third unit placed into use during August 2023. The remaining unit is expected to be delivered in August 2024. The financing arrangement per unit is for a 60-month term beginning on each unit's delivery date, bearing interest at 4.50%, and payable on a monthly basis with a blended principal and interest payment. The total commitment for the equipment loan is expected to be $5.5 million. At September 30, 2023, the outstanding balance of the equipment loan was $2.8 million (December 31, 2022 - $1.8 million).

Flow-through common shares

In May 2023, the Company closed a $12.9 million (CA$17.5 million) bought deal private placement of flow-through shares. This included 6,613,800 CEE flow-through shares at CA$0.76 for total gross proceeds of $3.7 million (CA$5.0 million) and 18,656,800 CDE flow-through shares at CA$0.67 per share for total gross proceeds of $9.2 million (CA$12.5 million).

During the three and nine months ended September 30, 2023, the Company used $1.4 million (CA$1.9 million) and $12.1 million (CA$ $16.2 million), respectively, of CDE proceeds to fund the development of the Magino project. During the nine months ended September 30, 2023, the Company completed its obligation to incur expenditures under the flow-through offerings for the March 2022, November 2022, and May 2023 issuances. This included the CDE flow-through shares issued in November 2022 and May 2023 for total gross proceeds of $22.1 million (CA$29.8 million).

During the three and nine months ended September 30, 2023, the Company used $nil (CA$nil) and $1.0 million (CA$1.4 million), respectively, of the CEE proceeds to fund exploration activities related to the Company's Magino mine and adjacent properties in Ontario, Canada. As at September 30, 2023, the remaining amount to be spent in relation to the CEE flow-through shares was $3.4 million (CA$4.6 million). As at September 30, 2023, the total remaining flow-through share premium liability for both issuances was $0.6 million (CA$0.9 million).

Gold prepaid advances

On July 17, 2023, the Company entered into a prepaid agreement on 10,000 ounces of gold to add further liquidity to the balance sheet during the ramp up of Magino whereby the Company may request an advance of proceeds from the future delivery of gold ounces. Under conditions of the contract, these Advances are to be settled with future gold production no later than 45 days from the date of the Advance, nor shall the Advances be outstanding after December 31, 2023, unless the agreement is extended for a successive one-year period. The Company intends to use these Advances to assist with management of its working capital requirements related to the Magino mine. During the three months ended September 30, 2023, the Company received $19.1 million as an Advance for 10,000 ounces of future production committed to be delivered to the counterparty. On October 30, 2023, the agreement was amended to extend the Advances to March 31, 2024.

Sale of additional royalties

In October 2022, the Company closed the sale of a 2.0% NSR royalty on the Magino mine and surrounding land package to Franco-Nevada for $52.5 million, which was used for the construction and advancement of the Magino mine.

As a result of the slower than planned ramp-up of the Magino mine to commercial production, the Company assessed alternatives to strengthen its balance sheet. On November 2, 2023, the Company announced the sale to Franco-Nevada of an additional 1.0% NSR royalty on its Magino mine, and its non-core royalty holdings in Canada and Mexico for an aggregate price of $29.5 million. Upon the closing of this transaction, Franco-Nevada will hold an aggregate 3.0% NSR royalty on the Magino mine. The completion of this royalty sale is subject to customary closing conditions for transactions of this kind.

Cash Flows

	Three months ended September 30,		Nine months ended September 30,	
(US$000s)	2023	2022	2023	2022
Operating activities				
Cash flows from operating activities before changes in working capital and other items	21,101	13,582	49,012	61,980
Changes in working capital and other items	22,088	(37,098)	(13,326)	(68,101)
Net cash provided by (used in) operating activities	43,189	(23,516)	35,686	(6,121)
Investing activities				
Expenditures on mineral properties, plant and equipment	(54,514)	(98,593)	(200,479)	(270,843)
Proceeds from sale of exploration and evaluation property and joint venture option agreement	–	–	10,295	–
Proceeds from disposal of equipment	35	1,682	35	2,131
Proceeds from sale of marketable securities, net of transaction costs	–	–	–	5,307
Net cash used in investing activities	(54,479)	(96,911)	(190,149)	(263,405)
Financing activities				
Proceeds from flow-through shares issued	–	–	12,885	40,937
Proceeds from common shares issued	–	149,795	—	149,795
Share issuance costs	–	(8,365)	(898)	(10,582)
Proceeds from stock options exercised	–	–	–	798
Debt drawdowns	—	–	150,000	–
Debt repayments	(354)	(45)	(528)	(45)
Lease payments	(6,227)	(3,781)	(19,222)	(12,386)
Receipts (payments) for settlement of derivatives	190	(213)	405	(2,233)
Interest paid	(7,547)	(1,150)	(19,207)	(5,320)
Net cash (used in) provided by financing activities	(13,938)	136,241	123,435	160,964
Effects of exchange rate changes on cash and cash equivalents	(1,705)	(2,435)	1,173	(1,478)
Net (decrease) increase in cash and cash equivalents	(26,933)	13,379	(29,855)	(110,040)
Cash and cash equivalents, beginning of period	71,799	75,816	73,254	199,235
Cash derecognized from assets held for sale	–	–	1,467	–
Cash and cash equivalents, end of period	44,866	89,195	44,866	89,195

Operating cash flows for the three and nine-month periods were below expectations for the Company due to the Magino mine's slower than planned ramp up. The Company primarily used the Loan Facilities to fund the remaining capital requirements as the Magino mine ramped up towards commercial production. In addition, the Company entered into Advances on 10,000 ounces of gold to add further liquidity to the balance sheet during the ramp up of the Magino mine. As at September 30, 2023, the Company received $19.1 million from the Advances.

