ARGONAUT GOLD INC.

MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018

The following Management's Discussion and Analysis ("MD&A") of Argonaut Gold Inc. (the "Company" or "Argonaut") and its subsidiaries has been prepared as at November 8, 2018. All dollar amounts are expressed in United States ("US") dollars unless otherwise stated. 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, 2018. The financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and as applicable to interim financial statements. Additional information relating to the Company, including its Annual Information Form, is available under the Company's profile on the SEDAR website at www.sedar.com.

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

THIRD QUARTER FINANCIAL HIGHLIGHTS

- Revenue of $41.3 million in the third quarter of 2018 (third quarter of 2017 - $28.7 million). Revenue of $144.4 million in the first nine months of 2018 (first nine months of 2017 - $115.6 million).
- Sales of 33,179 ounces of gold in the third quarter of 2018 (third quarter of 2017 - 22,206 ounces of gold). Sales of 108,665 ounces of gold in the first nine months of 2018 (first nine months of 2017 - 90,129 ounces of gold).
- Net loss of $2.7 million or $0.02 per basic share in the third quarter of 2018 (third quarter of 2017 - net income of $0.4 million or $0.00 per basic share). Net income of $9.9 million or $0.06 per basic share in the first nine months of 2018 (first nine months of 2017 - $18.7 million or $0.11 per basic share).
- Adjusted net loss of $1.0 million or $0.01 per basic share in the third quarter of 2018 (third quarter of 2017 - $0.4 million or $0.00 per basic share). See "Non-IFRS Measures" section. Adjusted net income of $13.9 million or $0.08 per basic share in the first nine months of 2018 (first nine months of 2017 - $8.6 million or $0.05 per basic share).
- Cash flows from operating activities before changes in non-cash operating working capital and other items were $10.9 million in the third quarter of 2018 (third quarter of 2017 - $5.7 million). Cash flows from operating activities before changes in non-cash operating working capital and other items were $48.9 million in the first nine months of 2018 (first nine months of 2017 - $34.2 million).
- Production of 34,165 gold equivalent ounces ("GEO" or "GEOs") (based on a silver to gold ratio of 70:1) in the third quarter of 2018 (third quarter of 2017 - 24,280 GEOs, including pre-commercial production from San Agustin of 2,932 GEOs[1] (based on a silver to gold ratio of 70:1)). Production of 113,459 GEOs (based on a silver to gold ratio of 70:1) in the first nine months of 2018 (first nine months of 2017 - 91,717 GEOs, including pre-commercial production from San Agustin of 2,932 GEOs[1] (based on a silver to gold ratio of 70:1)).
- Cash cost per gold ounce sold of $867 in the third quarter of 2018 (third quarter of 2017 - $893). See "Non-IFRS Measures" section. Cash cost per gold ounce sold of $735 in the first nine months of 2018 (first nine months of 2017 - $798).
- All-in sustaining cost per gold ounce sold of $988 in the third quarter of 2018 (third quarter of 2017 - $1,063). See "Non-IFRS Measures" section. All-in sustaining cost per gold ounce sold of $862 in the first nine months of 2018 (first nine months of 2017 - $931).
- All-in cost per gold ounce sold of $1,171 in the third quarter of 2018 (third quarter of 2017 - $1,294). See "Non-IFRS Measures" section. All-in cost per gold ounce sold of $1,051 in the first nine months of 2018 (first nine months of 2017 - $1,150).
- Cash and cash equivalents was $20.6 million as at September 30, 2018 (June 30, 2018 - $22.7 million; December 31, 2017 - $14.1 million).
- Net cash was $12.6 million as at September 30, 2018 (June 30, 2018 - $14.7 million; December 31, 2017 - $6.1 million). See "Non-IFRS Measures" section.

[1] San Agustin produced 2,932 GEOs in the three and nine months ended September 30, 2017. As this project was in the pre-production development stage as at September 30, 2017, the GEOs produced are excluded from the other financial highlights presented in this section. Commercial production was declared on October 1, 2017.

THIRD QUARTER 2018 AND RECENT COMPANY HIGHLIGHTS

Corporate

- Achieved a milestone of one million GEOs of production since the launch of the Company at the end of 2009.

El Castillo Complex

- Production of 26,894 GEOs during the third quarter.
    - El Castillo production of 10,368 GEOs.
    - San Agustin production of 16,526 GEOs.

La Colorada

- Production of 7,271 GEOs during the third quarter.
- Resumed blasting in late July and returned to normal operations during the third quarter.

Cerro del Gallo

- Initiated metallurgical test work.

Magino

- Advanced Environmental Assessment process (federal and provincial).

San Antonio

- Held technical sessions with the Mexican Environmental Authority, DGIRA, in preparation of new future Environmental Impact Assessment (Manifiesto de Impacto Ambiental or "MIA") application submittal.

DESCRIPTION OF BUSINESS AND NATURE OF OPERATIONS

Argonaut is a Canadian public company listed on the Toronto Stock Exchange ("TSX") and engaged in gold mining, mine development and mineral exploration activities at gold-bearing mineral properties in North America. As at the date of this MD&A, the Company owned the producing El Castillo and San Agustin mines (which together form the El Castillo mining complex) in the State of Durango, Mexico, the producing La Colorada mine in the State of Sonora, Mexico, the advanced exploration stage San Antonio project in the State of Baja California Sur, Mexico, the advanced exploration stage Cerro del Gallo project in the State of Guanajuato, Mexico, the advanced exploration stage Magino project in the Province of Ontario, Canada and several other exploration stage projects, all of which are located in North America.

PROPERTY ACQUISITIONS

On November 24, 2017, the Company completed the acquisition of the Cerro del Gallo project through the purchase of all the issued and outstanding shares of San Anton Resource Corporation, a wholly-owned subsidiary of Primero Mining Corp. ("Primero") for total consideration of $15.2 million. Cash of $15.0 million was paid to Primero on closing. The transaction was accounted for as an asset acquisition. The purchase price has been allocated to the assets acquired and liabilities assumed based upon estimated fair values at the date of acquisition.

On February 23, 2017, the Company acquired the San Juan mineral concession adjacent to the El Castillo mine from a wholly-owned subsidiary of Fresnillo plc ("El Aguila") pursuant to a purchase and sale agreement dated February 23, 2017 between El Aguila and Minera Real del Oro S.A. de C.V. ("MRO"), a wholly-owned subsidiary of Argonaut, for total consideration of $25.5 million. Cash of $13.0 million, plus 16% value added tax ("VAT"), was paid at the execution of the agreement. Additionally, deferred cash consideration of $13.0 million, plus 16% VAT, was paid on December 15, 2017. At the date of acquisition, an amount of $12.5 million was included in the purchase price, representing the estimated net present value of the deferred cash consideration. Accretion of the deferred cash consideration from date of acquisition to December 15, 2017 was included in finance expenses. The transaction has been accounted for as an asset acquisition. The purchase price has been allocated to mineral properties based upon the estimated fair value of the assets acquired at the date of acquisition.

For more information, please read note 3 of our interim condensed consolidated financial statements for the three and nine months ended September 30, 2018.

SUMMARY OF QUARTERLY RESULTS

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

	2018 Q3	2018 Q2	2018 Q1	2017 Q4	2017 Q3	2017 Q2	2017 Q1	2016 Q4
Revenue ($000s)	$ 41,310	$ 50,171	$ 52,946	$ 39,454	$ 28,678	$ 42,501	$ 44,456	$ 35,326
Inventory write down ($000s)	$ (6,868)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Net income (loss) ($000s)	$ (2,686)	$ 381	$ 12,229	$ 5,187	$ 440	$ 6,201	$ 12,024	$ 533
Earnings (loss) per share - basic	$ (0.02)	$ 0.00	$ 0.07	$ 0.03	$ 0.00	$ 0.04	$ 0.07	$ 0.00
Earnings (loss) per share - diluted	$ (0.02)	$ 0.00	$ 0.07	$ 0.03	$ 0.00	$ 0.03	$ 0.07	$ 0.00
Gold ounces sold	33,179	37,414	38,072	29,912	22,206	32,961	34,962	28,891
Average realized gold price per ounce	$ 1,212	$ 1,295	$ 1,330	$ 1,276	$ 1,270	$ 1,260	$ 1,228	$ 1,186
Cash cost per gold ounce sold[(1)]	$ 867	$ 704	$ 650	$ 755	$ 893	$ 785	$ 751	$ 746

[(1)] See Non-IFRS Measures section.

Quarterly results are predominantly influenced by the number of gold ounces sold, the average realized price per gold ounce, the cash cost per gold ounce sold (see "Non-IFRS Measures" section) and any unusual matters. The quarterly year-over-year increase in revenue for the third quarter of 2018 was due to an increase in gold ounces sold ($13.3 million) and by-product silver sales ($0.6 million), partially offset by a lower average realized gold price ($1.3 million). The net loss in the third quarter of 2018 was primarily due to a non-cash impairment write down of $4.4 million at the El Castillo mine and $2.5 million at the La Colorada mine related to the net realizable value of work-in-process inventory, as a result of a decrease in the price of gold as at September 30, 2018. The decrease in net income in the second quarter of 2018 was primarily due to an increase in income tax expense, due primarily to the foreign exchange effects of the weakening Mexican peso on the calculation of deferred taxes and foreign exchange losses, partially offset by an increase in ounces sold. The increase in net income in the first quarter of 2018 and the first and second quarters of 2017 was principally due to the increase in gold ounces sold, foreign exchange gains and a decrease in income tax expense due primarily to the foreign exchange effects of the strengthening Mexican peso on the calculation of deferred taxes. The increase in net income for the fourth quarter of 2017 was principally related to a decrease in income tax expense, driven by the recognition of a deferred tax asset related to the net operating losses ("NOLs") from prior years of its subsidiary, MRO, which were not previously recognized as the utilization of the NOLs became probable with the declaration of commercial production at the San Agustin mine effective October 1, 2017. The ounces sold and cash cost (see "Non-IFRS Measures" section) in the third quarter of each year are generally negatively impacted by the rainy season, which decreases throughput and results in higher per unit costs.

DISCUSSION OF OPERATIONS

Unaudited and expressed in $000s	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Revenue	$ 41,310	$ 28,678	$ 144,427	$ 115,635
Cost of sales				
Production costs	29,850	20,311	84,959	74,882
Depreciation, depletion and amortization	7,910	4,794	24,554	17,648
Inventory write down	6,868	-	6,868	-
Total cost of sales	44,628	25,105	116,381	92,530
Gross profit (loss)	(3,318)	3,573	28,046	23,105
Exploration expenses	138	118	391	337
General and administrative expenses	2,707	2,662	9,601	8,787
Profit (loss) from operations	(6,163)	793	18,054	13,981
Finance income	10	18	25	147
Finance expenses	(286)	(325)	(889)	(1,003)
Gains on foreign exchange derivatives	159	155	584	2,570
Other income	1,223	12	81	2,956
Income (loss) before income taxes	(5,057)	653	17,855	18,651
Current income tax expense (recovery)	(608)	74	2,941	1,805
Deferred income tax expense (recovery)	(1,763)	139	4,990	(1,819)
Net income (loss) for the period	$ (2,686)	$ 440	$ 9,924	$ 18,665

For the three months ended September 30, 2018, as compared to the three months ended September 30, 2017

Revenue for the three months ended September 30, 2018 was $41.3 million, an increase from $28.7 million for the three months ended September 30, 2017. During the third quarter of 2018, gold ounces sold totaled 33,179 at an average realized price per ounce of $1,212, compared to 22,206 gold ounces sold at an average realized price per ounce of $1,270 during the same period of 2017. Gold ounces sold for the three months ended September 30, 2018 increased compared to the same period in 2017 primarily due to the commencement of commercial production at the San Agustin mine effective October 1, 2017.

Production costs for the third quarter of 2018 were $29.9 million, an increase from $20.3 million in the third quarter of 2017, primarily due to an increase in gold ounces sold, offset by a decrease in cash cost per gold ounce sold. Cash cost per gold ounce sold (see "Non-IFRS Measures" section) was $867 in the third quarter of 2018, a decrease from $893 in the same period of 2017, primarily due to the commencement of commercial production at the San Agustin mine effective October 1, 2017, which has a lower cash cost per gold ounce sold. Depreciation, depletion and amortization ("DD&A") expense included in cost of sales for the third quarter of 2018 totaled $7.9 million, an increase from $4.8 million in the third quarter of 2017, due to the increase in gold ounces sold, as many of the mining assets are amortized on a unit-of-production basis, and the commencement of commercial production at the San Agustin mine, which has a higher DD&A expense per ounce. Additionally, included in cost of sales in the third quarter of 2018 is a non-cash impairment write down of $4.4 million at the El Castillo mine and $2.5 million at the La Colorada mine related to the net realizable value of work-in-process inventory, as a result of a decrease in the price of gold as at September 30, 2018.

General and administrative expenses for the third quarter of 2018 were $2.7 million, comparable to $2.7 million in the same period of 2017.

Gains on foreign exchange derivatives for the third quarter of 2018 were $0.2 million, comparable to $0.2 million in the third quarter of 2017 (see "Financial Instruments and Risks - Foreign exchange derivative contracts" section of this MD&A).

Other income for the third quarter of 2018 was $1.2 million, an increase from $0.0 million in the third quarter of 2017, primarily due to differences in foreign currency translation effects.

Income tax recovery for the third quarter of 2018 was $2.4 million, compared to income tax expense of $0.2 million in the same period of 2017. The change is primarily due to the foreign exchange effects of the strengthening Mexican peso on the calculation of deferred taxes and the deferred tax effect of the non-cash impairment write down of work-in-process inventory in the third quarter of 2018.

Net loss for the third quarter of 2018 was $2.7 million or $0.02 per basic share, a decrease from net income of $0.4 million or $0.00 per basic share for the third quarter of 2017.