Cash flows for the three months ended September 30, 2023

During the three months ended September 30, 2023, cash decreased by $26.9 million primarily due to $54.5 million of expenditures on mineral properties, plant and equipment, $7.5 million of interest payment related to the Loan Facilities, and $6.2 million of lease payments, partially offset by cash provided by operating activities of $43.2 million. During the three months ended September 30, 2022, cash increased by $13.4 million primarily due to $136.2 million of cash provided by financing activities, largely related to an equity raise of $149.8 million, partially offset by $98.6 million of expenditures on mineral properties, plant and equipment and $23.5 million of cash outflows from operations.

During the three months ended September 30, 2023, cash provided by operating activities totalled $43.2 million, compared to cash used in operating activities of $23.5 million in the comparative prior year period. The increase in cash provided by operations was primarily related to a $7.5 million increase in cash flows from operating activities excluding changes in working capital and other items, $54.2 million change in net non-cash working capital, and $4.7 million in lower taxes paid.

The $7.5 million increase in cash flows from operating activities before changes in working capital and other items was primarily related to an increase in gold sales from the Magino mine and Florida Canyon mine. The $54.2 million change in net non-cash working capital was largely due to the receipt of Advances of $19.1 million and changes from normal movements in trade and other receivables, prepaid expenses, and trade and other payables.

During the three months ended September 30, 2023, cash used in investing activities totalled $54.5 million, compared to $96.9 million in the comparative prior year period. The cash used in investing activities in the three months ended September 30, 2023 was primarily related to capital expenditures including $50.6 million for construction of the Magino mine. The cash used in investing activities in the three months ended September 30, 2022 totalled $96.9 million, primarily related to capital expenditures of $84.4 million for construction of the Magino mine, $7.7 million for capitalized stripping at the La Colorada and Florida Canyon mines, $4.3 million for exploration and development activities, $0.3 million for leach pad construction, and $1.6 million for other capital expenditures at the Company's operating properties.

During the three months ended September 30, 2023, cash used in financing activities totalled $13.9 million, compared to cash provided by financing activities of $136.2 million in the comparative prior year period. The cash used in financing activities in three months ended September 30, 2023 was primarily related to interest payments of $7.5 million and principal lease payments of $6.2 million. During the three months ended September 30, 2022, cash provided by financing activities primarily related to proceeds from the issuance of common shares of $149.8 million, partially offset by share issuance cost of $8.4 million, lease payments of $3.8 million, interest payments of $1.2 million and foreign exchange contracts ("FX Forwards") payments of $0.2 million.

Cash flows for the nine months ended September 30, 2023

During the nine months ended September 30, 2023, cash decreased by $29.9 million mostly due to $190.1 million of cash used in investing activities primarily related to capital expenditures incurred, partially offset by $123.4 million of cash proceeds from financing activities, $35.7 million of cash provided by operating activities, and $1.2 million due to foreign exchange rate changes, compared to the nine months ended September 30, 2022 in which cash decreased by $110.0 million primarily due to $270.8 million of capital expenditures incurred and $6.1 million of cash used in operations, partially offset by $161.0 million of cash provided by financing activities.

Cash provided by operating activities totalled $35.7 million in the nine months ended September 30, 2023, compared to cash used in operating activities of $6.1 million in the nine months ended September 30, 2022. The increase in cash provided by operations was primarily related to a $18.9 million change in net non-cash working capital, $34.7 million in lower tax payments and $1.2 million in additional interest received, partially offset by a $13.0 million decrease in cash flows from operating activities excluding changes in working capital and other items.

The $13.0 million decrease in cash flows from operating activities before changes in operating working capital and other items and the $34.7 million in lower tax payments was primarily related to a decrease in gold sales and profitability at the Company's Mexican mines. The $18.9 million change in net non-cash working capital was largely due to the receipt of Advances of $19.1 million.

Cash used in investing activities totalled $190.1 million in the nine months ended September 30, 2023, compared to $263.4 million in the nine months ended September 30, 2022. The cash used in investing activities in the nine months ended September 30, 2023 related to capital expenditures including $187.1 million for construction of the

Magino project, $9.4 million for exploration and development activities, and $2.9 million for capital expenditures at the Company's other mines. Cash provided by investing activities in the nine months ended September 30, 2023 includes $10.0 million from the sale of Ana Paula. The cash used in investing activities in the nine months ended September 30, 2022 mostly related to capital expenditures including $226.1 million for construction of the Magino project, $18.6 million for capitalized stripping at the El Castillo and La Colorada mines, $14.8 million for exploration and development activities, $11.3 million for crushing and conveying, circuit improvements, leach pad construction, mining equipment and other capital expenditures. Cash provided by investing activities in the nine months ended September 30, 2022 includes $5.3 million of proceeds from the sale of marketable securities.

Cash provided by financing activities totalled $123.4 million in the nine months ended September 30, 2023, compared to $161.0 million in the nine months ended September 30, 2022. Cash provided by financing activities in the nine months ended September 30, 2023 mostly related to proceeds from the Loan Facilities of $150.0 million, the issuance of flow-through common shares of $12.9 million, partially offset by lease payments of $19.2 million and interest payments of $19.2 million. During the nine months ended September 30, 2022, the Company received $149.8 million from the issuance of common shares, $40.9 million from the issuance of flow-through common shares, partially offset by lease payments of $12.4 million, interest payments of $5.3 million, share issuance costs of $10.6 million, and FX Forwards payments of $2.2 million.