For the nine months ended September 30, 2018, as compared to the nine months ended September 30, 2017

Revenue for the nine months ended September 30, 2018 was $144.4 million, an increase from $115.6 million for the nine months ended September 30, 2017. During the first nine months of 2018, gold ounces sold totaled 108,665 at an average realized price per ounce of $1,282, compared to 90,129 gold ounces sold at an average realized price per ounce of $1,250 during the same period of 2017. Gold ounces sold for the nine months ended September 30, 2018 increased compared to the same period in 2017 primarily due to the commencement of commercial production at the San Agustin mine effective October 1, 2017, partially offset by a reduction in gold ounces produced and sold at the El Castillo mine.

Production costs for the nine months ended September 30, 2018 were $85.0 million, an increase from $74.9 million in the first nine months of 2017, primarily due to an increase in gold ounces sold, offset by a decrease in cash cost per gold ounce sold. Cash cost per gold ounce sold (see "Non-IFRS Measures" section) was $735 in the first nine months of 2018, a decrease from $798 in the same period of 2017, primarily due to the commencement of commercial production at the San Agustin mine effective October 1, 2017, which has a lower cash cost per gold ounce sold. DD&A expense included in cost of sales for the nine months ended September 30, 2018 totaled $24.6 million, an increase from $17.6 million in the nine months ended September 30, 2017, due to the increase in gold ounces sold, as many of the mining assets are amortized on a unit-of-production basis, and the commencement of commercial production at the San Agustin mine, which has a higher DD&A expense per ounce. Additionally, included in cost of sales during the first nine months of 2018 is a non-cash impairment write down of $4.4 million at the El Castillo mine and $2.5 million at the La Colorada mine related to the net realizable value of work-in-process inventory, as a result of a decrease in the price of gold as at September 30, 2018.

General and administrative expenses for the nine months ended September 30, 2018 were $9.6 million, an increase from $8.8 million in the same period of 2017, primarily due to employee related costs.

Gains on foreign exchange derivatives during the first nine months of 2018 were $0.6 million, a decrease from $2.6 million in the first nine months of 2017, due to a decrease in realized gains on the Company's zero-cost collar contracts on the Mexican peso (see "Financial Instruments and Risks - Foreign exchange derivative contracts" section of this MD&A).

Other income for the nine months ended September 30, 2018 was $0.1 million, a decrease from $3.0 million in the same period of 2017, primarily due to differences in foreign currency translation effects.

Income tax expense for the nine months ended September 30, 2018 was $7.9 million, compared to income tax recovery of $0.0 million in the same period of 2017. The change is primarily due to a greater foreign exchange effect of the strengthening Mexican peso on the calculation of deferred taxes in 2017 and the recognition of previously unrecognized Mexican deferred tax assets in the first quarter of 2017.

Net income for the nine months ended September 30, 2018 was $9.9 million or $0.06 per basic share, a decrease from $18.7 million or $0.11 per basic share for the nine months ended September 30, 2017.

El Castillo Mining Complex

Operating Statistics for the El Castillo Mine	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Tonnes ore (000s)	2,267	1,722	6,035	6,200
Tonnes waste (000s)	3,869	2,411	9,198	8,446
Tonnes mined (000s)	6,136	4,133	15,233	14,646
Waste/ore ratio	1.71	1.40	1.52	1.36
Tonnes crushed (000s)	2,246	1,734	5,992	5,501
Tonnes overland conveyor (000s)	0	0	0	769
Gold grade to leach pads (grams per tonne)	0.33	0.28	0.38	0.36
Contained gold ounces to leach pads	24,125	15,636	72,321	72,596
Gold ounces produced	10,298	11,437	29,034	50,449
Gold ounces sold	9,937	12,268	27,292	53,487
Cash cost per gold ounce sold (see Non-IFRS Measures section)	$ 1,050	$ 947	$ 1,021	$ 902

During the third quarter of 2018, the Company mined 6.1 million tonnes including 2.3 million tonnes of ore from the El Castillo mine. The El Castillo mine crushed and loaded 2.2 million tonnes during the quarter, which resulted in an estimated 24,125 contained gold ounces to the leach pads. Productivity improved during the third quarter of 2018 both in the mine and at the crushers and was in line with expectations given the previously anticipated and accounted for lower productivity levels during the rainy season. The Company saw crushing rates at El Castillo improve, as the CR2 crusher moved towards nameplate capacity. During the third quarter of 2018, mining of Phase 11 of the south pit, located on the San Juan mineral concession (see "Property Acquisitions" section of this MD&A), led to an increase in strip ratio. With Phase 11 now open, the Company anticipates the strip ratio will decrease approximately 30% to 35% from the third quarter to the fourth quarter and recoveries will increase based on ore type.

During the third quarter of 2018, the El Castillo mine produced 10,298 gold ounces, compared to 11,437 for the third quarter of 2017. Ore tonnes to both the west and east leach pads in the third quarter of 2018 were stacked on initial lifts of newly constructed leach pads, which is expected to accelerate the timing of recoveries. El Castillo sold 9,937 gold ounces during the third quarter of 2018 at a cash cost per gold ounce sold of $1,050 (see "Non-IFRS Measures" section), compared to 12,268 gold ounces at a cash cost per gold ounce sold of $947 for the third quarter of 2017. The increase in cash cost is due to an increase in the price of consumables.

During the nine months ended September 30, 2018, the Company mined 15.2 million tonnes including 6.0 million tonnes of ore from the El Castillo mine. The El Castillo mine crushed and loaded 6.0 million tonnes during the first nine months of the year, which resulted in an estimated 72,321 contained gold ounces to the leach pads. During the nine months ended September 30, 2018, the El Castillo mine produced 29,034 gold ounces, compared to 50,449 for the nine months ended September 30, 2017. Production was delayed by the additional leach cycle time required from higher leach pads and equipment availability associated with maintenance issues that led to lower than expected utilization. Ore tonnes to both the west and east leach pads in the third quarter of 2018 were stacked on initial lifts of newly constructed leach pads, which is expected to accelerate the timing of recoveries. To a lesser degree, the Company also realized lower recovery of hematitic oxide material located in Phase 9 and 10 of the pit, as this lithology is indicating a 54% recovery versus historical recovery of approximately 68% for general oxide material. El Castillo sold 27,292 gold ounces during the nine months ended September 30, 2018 at a cash cost per gold ounce sold of $1,021 (see "Non-IFRS Measures" section), compared to 53,487 gold ounces at a cash cost per gold ounce sold of $902 for the nine months ended September 30, 2017. The lower recoveries while mining hematitic oxide material, coupled with the increase in the price of consumables, led to increased cash cost per gold ounce sold during the first nine months of 2018.

Presented below is a summary of operating statistics and a discussion of operations at the San Agustin mine for the three and nine months ended September 30, 2018; the comparative numbers presented for 2017 represent pre-commercial production statistics, as commercial production was declared on October 1, 2017.