LIQUIDITY OUTLOOK

During the year, the Company experienced delays in ramp up and commissioning of the Magino mine. This resulted in lower than planned production and revenues. Commercial production was achieved subsequent to quarter-end on November 1, 2023. As a result of the lower than planned annual revenue and principal repayments on the Term Loan commencing on December 31, 2023, the Company has commenced an initiative to finance near term requirements. The financing achieved and activities currently being undertaken include:

- On October 30, 2023, the Company negotiated the deferral of settlement on the $19.1 million gold prepaid advances from December 31, 2023 to March 31, 2024.
- On November 2, 2023, an agreement was reached to sell to Franco-Nevada an additional 1.0% NSR royalty on the Magino mine, and non-core royalty holdings in Canada and Mexico for an aggregate price of $29.5 million.
- The Company has retained a financial advisor to assist in the potential sale of the Company's non-core Mexican assets.
- The Company is also reviewing options of potentially either refinancing the Loan Facilities or raising additional equity.

Management believes with the current liquidity, the expected cash flows from current operations, the deferral of the settlement of the gold prepaid advances, proceeds from the sale of the additional 1.0% NSR royalty, the sale of the Company's non-core assets, along with either a refinancing of the existing Loan Facilities and/or raising additional equity, to be sufficient to fund the Company for the next 12 months and beyond. The Company's liquidity includes its current cash and cash equivalents balance, Advances, existing undrawn amounts under its Revolving Credit Facility (subject to lender approval),and proceeds from gold sales. Should there be any shortfall in funding, management could adjust discretionary expenditures, such as planned exploration projects, by slowing or deferring their progression. Management may also consider other options to enhance liquidity, as necessary.

While management believes the Company will be able to discharge its obligations through its plans noted above, there can be no assurance that those efforts will be successful. These factors give rise to material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern. These financial statements do not include adjustments or disclosures that may result should the Company not be able to continue as a going concern. If the going concern assumption were not appropriate for these financial statements, then adjustments would be required to the carrying value of assets and liabilities, expenses, comprehensive (loss) income, and balance sheet classifications used. These adjustments could be material.

SUMMARY OF QUARTERLY RESULTS

The following table presents selected quarterly financial information and operating highlights for each of the eight most recent quarters:

		2023 Q3	2023 Q2	2023 Q1	2022 Q4	2022 Q3	2022 Q2	2022 Q1	2021 Q4
Revenue	$000s	104,801	83,111	68,967	95,877	75,257	111,405	105,802	102,870
Inventory (reversal) impairment	$000s	(13)	(3,450)	9,361	22,996	77	(13)	(181)	(540)
(Reversal) impairment of mineral properties, plant and equipment	$000s	–	–	(295)	135,547	–	–	–	64,877
Net (loss) income	$000s	(471)	21,186	(10,376)	(174,937)	(1,295)	18,412	5,618	(37,252)
(Loss) earnings per share - basic	$/share	(0.00)	0.03	(0.01)	(0.22)	—	0.06	0.02	(0.12)
Gold sold	oz	54,571	42,546	36,168	50,606	38,639	57,344	54,107	55,094
Average realized price	$/oz	1,888	1,903	1,858	1,860	1,895	1,884	1,874	1,799
Cost of sales	$/oz sold	1,607	1,590	1,977	2,381	1,768	1,597	1,555	1,544
Cash cost[1]	$/oz sold	1,383	1,304	1,660	2,005	1,403	1,248	1,153	1,172

[1]This is a Non-IFRS Measure; please see "Non-IFRS Measures" section.

Quarterly results are predominantly affected by the number of GEOs sold, the average realized price per ounce, the cost of sales and cash cost[1] per ounce sold, and any unusual items. The quarterly year-over-year changes in revenue were primarily related to corresponding changes in gold and silver ounces sold. The relative stability and consistency of the average realized gold prices, over the eight quarters, had a lesser impact on overall revenues.

The Company realized lower than market gold prices during the third quarter of 2023 as a result of 25,046 ounces being delivered into the Gold Forwards at $1,856 per ounce.

The fourth quarter 2022 net loss was primarily due to $135.5 million in impairments of mineral properties, plant and equipment and $23.0 million in inventory impairments.

CONTINGENT LIABILITIES

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 change, the Company will recognize these 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 favour of the holders. The Company renounces all expenditures to flow-through shareholders at the end of the year in which the shares are issued. As at September 30, 2023, the remaining amount to be spent in relation to the flow-through shares was $3.4 million (CA$4.6 million).

Alio, a subsidiary of the Company since July 2020 received a Notice of Civil Claim from a former shareholder of Rye Patch Gold Corp. ("Rye Patch") whose shares were acquired by Alio. The plaintiff brought the claim in the Supreme Court of British Columbia (the "Court") 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 the plaintiff's application to certify the action as a class

[1]This is a Non-IFRS Measure; please see "Non-IFRS Measures" section.

proceeding. In April 2021, the Company received notice that the plaintiff was 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 in March 2022 the Court of Appeal released its decision allowing the appeal and remitting the matter of certification to the trial court for further consideration. On July 28, 2023, the Court of British Columbia certified a class proceeding against Alio. Pursuant to the Court's decision, the class members in the class proceeding include all individuals or entities whose Rye Patch shares were acquired by Alio in exchange for Alio common shares and cash as part of the plan of arrangement entered into between Alio and Rye Patch, but excludes all of those individuals or entities that sold their shares in Alio prior to August 10, 2018.

The Company has reviewed the claim and is of the view that it is without merit. However, the outcome of the claim is not determinable at this time. Accordingly, no liability was accrued in the Alio purchase price allocation and no liability has been recognized in the Company's consolidated financial statements.