Operating Statistics for the San Agustin Mine	Three months ended September 30,		Nine months ended September 30,	
	2018	2017[(1)]	2018	2017[(1)]
Tonnes mineralized material mined (000s)	1,747	1,295	5,324	1,522
Tonnes waste mined (000s)	808	303	1,782	448
Total tonnes mined (000s)	2,555	1,598	7,106	1,970
Waste/mineralized material ratio	0.46	0.23	0.33	0.29
Tonnes mineralized material crushed (000s)	1,732	1,227	5,335	1,313
Gold grade to leach pads (grams per tonne)	0.34	0.42	0.40	0.42
Contained gold ounces to leach pads	18,832	16,710	68,523	17,832
Gold ounces produced	15,770	2,690	47,122	2,690
Gold ounces sold	15,912	520	46,222	520
Silver ounces produced	52,895	16,935	189,007	16,935
Silver ounces sold	54,747	2,190	185,416	2,190
GEOs produced (70:1 ratio)	16,526	2,932	49,822	2,932
GEOs sold (70:1 ratio)	16,694	551	48,871	551
Cash cost per gold ounce sold (see Non-IFRS Measures section)	$ 622	$ -	$ 476	$ -

[(1)] Represents pre-commercial production operating statistics. Commercial production was declared on October 1, 2017.

During the third quarter of 2018, the Company mined 2.6 million tonnes including 1.7 million tonnes of mineralized material from the San Agustin mine. During the same period, San Agustin loaded 1.7 million tonnes on the leach pads, which resulted in an estimated 18,832 contained gold ounces to the leach pads. The crusher continued to perform well during the third quarter of 2018 and exceeded nameplate throughput capacity of 16,700 tonnes per day despite the rainy season and the expectation of a reduction in productivity. Given that crusher throughputs have exceeded nameplate capacity through the first nine months of the year, the Company expects it will continue to exceed budgeted rates during the fourth quarter. During the three months ended September 30, 2018, San Agustin produced 15,770 gold ounces and 52,895 silver ounces or 16,526 GEOs. San Agustin sold 15,912 gold ounces during the third quarter of 2018 at a cash cost per gold ounce sold of $622 (see “Non-IFRS Measures” section). The cash cost per gold ounce sold increased in the third quarter due primarily to the initiation of contract mining effective July 1, 2018 and an increase in consumables.

During the nine months ended September 30, 2018, the Company mined 7.1 million tonnes including 5.3 million tonnes of mineralized material from the San Agustin mine. During the same period, San Agustin loaded 5.3 million tonnes on the leach pads, which resulted in an estimated 68,523 contained gold ounces to the leach pads. During the first nine months of 2018, San Agustin produced 47,122 gold ounces and 189,007 silver ounces or 49,822 GEOs. San Agustin sold 46,222 gold ounces during the first nine months of 2018 at a cash cost per gold ounce sold of $476 (see “Non-IFRS Measures” section).

Capital expenditures associated with the El Castillo mine during the three and nine months ended September 30, 2018 were $4.3 million and $12.1 million, respectively, primarily related to deferred stripping, crushing and conveying circuit improvements and leach pad construction. Capital expenditures associated with the San Agustin mine during the three and nine months ended September 30, 2018 were $1.8 million and $6.0 million, respectively, primarily related to leach pad construction. In addition to the above capital expenditures, during the three and nine months ended September 30, 2018, there were $0.6 million and $1.9 million, respectively, in capital expenditures by another subsidiary of the Company that is primarily related to mining equipment currently being used at the El Castillo mining complex.

La Colorada Mine

Operating Statistics	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Tonnes mineralized material mined (000s)	1,200	1,093	3,358	3,383
Tonnes waste mined (000s)	4,254	4,491	12,200	14,455
Total tonnes mined (000s)	5,454	5,584	15,558	17,838
Waste/mineralized material ratio	3.55	4.11	3.63	4.27
Tonnes rehandled (000s)	0	0	38	29
Tonnes mineralized material direct to leach pads (000s)	0	164	0	290
Tonnes mineralized material crushed (000s)	1,207	1,138	3,472	3,357
Gold grade to leach pads (grams per tonne)	0.33	0.50	0.37	0.56
Contained gold ounces to leach pads	12,957	20,954	41,766	65,620
Gold ounces produced	7,040	9,518	32,834	36,017
Gold ounces sold	7,330	9,938	35,151	36,642
Silver ounces produced	16,213	21,669	103,348	135,469
Silver ounces sold	15,205	22,336	108,163	141,098
GEOs produced (70:1 ratio)	7,271	9,827	34,310	37,952
GEOs sold (70:1 ratio)	7,547	10,257	36,696	38,658
Cash cost per gold ounce sold (see Non-IFRS Measures section)	$ 1,152	$ 827	$ 854	$ 646

During the third quarter of 2018, La Colorada mined 5.5 million tonnes containing 1.2 million tonnes of mineralized material. La Colorada loaded 1.2 million tonnes on the leach pads during the quarter, which resulted in an estimated 12,957 contained gold ounces to the leach pads. La Colorada produced 7,040 gold ounces and 16,213 silver ounces during the third quarter of 2018 or 7,271 GEOs. La Colorada sold 7,330 gold ounces in the third quarter of 2018 at a cash cost per gold ounce sold of $1,152 (see “Non-IFRS Measures” section), compared to 9,938 gold ounces sold at a cash cost per gold ounce sold of $827 for the third quarter of 2017. The increase in cash cost per gold ounce sold over the comparable period of 2017 is primarily due to lower deferred stripping in 2018.

As previously disclosed, the Company lacked the ability to blast material during the second quarter of 2018 due to the temporary suspension of the La Colorada mine’s explosives permit and therefore mined previously blasted material and free-dig material in the pit plus utilized low-grade stockpiles to maintain crushing throughput at its budget of 12,000 tonnes per day. As a result, the grade of ore placed on the leach pads during the second quarter, which was processed during the third quarter, was approximately 50% lower than if blasting had not been interrupted. The Company saw the impact of the lower grade ore during the third quarter in the form of lower production and higher cash cost (see “Non-IFRS Measures” section). Operations at La Colorada have ramped up to a normal operating state following the reinstatement of the explosives permit. Crusher throughput during the third quarter exceeded 13,100 tonnes per day, versus the budgeted rate of 12,000 tonnes per day, despite an anticipated reduction in crusher availability due to the rainy season.

During the nine months ended September 30, 2018, La Colorada mined 15.6 million tonnes containing 3.4 million tonnes of mineralized material. La Colorada loaded 3.5 million tonnes on the leach pads during the first nine months of the year, which resulted in an estimated 41,766 contained gold ounces to the leach pads. La Colorada produced 32,834 gold ounces and 103,348 silver ounces during the nine months ended September 30, 2018 or 34,310 GEOs. La Colorada sold 35,151 gold ounces in the nine months ended September 30, 2018 at a cash cost per gold ounce sold of $854 (see “Non-IFRS Measures” section), compared to 36,642 gold ounces sold at a cash cost per gold ounce sold of $646 for the nine months ended September 30, 2017. The increase in cash cost per gold ounce sold over the comparable period of 2017 is primarily due to lower deferred stripping in 2018.

Capital expenditures at La Colorada during the three and nine months ended September 30, 2018 were $0.6 million and $4.2 million, respectively, primarily for deferred stripping and leach pad construction.