FINANCIAL INSTRUMENTS

As at September 30, 2023 and December 31, 2022, 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 September 30, 2023 and December 31, 2022, 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 the inception or the liability bears interest at a floating rate. As at September 30, 2023, the fair value of the Convertible Debentures was $47.1 million.

Currency derivative contracts - foreign exchange forwards

In October 2022, the Company entered into FX Forwards to manage the Company's exposure to foreign exchange fluctuations between Canadian and US dollars. This agreement was a condition precedent of the Loan Facilities.

As at September 30, 2023, the outstanding FX Forwards were as follows:

Anticipated settlement date	US$	Settlement rate	CA$
October 2023 - December 2023	36,000	1.33	47,892
January 2024 - September 2024	118,800	1.32	157,280
	154,800	1.33	205,172

The fair value of the FX Forwards as at September 30, 2023 resulted in a net derivative liability of $3.0 million. These derivative instruments were not designated as hedges by the Company and are being fair valued at the end of each reporting period. The FX Forwards were valued as the difference between the committed exchange price and the spot exchange rate at the end of the reporting period.

During the three and nine months ended September 30, 2023, the Company settled $32.0 million and $149.0 million, respectively, of FX Forwards and recognized realized losses of $0.2 million and $0.4 million, respectively. During the three and nine months ended September 30, 2023, the Company had unrealized losses of $3.5 million and $1.5 million, respectively, from the mark-to-market on the outstanding FX Forwards. Subsequent to September 30, 2023, the Company settled an additional $7.4 million of FX Forwards.

Gold forward sales contracts

As at September 30, 2023, the outstanding Gold Forwards were as follows:

Year	Total Ounces	Weighted-average Contract Price ($/oz)
2023	24,954	1,860
2024	100,000	1,860
2025	100,000	1,821
2026	100,000	1,821
2027	50,000	1,821
	374,954	

The Company entered into a number of secured Gold Forwards to manage commodity price risk. The Company is expected to settle the Gold Forwards through the Company's production, and accordingly has accounted for the Gold Forwards as executory contracts under IFRS 15 - *Revenue from Contracts with Customers*, with the Company recognizing revenue upon settlement of each gold forward contract. During the three and nine months ended September 30, 2023, the Company settled 25,046 and 85,046 ounces of Gold Forwards through the Company's production and recognized $46.5 million and $158.1 million of revenue, respectively. Subsequent to September 30, 2023, the Company settled an additional 3,272 ounces of Gold Forwards.

Financial risks

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. The principal financial risks related to financial instruments to which the Company is exposed are credit risk, market price risk, risks related to the Loan Facilities, foreign exchange risk, liquidity risk, interest rate risk, and commodity price risk. The Board of Directors of the Company 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.

In addition to global inflationary pressures on operating costs, the Company continues to experience risks associated with volatility in foreign exchange rates. The Company has implemented a foreign exchange forward contracts program for Canadian dollars to mitigate the impact of volatility in the Canadian-dollar to United States dollar exchange rate. The Company continues to monitor each of these risks and will execute timely and appropriate measures as necessary. Further, near term metal prices, exchange rates, discount rates, and other key assumptions used in the Company's accounting estimates are subject to change. Any changes in these assumptions could significantly impact the Company's accounting estimates.

Readers are encouraged to read and consider the "Risk Factors" section of this MD&A and in the Company's Annual Information Form for the year ended December 31, 2022. The risk factors could materially impact future operating results of the Company, cause events to differ materially from those described in forward-looking information of the Company and materially impact the Company's ability to achieve any operational guidance provided herein.

OUTSTANDING SHARE DATA

	As at November 13, 2023
Common Shares	864,789,221
Stock Options	2,242,373
Restricted Share Units	9,843,596
Performance Share Units	6,180,547
Deferred Share Units	2,507,772
Alio Replacement Options	77,614

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

New and amended accounting standards

The following accounting amendments were adopted by the Company in the current year-to-date period:

Amendments to IAS 1 – Presentation of Financial Statements

In October 2022, the IASB issued amendments to IAS 1 - *Presentation of Financial Statements* titled *Non-Current Liabilities with Covenants*. These amendments sought to improve the information that an entity provides when its right to defer settlement of a liability is subject to compliance with covenants within 12 months after the reporting period. These amendments to IAS 1 override but incorporate the previous amendments, classification of liabilities as current or non-current, issued in January 2020, which clarified that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities should be classified as non-current if a company has a substantive right to defer settlement for at least 12 months at the end of the reporting period. The amendments are effective January 1, 2024, with early adoption permitted. Retrospective application is required on adoption. The Company early adopted this amendment effective January 1, 2023. The Company has provided all necessary disclosures within the notes to the interim condensed consolidated financial statements to be in compliance with the amendments.

Amendment to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies

In February 2021, the IASB issued amendments to IAS 1 - *Presentation of Financial Statements* and IFRS Practice Statement 2 - *Making Materiality Judgements* to provide guidance on the application of materiality judgments to accounting policy disclosures. The amendments to IAS 1 replace the requirement to disclose significant accounting policies with a requirement to disclose material accounting policies.

Guidance and illustrative examples are added in the practice statement to assist in the application of the materiality concept when making judgments about accounting policy disclosures. The amendments are effective January 1, 2023. Prospective application is required on adoption. The adoption of these amendments had no significant impact on the interim condensed consolidated financial statements for the three and nine months ended September 30, 2023.