Advanced Exploration Projects

Capital expenditures for the San Antonio project were as follows:

	Three months ended September 30,		Nine months ended September 30,	
Expressed in $ millions	2018	2017	2018	2017
Camp costs, land costs and other	$ 0.2	$ 0.2	$ 0.6	$ 0.7
Technical studies and personnel costs	0.3	0.1	0.5	0.5
	$ 0.5	$ 0.3	$ 1.1	$ 1.2

During the fourth quarter of 2016, the Secretary for Environment and Natural Resources denied the MIA for the Company's San Antonio project, citing a request for additional information. The Company is evaluating its alternatives including legal and other. During 2018, the Company held technical sessions with the Mexican Environmental Authority, DGIRA, in preparation of new future MIA application submittal.

Capital expenditures for the Magino project were as follows:

	Three months ended September 30,		Nine months ended September 30,	
Expressed in $ millions	2018	2017	2018	2017
Assays and geochemistry	$ -	$ -	$ -	$ 0.1
Camp costs, land costs and other	0.1	1.7	0.5	2.1
Technical studies and personnel costs	0.6	1.2	2.1	3.6
Drilling and geology	-	-	-	0.6
	$ 0.7	$ 2.9	$ 2.6	$ 6.4

In the fourth quarter of 2017, the Company filed a feasibility study technical report pursuant to National Instrument 43-101 - Standards of Disclosure of Mineral Projects ("NI 43-101") for its Magino project. During 2018, the Company continued to advance the Environmental Assessment process (federal and provincial) and signed the Community Engagement Agreement with the Métis Nation of Ontario.

Capital expenditures for the Cerro del Gallo project were as follows (no comparative numbers presented for 2017, as the project was acquired in the fourth quarter of 2017):

	Three months ended September 30,	Nine months ended September 30,
Expressed in $ millions	2018	2018
Assays and geochemistry	$ 0.1	$ 0.1
Camp costs, land costs and other	0.2	0.5
Technical studies and personnel costs	0.3	0.5
Drilling and geology	0.1	0.2
	$ 0.7	$ 1.3

During the third quarter of 2018, the Company initiated metallurgical test work at the Cerro del Gallo project.

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

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash and cash equivalents balance as at September 30, 2018 was $20.6 million, as compared to $14.1 million as at December 31, 2017 and $22.7 million at June 30, 2018.

In February 2018, the Company entered into an amended and restated credit agreement (the "Amended Revolving Facility" or "ARF") with a syndicate of Canadian banks for an aggregate amount of $50.0 million, representing a $20.0 million increase from the principal amount of $30.0 million under the original revolving credit facility. The ARF encompasses an extension of maturity through March 31, 2021 and a $25.0 million accordion feature, providing for total availability of up to $75.0 million. The ARF is subject to eight commitment reductions of $3.1 million per quarter, plus the ratable amount of any incremental commitment derived from the accordion, with reductions to commence on September 30, 2019 and extend through maturity. The ARF bears interest at the London Inter-bank Offered Rate ("LIBOR") plus 2.25% to 3.25% on drawn amounts and 0.51% to 0.73% on undrawn amounts, based on the Company's consolidated leverage ratio, as defined in the agreement.

The ARF is secured by all of the Company's assets and is subject to various covenants including those that require the Company to maintain certain tangible net worth and ratios for leverage and interest coverage. As at September 30, 2018, the Company was in compliance with these covenants.

As at September 30, 2018, December 31, 2017 and June 30, 2018, the Company had utilized $8.0 million of the revolving credit facility. Net cash was $12.6 million as at September 30, 2018, as compared to $6.1 million as at December 31, 2017 and $14.7 million as at June 30, 2018 (see "Non-IFRS Measures" section).

Cash Flows

	Three months ended September 30,		Nine months ended September 30,	
Unaudited and expressed in $000s	2018	2017	2018	2017
Operating activities				
Cash flows from operating activities before changes in non-cash operating working capital and other items	$ 10,877	$ 5,735	$ 48,939	$ 34,158
Changes in non-cash operating working capital and other items	(3,181)	559	(12,730)	3,112
Net cash provided by operating activities	7,696	6,294	36,209	37,270
Investing activities				
Expenditures on mineral properties, plant and equipment	(9,542)	(26,229)	(29,662)	(64,635)
Cash consideration paid on property acquisitions	-	-	(120)	(13,000)
Other	22	1,638	256	1,683
Net cash used in investing activities	(9,520)	(24,591)	(29,526)	(75,952)
Financing activities				
Proceeds from issuance of common shares, net of share issuance costs	-	334	-	32,041
Proceeds from debt	1,000	-	12,000	-
Repayment of debt	(1,000)	-	(12,000)	(916)
Proceeds from settlement of derivatives	-	1,141	9	2,165
Other	(221)	(40)	(807)	(338)
Net cash provided by (used in) financing activities	(221)	1,435	(798)	32,952
Effects of exchange rate changes on cash and cash equivalents	(125)	481	615	1,088
Increase (decrease) in cash and cash equivalents	(2,170)	(16,381)	6,500	(4,642)
Cash and cash equivalents, beginning of period	22,730	53,837	14,060	42,098
Cash and cash equivalents, end of period	$ 20,560	$ 37,456	$ 20,560	$ 37,456

For the three months ended September 30, 2018, as compared to the three months ended September 30, 2017

During the third quarter of 2018, cash decreased by $2.2 million due primarily to $9.5 million of capital expenditures incurred, offset by $7.7 million of cash flows from operations, as compared to the third quarter of 2017 in which cash decreased by $16.4 million due primarily to $26.2 million of capital expenditures incurred, offset by $6.3 million of cash flows from operations.

Cash provided by operating activities totaled $7.7 million in the third quarter of 2018, as compared to $6.3 million in the third quarter of 2017. The increase in cash provided by operations is primarily related to an increase in gold ounces sold, partially offset by a net increase in non-cash operating working capital in the third quarter of 2018, compared to a net decrease in the comparable period of the prior year. The net increase in non-cash operating working capital in the third quarter of 2018 was primarily due to the increase in work-in-process inventories, partially offset by the increase in accounts payable and accrued liabilities.

Cash used in investing activities totaled $9.5 million in the third quarter of 2018, versus $24.6 million in the third quarter of 2017. The cash used in investing activities in the third quarter of 2018 relates to capital expenditures including $3.4 million for leach pad construction, $2.6 million for deferred stripping at the El Castillo mine, $2.3 million for exploration and development activities, $0.7 million for crushing and conveying circuit improvements and mining equipment and other capital at the Company's properties. The cash used in investing activities in the third quarter of 2017 relates to capital expenditures including $16.2 million for construction and pre-productions costs, net of sales proceeds, related to the San Agustin project and $3.9 million for deferred stripping at the El Castillo and La Colorada mines.

Cash used in financing activities totaled $0.2 million in the third quarter of 2018, as compared to cash provided by financing activities of $1.4 million in the third quarter of 2017. During the third quarter of 2017, the Company received proceeds from the settlement of derivatives of $1.1 million and proceeds from exercise of stock options of $0.3 million.

For the nine months ended September 30, 2018, as compared to the nine months ended September 30, 2017

During the nine months ended September 30, 2018, cash increased by $6.5 million due primarily to $36.2 million of cash flows from operations, offset by $29.7 million of capital expenditures incurred, as compared to the nine months ended September 30, 2017 in which cash decreased by $4.6 million due primarily to $64.6 million of capital expenditures incurred and $13.0 million of cash consideration paid on property acquisitions (see "Property Acquisitions" section of this MD&A), partially offset by $37.3 million of cash flows from operations and $33.0 million of cash flows provided by financing activities.

Cash provided by operating activities totaled $36.2 million in the nine months ended September 30, 2018 as compared to $37.3 million in the nine months ended September 30, 2017. The decrease in cash provided by operations is primarily related to the net increase in non-cash operating working capital in the first nine months of 2018, compared to a net decrease in the comparable period of the prior year. The net increase in non-cash operating working capital for the nine months ended September 30, 2018 was primarily due to the increase in work-in-process inventories, partially offset by the increase in accounts payable and accrued liabilities. The net increase in non-cash operating working capital is partially offset by an increase in gold ounces sold and a higher average realized gold price in the first nine months of 2018 as compared to the first nine months of 2017.

Cash used in investing activities totaled $29.5 million in the nine months ended September 30, 2018, versus $76.0 million in the nine months ended September 30, 2017. The cash used in investing activities in the nine months ended September 30, 2018 relates to capital expenditures including $8.8 million for leach pad construction, $7.6 million for deferred stripping at the El Castillo and La Colorada mines, $6.3 million for exploration and development activities, $4.3 million for crushing and conveying circuit improvements and mining equipment and other capital at the Company's properties. The cash used in investing activities in the nine months ended September 30, 2017 relates to capital expenditures including $32.1 million for construction and pre-production costs, net of sales proceeds, related to the San Agustin project, $13.0 million for the acquisition of the San Juan mineral concession adjacent to the El Castillo mine (see "Property Acquisitions" section of this MD&A) and $15.2 million for deferred stripping at the El Castillo and La Colorada mines.

Cash used in financing activities totaled $0.8 million in the nine months ended September 30, 2018, as compared to cash provided by financing activities of $33.0 million in the nine months ended September 30, 2017. During the nine months ended September 30, 2017, the Company received proceeds, net of share issuance costs, of $32.0 million primarily from the issuance of common shares.

Total assets increased to $706.4 million as at September 30, 2018, as compared to $689.9 million as at December 31, 2017, principally due to an increase in cash and cash equivalents and inventories, partially offset by a decrease in mineral properties, plant and equipment and deferred income tax assets. Total liabilities increased to $68.7 million as at September 30, 2018, as compared to $57.4 million as at December 31, 2017, primarily due to an increase in accounts

payable and accrued liabilities and income tax liabilities. Total shareholders' equity increased to $637.6 million as at September 30, 2018, as compared to $632.4 million as at December 31, 2017, primarily due to net income of $9.9 million, partially offset by foreign currency effects of $7.0 million.

Liquidity Outlook

In 2018, the Company expects total production to be towards the lower end of its full year guidance range of 165,000 and 180,000 GEOs (based on the three-year historical average silver to gold ratio of 70:1). Cash cost per gold ounce sold (see "Non-IFRS Measures" section) in 2018 is expected to be at the upper end of the full year guidance of $700 and $800. All-in sustaining cost per gold ounce sold (see "Non-IFRS Measures" section) in 2018 is also expected to be at the upper end of the full year guidance of $850 and $950.

The Company plans to invest $37 million to $40 million on capital expenditures and exploration initiatives in 2018. This is a reduction from the previous full year guidance of $40 million to $45 million on capital expenditures and exploration initiatives in 2018, primarily due to a timing change which moved spending from 2018 into 2019.

The Company's cash and cash equivalents balance, the cash expected to be generated from the operation of the El Castillo mining complex and the La Colorada mine during the next 12 months and undrawn amounts on the Company's revolving credit facility are anticipated to be sufficient to meet obligations and the planned investing and operating activities of the Company for the next 12 months. If required, the Company anticipates it can raise cash from proceeds from sale of shares or proceeds from sale of mineral properties to meet its cash requirements. The Company's results are highly dependent on the price of gold and future changes in the price of gold will therefore impact performance. Readers are encouraged to read the "Cautionary Statement" section of this MD&A and the "Risk Factors" contained in the Company's 2017 Annual Information Form, which is available on SEDAR at www.sedar.com.

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

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

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

CONTINGENCIES

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

EVENTS AFTER THE REPORTING PERIOD

The Company understands that refiner Republic Metals Corporation ("Republic") filed for protection under chapter 11 of the United States Bankruptcy Code on November 2, 2018 in the United States Bankruptcy Court for the Southern District of New York. Republic processes material from certain of the Company's properties, including currently approximately 4,600 ounces of gold delivered in late October to Republic. The Company has engaged counsel to protect its rights and materials in Republic's bankruptcy case.

FINANCIAL INSTRUMENTS AND RISKS

Overview

The Company's activities expose it to risks, including financial and operational risks of varying degrees of significance which could affect its ability to achieve its strategic objectives for growth and shareholder returns. The principal financial risks related to financial instruments to which the Company is exposed are credit risk, foreign exchange risk, liquidity risk and interest rate risk. In 2018, there have been no changes to the Company's exposure to financial risks, as described in the MD&A for the year ended December 31, 2017. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and reviews the Company's policies on an ongoing basis. Readers are encouraged to read and consider the "Cautionary Statement" section of this MD&A and the "Risk Factors" described in the Company's Annual Information Form for the year ended December 31, 2017. The risk factors could materially impact future operating results of the Company and cause events to differ materially from those described in forward-looking information of the Company.

Financial instruments

As at September 30, 2018 and December 31, 2017, the carrying amounts of cash and cash equivalents, 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, 2018 and December 31, 2017, the carrying amounts of other liabilities and debt are considered to be reasonable approximations of their fair values as there have been no significant changes in market interest rates since inception.

Foreign exchange derivative contracts

On January 20, 2017 (referred to as the "2017 foreign exchange contracts") and on September 25 and December 28, 2017 (together referred to as the "2018 foreign exchange contracts"), the Company entered into zero-cost collar contracts whereby it purchased a series of foreign exchange call option contracts and sold a series of foreign exchange put option contracts with equal and offsetting values at inception. These contracts were entered into to normalize operating expenses and capital expenditures to be incurred by the Company's Mexican operations as expressed in US dollar terms. The foreign exchange derivative contracts are classified as Level 2 in the fair value hierarchy. The details of the contracts were as follows:

2017 foreign exchange contracts at inception	Amount ($000s)	Term	Average strike price
Foreign exchange call options - purchased	$ 30,000	February 2017 - November 2017	20.00 Mexican pesos per US dollar
Foreign exchange put options - sold	$ 30,000	February 2017 - November 2017	24.58 Mexican pesos per US dollar