The Company also adopted the IASB published amendments to IAS 12 - *Income Taxes* at January 1, 2023. The amendments 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 amendments typically apply to transactions such as leases for the lessee and decommissioning and restoration obligations related to assets in operation. The Company has concluded that the adoption of the amendments had no significant impact on its interim condensed consolidated financial statements.

Significant estimates and judgments

The preparation of the interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported in the interim condensed consolidated financial statements and accompanying notes. Actual results may vary from those estimates and judgments due to inherent uncertainty or other factors. The Company regularly reviews its estimates and judgments. Revisions to estimates and the resulting effects on the carrying amounts of the assets and liabilities are accounted for prospectively.

The following are critical judgments and estimations that management has made in the process of applying the Company's material accounting policies and that have the most significant effect on the amounts recognized in the interim condensed consolidated financial statements and that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Going Concern

The assessment of the Company's ability to continue as a going concern and to generate or raise sufficient funds to pay its ongoing operating and capital expenditures and to meet its liabilities for the ensuing year, involves significant judgment based on historical experience and other factors, including the impact of management's expectations for other future events that are believed to be reasonable under the circumstances.

Ore Reserves

Management estimates its ore reserves based upon information compiled by qualified persons as defined in accordance with the Canadian Securities Administrators' National Instrument ("NI") 43-101 Standards for Disclosure for Mineral Projects requirements. The estimated quantities of economically recoverable reserves are based upon interpretations of geological models and require assumptions to be made regarding factors such as estimates of short and long-term exchange rates, estimates of short and long-term commodity prices, future capital requirements and future operating performance. Changes in reported reserve estimates can impact the carrying value of property, plant and equipment, mine development expenditures, provision for mine restoration and rehabilitation, the recognition of deferred tax assets, as well as the amount of depreciation and amortization charged to net profit within the consolidated statements of comprehensive income.

Units-of-Production

Management estimates recoverable proven and probable mineral reserves in determining the depreciation and amortization of mining assets, including buildings and property improvements and certain plant and equipment. This results in a depreciation/amortization charge proportional to the recovery of the anticipated ounces of gold. The life of the asset is assessed annually and considers its physical life limitations and present assessments of economically recoverable reserves of the mine property at which the asset is located. The calculations require the use of estimates and assumptions, including the amount of recoverable proven and probable mineral reserves. The Company's units of production calculations are based on contained ounces of gold milled.

Mine Restoration and Rehabilitation Provision

Management assesses its mine restoration and rehabilitation provision each reporting period. Significant estimates and assumptions are made in determining the provision for mine rehabilitation as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent, the timing and the cost of rehabilitation activities, technological changes, regulatory changes, cost increases, and changes in discount rates. Those uncertainties may result in actual expenditures differing from the amounts currently provided. The provision at the reporting date represents management's best estimate of the present value of the future rehabilitation costs required. Changes to estimated future costs are recognized in the statement of financial position by adjusting the rehabilitation asset and liability.

Impairment of Non-Current Assets

Non-current assets are tested for impairment if there is an indicator of impairment. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, and operating performance. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's-length transaction between knowledgeable and willing parties. Fair value for mineral assets is generally determined as the present value of estimated future cash flows arising from the continued use of the asset. Cash flows are discounted by an appropriate discount rate to determine the net present value. Management has assessed its cash generating units as being all sources of mill feed through a central mill, which is the lowest level for which cash inflows are largely independent of other assets.

Taxes

Management is required to make estimations regarding the tax basis of assets and liabilities and related income tax assets and liabilities and the measurement of income tax expense and indirect taxes. This requires management to make estimates of future taxable profit or loss, and if actual results are significantly different than its estimates, the ability to realize any deferred tax assets or discharge deferred tax liabilities on the Company's consolidated statement of financial position could be impacted.

Contingencies

Contingencies can be either possible assets or possible liabilities arising from past events which, by their nature, will only be resolved when one or more future events not wholly within the Company's control occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events. In assessing loss contingencies related to legal proceedings that are pending against the Company or unasserted claims, that may result in such proceedings or regulatory or government actions that may negatively impact the Company's business or operations, the Company with assistance from its legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims or actions as well as the perceived merits of the nature and amount of relief sought or expected to be sought, when determining the amount, if any, to recognize as a contingent liability or assessing the impact on the carrying value of assets. Contingent assets are not recognized in the financial statements.

Commencement of Commercial Production

Determining when a mine under construction is substantially complete and ready for its intended use requires significant judgment. Management uses the following criteria in determining when the point of commercial production has been achieved:

- The completion of all major capital expenditures to bring the mine to the condition necessary for it to be capable of operating in the manner intended by management;
- Substantial transfer of the mine from the construction group to operating personnel;
- The ability to produce metal in saleable form (within specifications);
- The mill has reached a pre-determined percentage of design capacity and mineral recoveries are near the expected production levels;
- The completion of a reasonable period of testing of the mine, mill, and related equipment; and
- The ability to sustain ongoing production of ore.

No one factor is more important than any other factor. These factors were analyzed collectively in determining the point of achieving commercial production for the Magino mine, which was determined to be November 1, 2023.

CEO/CFO CERTIFICATION

The Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") are responsible for establishing and maintaining disclosure controls and procedures ("DC&P") and internal controls over financial reporting ("ICFR"), as those terms are defined in NI 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings, for the Company.

The Company's CEO and CFO certify that, as at September 30, 2023, the Company's DC&P have been designed to provide reasonable assurance that material information relating to the Company is made known to them by others, particularly during the period in which the interim filings are being prepared; and information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. They also certify that the Company's ICFR have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's generally accepted accounting principles.