2018 foreign exchange contracts at inception	Amount ($000s)	Term	Average strike price
Foreign exchange call options - purchased	$ 30,000	January 2018 - December 2018	17.90 Mexican pesos per US dollar
Foreign exchange put options - sold	$ 30,000	January 2018 - December 2018	22.46 Mexican pesos per US dollar

The resulting fair values of the outstanding contracts at September 30, 2018 have been recognized, on a net basis, in foreign exchange derivative assets on the statement of financial position. These derivative instruments were not designated as hedges by the Company and are marked-to-market at the end of each reporting period with the mark-to-market adjustment recorded in the statement of income (loss). Details are as follows:

	Three months ended September 30,		Nine months ended September 30,	
Expressed in $000s	2018	2017	2018	2017
2017 foreign exchange contracts				
Unrealized gains	$ -	$ 14	$ -	$ 1,694
Reversal of unrealized gains from prior period	-	(857)	-	(1,146)
Realized gains	-	1,141	-	2,165
2018 foreign exchange contracts				
Unrealized gains (losses)	123	(143)	593	(143)
Reversal of unrealized (gains) losses from prior period	36	-	(18)	-
Realized gains	-	-	9	-
Net gains on foreign exchange derivatives	$ 159	$ 155	$ 584	$ 2,570

OUTSTANDING SHARE DATA

As at September 30, 2018, the Company had 177,799,758 common shares issued and outstanding and 4,063,800 stock options, 1,309,458 restricted share units ("RSUs") and 776,668 performance share units ("PSUs") granted and outstanding.

Subsequent to September 30, 2018, 7,500 options and 2,594 RSUs were forfeited and 5,200 RSUs vested.

As at November 8, 2018, the Company had 177,802,911 common shares issued and outstanding and 4,056,300 stock options, 1,301,664 RSUs and 776,668 PSUs granted and outstanding.

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

CRITICAL ACCOUNTING ESTIMATES

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results may vary from those estimates due to inherent uncertainty or other factors. The Company regularly reviews its estimates. Revisions to estimates and the resulting effects on the carrying amounts of the assets and liabilities are accounted for prospectively. Key sources of estimation uncertainty that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities applied in the preparation of these unaudited interim condensed consolidated financial statements are consistent with those applied and disclosed in the annual consolidated financial statements for the year ended December 31, 2017.

Impairment of non-current assets

At each reporting date, the Company reviews its non-current assets to determine whether there are any indications of impairment. Non-current assets that have been impaired are tested for possible reversal of the impairment whenever events or changes in circumstance indicate that the impairment may have reversed. As at September 30, 2018, management of the Company determined the continued weakness in the Company's share price during 2018, resulting in the Company's market capitalization being below the carrying value of net assets, constituted an impairment indicator. Therefore, the Company completed an impairment assessment for each of the Company's cash generating units ("CGUs" or "CGU") whereby the carrying value of the CGU, including acquisition cost, was compared to its recoverable amount using assumptions consistent with those used at December 31, 2017. Management's impairment evaluation did not result in the identification or reversal of an impairment loss as at September 30, 2018.

Work-in-process inventory / Production costs

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

AMENDED ACCOUNTING POLICIES

Due to the modifications in the Company's share-based payment arrangements in 2018, whereby the Company now grants PSUs in addition to stock options and RSUs, the Company amended its accounting policies for share-based compensation and earnings per share to the following:

Share-based compensation

The Company grants share-based awards to employees, directors and consultants as an element of compensation. The fair value of the awards is recognized over the vesting period as compensation expense and contributed surplus. The fair value of options is determined using the Black-Scholes option pricing model using estimates at the date of the grant. RSUs are recorded at fair value based on the market value of the shares at the grant date. PSUs are subject to certain vesting requirements based on performance criteria over the vesting period established by the Company. PSUs are recorded at fair value as follows: the portion of the PSUs related to market conditions are recorded at fair value based on the application of a Monte Carlo pricing model at the date of grant and the portion related to non-market conditions is fair valued based on the market value of the shares at the date of grant. At each reporting date prior to vesting, the cumulative expense representing the extent to which the vesting period has expired and management's best estimate of the awards that are ultimately expected to vest is computed. The movement in cumulative expense is recognized in the statement of income (loss) with a corresponding entry within equity, against contributed surplus. No expense is recognized for awards that do not ultimately vest. When stock options are exercised, the proceeds received, together with any related amount in contributed surplus, are credited to share capital. When RSUs and PSUs vest, the related share-based compensation expense included in contributed surplus is credited to share capital.

Earnings per share

Basic earnings per share is calculated using the weighted average number of shares outstanding during the period. Contingently issuable shares are treated as outstanding and are included in the calculation of basic earnings per share only from the date when all necessary conditions are satisfied. Shares that are issuable solely after the passage of time are not contingently issuable shares, because the passage of time is a certainty. PSUs are treated as contingently issuable shares because their issue is contingent upon satisfying specified conditions in addition to the passage of time.

Diluted earnings per share is calculated using the weighted average number of common shares outstanding adjusted to include the effects of dilutive common share equivalents such as stock options, RSUs and PSUs. Diluted earnings per share is calculated using the treasury method, whereby proceeds from the exercise of stock options, RSUs and PSUs and the amount of compensation expense measured but not yet recognized in the statement of income (loss), which together form the assumed exercise prices, are assumed to be used to purchase common shares of the Company at the average market price during the period. The number of PSUs included in the diluted earnings per share calculation, if the conditions are not satisfied, is based on the number of shares that would be issuable if the end of the period were the end of the contingency period.

The diluted earnings per share calculation excludes any potential conversion of RSUs, PSUs or stock options that would increase earnings per share. In periods of loss, diluted loss per share is the same as basic loss per share as the effect would be anti-dilutive.

NEW AND AMENDED STANDARDS ADOPTED BY THE COMPANY

The Company has adopted the following new and amended standards effective January 1, 2018 and as a result changed its accounting policies for them. These changes were made in accordance with the applicable transitional provisions.

IFRS 9, Financial Instruments ("IFRS 9")

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income ("OCI") and fair value through profit or loss ("FVTPL"). There is now a new expected credit loss model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in OCI for liabilities designated as FVTPL.

The Company applied IFRS 9 retrospectively; however, the adoption of IFRS 9 did not require any adjustments to the classification or measurement of the Company's financial assets and financial liabilities. The adoption of the new expected credit loss model under IFRS 9 had a negligible impact on the carrying amounts of our financial assets on the transition date given the Company transacts exclusively with large international financial institutions and other organizations with strong credit ratings.

Under IFRS 9, the Company classifies its financial instruments into the following categories:

Financial assets at amortized cost - Assets that are held for the collection of contractual cash flows where those cash flows solely represent payments of principal and interest are measured at amortized cost. The Company classifies cash and cash equivalents and receivables as financial assets at amortized cost. The Company's intent is to hold these financial assets in order to collect contractual cash flows and the contractual terms give rise to cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at FVTPL - Financial assets measured at FVTPL are assets that do not qualify as financial assets at amortized cost or fair value through OCI. The Company classifies foreign exchange derivative assets as financial assets at FVTPL. The Company initially recognizes these financial assets at their fair value with subsequent changes to fair values recognized in the statement of income (loss).