The control framework the Company's CEO and CFO used to design the Company's ICFR is The Committee of Sponsoring Organizations of the Treadway Commission ("COSO") framework issued on May 14, 2013. There has been no material change in the Company's design of the ICFR that occurred during the three months ended September 30, 2023, which has materially affected, or is 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 provides certain non-IFRS measures as supplementary information that management believes may be useful to investors to explain the Company's financial results.

"Cash cost per gold ounce sold" is a common financial performance measure in the gold mining industry but has no standard meaning under IFRS. The Company reports cash cost per ounce on a sales basis. We believe that, in addition to conventional measures prepared in accordance with IFRS, certain investors use this information to evaluate the Company's performance and ability to generate cash flow. Accordingly, it 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. This measure, along with sales, are considered to be key indicators of a Company's ability to generate operating profits and cash flow from its mining operations.

Cash cost figures are calculated in accordance with a standard developed by The Gold Institute, which was a worldwide association of suppliers of gold and gold products and included leading North American gold producers. The Gold Institute ceased operations in 2002, but the standard is considered the accepted standard of reporting cash cost of production in North America. Adoption of the standard is voluntary and the cost measures presented may not be comparable to other similarly titled measures of other companies.

The World Gold Council definition of AISC seeks to extend the definition of cash cost by adding corporate, and site general and administrative costs, reclamation and remediation costs (including accretion and amortization), exploration and study costs (capital and expensed), capitalized stripping costs and sustaining capital expenditures and represents the total costs of producing gold from current operations. AISC excludes income tax payments, interest costs, costs related to business acquisitions and items needed to normalize profits. Consequently, this measure is not representative of all of the Company's cash expenditures. In addition, the calculation of AISC does not include depreciation expense as it does not reflect the impact of expenditures incurred in prior periods. Therefore, it is not indicative of the Company's overall profitability. For the three and nine months ended September 30, 2023, along with comparative periods, the Company reclassified regional general and administrative expenses in Mexico, and accretion expenses previously classified under the corporate group, to each individual mine group. Management believes this better attributes regional general and administrative expenses and accretion expenses and also improves comparability amongst our peer companies.

“Adjusted net income” and “adjusted net income per basic share” exclude a number of temporary or one-time items, which management believes not to be reflective of the underlying operations of the Company, including the impacts of: unrealized losses (gains) on derivatives, non-operating income, foreign exchange losses (gains), impacts of foreign exchange on deferred income taxes, inventory impairments (reversals), impairments (reversals) of mineral properties, plant and equipment, and other unusual or non-recurring items. Adjusted net income per basic share is calculated using the weighted average number of shares outstanding under the basic calculation of earnings per share as determined under IFRS.

“Net (debt) cash” is calculated as the sum of the cash and cash equivalents balance net of debt as at the statement of financial position date. “Net (debt) cash” calculation includes unamortized transaction costs, but excludes Convertible Debentures and equipment loans which are currently included in total debt, in order to show the nominal undiscounted debt. This measure has no standard meaning under IFRS and other companies may calculate this measure differently.

1. The following tables provide reconciliations of production costs and cost of sales per gold ounce sold on the financial statements to cash cost per gold ounce sold and AISC per gold ounce for each mine:

Magino Mine		Three months ended September 30,	Nine months ended September 30,
		2023	2023
Gold sold	oz	11,454	11,526
Cost of sales	$000s	15,146	15,228
Cost of sales per gold ounce sold	**$/oz**	**1,322**	**1,321**
Production costs	$000s	14,795	14,875
Less silver sales	$000s	(56)	(56)
Cash Cost	$000s	14,739	14,819
Cash cost per gold ounce sold	**$/oz**	**1,287**	**1,286**
Cash Cost	$000s	14,739	14,819
AISC	$000s	14,739	14,819
AISC per gold ounce sold	**$/oz**	**1,287**	**1,286**

Florida Canyon Mine		Three months ended September 30,			Nine months ended September 30,		
		2023	2022	% Change	2023	2022	% Change
Gold sold	oz	21,455	11,480	87 %	52,206	35,637	46 %
Cost of sales	$000s	33,234	22,538	47 %	83,710	67,196	25 %
Cost of sales per gold ounce sold	**$/oz**	**1,549**	**1,963**	**(21)%**	**1,603**	**1,886**	**(15)%**
Production costs	$000s	28,345	19,543	45 %	71,599	58,931	21 %
Less silver sales	$000s	(374)	(120)	212 %	(947)	(500)	89 %
Cash Cost	$000s	27,971	19,423	44 %	70,652	58,431	21 %
Cash cost per gold ounce sold	**$/oz**	**1,304**	**1,692**	**(23)%**	**1,353**	**1,640**	**(18)%**
Cash Cost	$000s	27,971	19,423	44 %	70,652	58,431	21 %
Exploration expenses	$000s	–	–	N/A	823	–	N/A
Accretion and other expenses	$000s	294	130	126 %	882	391	126 %
Sustaining capital expenditures	$000s	4,587	5,718	(20) %	13,813	16,285	(15) %
AISC	$000s	32,852	25,271	30 %	86,170	75,107	15 %
AISC per gold ounce sold	**$/oz**	**1,531**	**2,201**	**(30)%**	**1,651**	**2,108**	**(22)%**

La Colorada Mine		Three months ended September 30,			Nine months ended September 30,		
		2023	2022	% Change	2023	2022	% Change
Gold sold	oz	7,224	8,460	(15) %	17,990	34,862	(48) %
Cost of sales	$000s	13,722	11,272	22 %	34,558	45,209	(24) %
Cost of sales per gold ounce sold	**$/oz**	**1,900**	**1,332**	**43 %**	**1,921**	**1,297**	**48 %**
Production costs	$000s	10,883	9,498	15 %	28,704	37,091	(23) %
Less silver sales	$000s	(237)	(531)	(55) %	(705)	(2,239)	(69) %
Cash Cost	$000s	10,646	8,967	19 %	27,999	34,852	(20) %
Cash cost per gold ounce sold	**$/oz**	**1,474**	**1,060**	**39 %**	**1,556**	**1,000**	**56 %**
Cash Cost	$000s	10,646	8,967	19 %	27,999	34,852	(20) %
Exploration expenses	$000s	370	–	N/A	370	—	N/A
Accretion and other expenses	$000s	64	18	256 %	193	53	264 %
Sustaining capital expenditures	$000s	68	6,209	(99) %	726	12,616	(94) %
AISC	$000s	11,148	15,194	(27) %	29,288	47,521	(38) %
AISC per gold ounce sold	**$/oz**	**1,543**	**1,796**	**(14)%**	**1,628**	**1,363**	**19 %**

San Agustin Mine		Three months ended September 30,			Nine months ended September 30,		
		2023	2022	% Change	2023	2022	% Change
Gold sold	oz	10,327	12,266	(16) %	34,592	48,125	(28) %
Cost of sales	$000s	19,019	20,757	(8) %	63,700	72,579	(12) %
Cost of sales per gold ounce sold	**$/oz**	**1,842**	**1,692**	**9 %**	**1,841**	**1,508**	**22 %**
Production costs	$000s	17,011	16,494	3 %	55,263	56,653	(2) %
Less silver sales	$000s	(1,005)	(1,279)	(21) %	(3,644)	(6,362)	(43) %
Cash Cost	$000s	16,006	15,215	5 %	51,619	50,291	3 %
Cash cost per gold ounce sold	**$/oz**	**1,550**	**1,240**	**25 %**	**1,492**	**1,045**	**43 %**
Cash Cost	$000s	16,006	15,215	5 %	51,619	50,291	3 %
Exploration expenses	$000s	16	–	N/A	16	–	N/A
Accretion and other expenses	$000s	59	5	1080 %	178	20	790 %
Sustaining capital expenditures	$000s	871	497	75 %	1,095	1,123	(2) %
AISC	$000s	16,952	15,717	8 %	52,908	51,434	3 %
AISC per gold ounce sold	**$/oz**	**1,642**	**1,281**	**28 %**	**1,529**	**1,069**	**43 %**

El Castillo Mine		Three months ended September 30,			Nine months ended September 30,		
		2023	2022	% Change	2023	2022	% Change
Gold sold	oz	4,111	6,433	(36) %	16,971	31,465	(46) %
Cost of sales	$000s	6,559	13,737	(52) %	29,643	59,055	(50) %
Cost of sales per gold ounce sold	**$/oz**	**1,595**	**2,135**	**(25)%**	**1,747**	**1,877**	**(7)%**
Production costs	$000s	6,167	10,781	(43) %	26,143	45,179	(42) %
Less silver sales	$000s	(76)	(101)	(25) %	(279)	(715)	(61) %
Cash Cost	$000s	6,091	10,680	(43) %	25,864	44,464	(42) %
Cash cost per gold ounce sold	**$/oz**	**1,482**	**1,660**	**(11)%**	**1,524**	**1,413**	**8 %**
Cash Cost	$000s	6,091	10,680	(43) %	25,864	44,464	(42) %
Accretion and other expenses	$000s	133	3	4333 %	398	13	2962 %
Sustaining capital expenditures	$000s	–	–	N/A	–	4,055	(100) %
AISC	$000s	6,224	10,683	(42) %	26,262	48,532	(46) %
AISC per gold ounce sold	**$/oz**	**1,514**	**1,661**	**(9)%**	**1,547**	**1,542**	**0 %**

All Mines		Three months ended September 30,			Nine months ended September 30,		
		2023	2022	% Change	2023	2022	% Change
Gold sold	oz	54,571	38,639	41 %	133,285	150,089	(11) %
Cost of sales	$000s	87,680	68,304	28 %	226,839	244,039	(7) %
Cost of sales per gold ounce sold	**$/oz**	**1,607**	**1,768**	**(9)%**	**1,702**	**1,626**	**5 %**
Production costs	$000s	77,201	56,316	37 %	196,584	197,854	(1) %
Less silver sales	$000s	(1,748)	(2,031)	(14) %	(5,631)	(9,816)	(43) %
Cash Cost	$000s	75,453	54,285	39 %	190,953	188,038	2 %
Cash cost per gold ounce sold	**$/oz**	**1,383**	**1,405**	**(2)%**	**1,433**	**1,253**	**14 %**
Cash Cost	$000s	75,453	54,285	39 %	190,953	188,038	2 %
Regional general and administrative expenses	$000s	1,364	908	50 %	3,809	2,934	30 %
Corporate general and administrative expenses	$000s	3,236	2,169	49 %	9,047	7,849	15 %
Share-based compensation expense	$000s	747	444	68 %	1,826	2,330	(22) %
Exploration expenses	$000s	386	2,705	(86) %	1,209	3,497	(65) %
Accretion and other expenses	$000s	550	156	253 %	1,651	477	246 %
Corporate sustaining capital expenditures	$000s	116	52	123 %	182	170	7 %
Mine site sustaining capital expenditures	$000s	5,526	12,424	(56) %	15,634	34,079	(54) %
AISC	$000s	87,378	73,143	19 %	224,311	239,374	(6) %
AISC per gold ounce sold	$/oz	**1,601**	**1,893**	**(15)%**	**1,683**	**1,595**	**6 %**

2. Adjusted net income and adjusted net income per basic share exclude a number of temporary or one-time items detailed in the following table:

		Three months ended September 30,			Nine months ended September 30,		
		2023	2022	% Change	2023	2022	% Change
Net (loss) income	$000s	(471)	(1,295)	(64)%	10,339	22,735	(55)%
Unrealized losses (gains) on derivatives	$000s	3,471	(140)	N/A	(1,650)	(12,200)	(86)%
Other non-operating expense, net of tax	$000s	–	1,164	(100)%	–	3,315	(100)%
Net foreign exchange losses (gains), net of tax	$000s	6,416	187	3331 %	880	(2,072)	N/A
Impact of foreign exchange on deferred income taxes	$000s	537	397	35 %	—	(458)	(100)%
Inventory (reversal) impairment, net of tax	$000s	(8)	51	N/A	3,598	(76)	N/A
Sale of marketable securities	$000s	–	–	N/A	–	534	(100)%
Adjusted net income	$000s	9,945	364	2632 %	13,167	11,778	12 %
Weighted average number of common shares outstanding	000s shares	864,469	743,259	16 %	850,818	466,228	82 %
Adjusted net income per basic share	$/share	0.01	0.00	N/A	0.02	0.03	(33)%

3. A reconciliation of net debt is detailed in the following table:

		September 30, 2023	December 31, 2022
Cash and cash equivalents	$000s	44,866	73,254
Loan Facilities - Term Loan	$000s	(194,781)	(77,582)
Loan Facilities - Revolving Credit Facility	$000s	(29,152)	—
Net debt	$000s	(179,067)	(4,328)

RISK FACTORS

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, 2022, available under the Company's issuer profile on SEDAR+ at www.sedarplus.ca. The following, while not exhaustive, are important Risk Factors to consider: Construction and Start-up of New Mines; Infrastructure; Operational Risks; The Company may not achieve its production estimates; Increase in Production Costs and Development Costs; Covid-19 Public Health Crisis; Operations in Mexico; Requirement of licenses, concessions and permits from various Mexican governmental authorities which, if not obtained or renewed in a timely manner or revoked, could have an adverse effect on our financial condition and results of operations; The Mexican government has exerted and continues to exert a significant influence on the Mexican economy; Safety and Security; Governmental Regulation of the Mining Industry; Foreign Currency Exchange Rate Fluctuation; Permitting Risk; Mineral and Surface Rights; Rights, Licenses, Permits and Concessions; Unauthorized Mining Activities; 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; Loan Facilities risk; Financing Requirements; Liquidity and Counterparty Risk; Uncertain Global Economic and Geopolitical Conditions Could Materially Adversely Affect Our Business and Results of Operations; 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 the Company's Securities; 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 Company; Enforcement of Civil Liabilities in the United States; Foreign Corrupt Practices and Anti-Bribery Legislation; Commodity Price Volatility; San Antonio Option Risk; Net smelter Return Royalty Risk; Obligations under the Loan Facility.

FORWARD-LOOKING STATEMENTS

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 considered forward-looking information.

When used in this MD&A, the words "estimate", "plan", "anticipate", "expect", "intend", "believe(s)" 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, information or statements with respect to the Company's ability to continue as a going concern, satisfying the conditions precedent for further draws on the Loan Facilities, satisfying ongoing covenants under the Loan Facilities, results of independent engineer technical reviews, the availability and change in terms of financing, the possibility of cost overruns and unanticipated costs and expenses, the ability of the Magino project to be one of the largest and lowest cost gold mines, the winding down of the Mexican mines, the Magino construction capital estimate, the anticipated timing to complete project milestones at the Magino mine, the ability to finance additional construction costs on terms acceptable to Argonaut, risks related to meeting the Magino construction project schedule, the impact of inflation on costs of exploration, development and production, risk of employee and/or contractor strike actions, 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 Magino mine, Florida Canyon mine, La Colorada mine, San Agustin mine and El Castillo mine, costs of production (including cash cost per gold ounce sold), 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, limitations on insurance coverage, and planned closing of the additional royalty sale to Franco-Nevada.

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 PERSONS

The technical information contained in this document has been prepared under the supervision of, and has been reviewed and approved by Mr. Owen Nicholls, CPG, Argonaut's Vice President of Exploration and Mr. Marc Leduc, P.Eng., Chief Operating Officer; both are qualified persons as defined by NI 43-101.

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

Magino Gold Project	Magino Gold Project, Ontario, Canada, NI 43-101 Technical Report, Mineral Resource and Mineral Reserve Update dated March 3, 2022 (effective date of February 14, 2022)
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
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)
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)

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.

CORPORATE DIRECTORY

Directors

James E. Kofman	Chairman
Richard Young	President and Chief Executive Officer
Ian Atkinson	Non-Executive Director
Stephen Lang	Non-Executive Director
Dale C. Peniuk	Non-Executive Director
Paula Rogers	Non-Executive Director
Audra B. Walsh	Non-Executive Director
Janet Yang	Non-Executive Director

Management and Officers

Richard Young	President and Chief Executive Officer
Marc Leduc	Chief Operating Officer
David A. Ponczoch	Chief Financial Officer
David Savarie	Vice President, General Counsel & Corporate Secretary
Nancy Lee	Vice President, Human Resources
Chuck Hennessey	Vice President, Canadian Operations
W. Robert Rose	Vice President, Technical Services
Owen Nicholls	Vice President, Exploration

Auditors

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Toronto, Ontario

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