Financial liabilities at amortized cost - Financial liabilities are measured at amortized cost unless they are required to be measured at FVTPL. The Company classifies accounts payable and accrued liabilities, debt and other liabilities as financial liabilities at amortized cost.

Financial liabilities at FVTPL - Financial liabilities measured at FVTPL are specific liabilities, including derivatives, which cannot be classified as financial liabilities at amortized cost. The Company classifies foreign exchange derivative liabilities as financial liabilities at FVTPL. The Company initially recognizes these financial liabilities at their fair value with subsequent changes to fair values recognized in the statement of income (loss).

IFRS 15, Revenue from Contracts with Customers ("IFRS 15")

IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The standard replaces IAS 18, Revenue, and IAS 11, Construction Contracts, and related interpretations. Under IFRS 15, revenue is recognized upon transfer of control over goods or services to the customer. The recognition of revenue upon transfer of control to the customer is consistent with the Company's revenue recognition policy as set out in note 2(l) of the annual consolidated financial statements for the year ended December 31, 2017, as the condition is generally satisfied when title transfers to the customer. The Company elected to apply IFRS 15 using a modified retrospective approach; however, the adoption of IFRS 15 resulted in no impact on the financial statements of the Company, as the timing of revenue recognition was unchanged.

RECENT ACCOUNTING PRONOUNCEMENTS

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after January 1, 2018, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Company, except the following set out below:

IFRS 16, Leases ("IFRS 16"), was issued in January 2016 by the IASB. According to the new standard, all leases will be on the statement of financial position of lessees, except those that meet the limited exception criteria. The standard is effective for annual periods beginning on or after January 1, 2019. The Company currently expects to use the modified retrospective approach, with the cumulative impact of applying IFRS 16 recognized at January 1, 2019. The Company expects IFRS 16 will result in the recognition of additional assets and liabilities in the statement of financial position and a corresponding increase in depreciation, depletion and amortization and finance expenses and a decrease in production costs. The Company also expects cash flows from operating activities to increase under IFRS 16 as lease payments will be recorded as financing outflows in the statement of cash flows. The Company has identified and collected data relating to existing agreements and is reviewing this information to identify which agreements are in scope for IFRS 16. The magnitude of the impacts of adopting IFRS 16 have not yet been determined. The Company expects to report more detailed information, including estimated quantitative financial impacts, if material, in the annual consolidated financial statements for the year ended December 31, 2018.

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

DISCLOSURE CONTROLS AND PROCEDURES

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

Changes to Internal Control over Financial Reporting

NI 52-109 also requires public companies in Canada to disclose in their MD&A any change in ICFR during the most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, ICFR. There were no changes in ICFR during the three months ended September 30, 2018 that materially affected or are reasonably likely to materially affect the Company's ICFR.

NON-IFRS MEASURES

The Company has included certain non-IFRS measures including "Cash cost per gold ounce sold", "All-in sustaining cost per gold ounce sold", "All-in cost per gold ounce sold", "Adjusted net income (loss)", "Adjusted earnings (loss) per share - basic" and "Net cash" in this MD&A to supplement its financial statements which are presented in accordance with IFRS. The Company believes that these measures provide investors with an alternate view to evaluate the performance of the Company by providing information on control of production costs, trends in cash costs of the Company and the underlying operating performance of the core mining business. Management also uses these measures to monitor internal performance. Non-IFRS measures do not have any standardized meaning prescribed under IFRS. Therefore they may not be comparable to similar measures employed by other companies. The Company does not include the production cost impact of non-cash impairment write downs related to work-in-process inventory in the non-IFRS measures. The data is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

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

El Castillo	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Production costs, as reported[(1)] ($000s)	$ 10,501	$ 11,714	$ 28,209	$ 48,733
Less silver sales ($000s)	70	99	333	466
Net cost of sales ($000s)	$ 10,431	$ 11,615	$ 27,876	$ 48,267
Gold ounces sold	9,937	12,268	27,292	53,487
Cash cost per gold ounce sold	$ 1,050	$ 947	$ 1,021	$ 902

San Agustin	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Production costs, as reported[(1)] ($000s)	$ 10,689	$ -	$ 24,970	$ -
Less silver sales ($000s)	794	-	2,991	-
Net cost of sales ($000s)	$ 9,895	$ -	$ 21,979	$ -
Gold ounces sold	15,912	-	46,222	-
Cash cost per gold ounce sold	$ 622	$ -	$ 476	$ -

La Colorada	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Production costs, as reported[(1)] ($000s)	$ 8,660	$ 8,597	$ 31,780	$ 26,149
Less silver sales ($000s)	219	374	1,776	2,468
Net cost of sales ($000s)	$ 8,441	$ 8,223	$ 30,004	$ 23,681
Gold ounces sold	7,330	9,938	35,151	36,642
Cash cost per gold ounce sold	$ 1,152	$ 827	$ 854	$ 646

All Mines	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Production costs, as reported[(1)] ($000s)	$ 29,850	$ 20,311	$ 84,959	$ 74,882
Less silver sales ($000s)	1,083	473	5,100	2,934
Net cost of sales ($000s)	$ 28,767	$ 19,838	$ 79,859	$ 71,948
Gold ounces sold	33,179	22,206	108,665	90,129
Cash cost per gold ounce sold	$ 867	$ 893	$ 735	$ 798

[(1)] Excludes depreciation, depletion and amortization.

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

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Net cost of sales ($000s)	$ 28,767	$ 19,838	$ 79,859	$ 71,948
General and administrative expenses ($000s)	2,707	2,662	9,601	8,787
Exploration expenses ($000s)	138	118	391	337
Accretion of reclamation provision ($000s)	50	42	148	113
Sustaining capital expenditures ($000s)	1,122	953	3,629	2,689
All-in sustaining cost ($000s)	$ 32,784	$ 23,613	$ 93,628	$ 83,874
Gold ounces sold	33,179	22,206	108,665	90,129
All-in sustaining cost per gold ounce sold	$ 988	$ 1,063	$ 862	$ 931

All-in costs include all-in sustaining costs, which forms the basis of the Company's all-in sustaining cost per gold ounce sold and additional costs for expansionary capital expenditures related to properties in commercial production, excluding the acquisition of the rights to land. The following table provides a reconciliation of all-in costs per gold ounce sold to the consolidated financial statements:

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
All-in sustaining cost ($000s)	$ 32,784	$ 23,613	$ 93,628	$ 83,874
Expansionary capital expenditures ($000s)	6,055	5,121	20,545	19,749
All-in cost ($000s)	$ 38,839	$ 28,734	$ 114,173	$ 103,623
Gold ounces sold	33,179	22,206	108,665	90,129
All-in cost per gold ounce sold	$ 1,171	$ 1,294	$ 1,051	$ 1,150

Adjusted net income (loss) and adjusted earnings (loss) per share - basic excludes foreign exchange impacts on deferred income taxes, foreign exchange (gains) losses, non-cash impairment write down (reversal) of work-in-process inventory and unrecognized (recognition of previously unrecognized) Mexican deferred tax assets. The following table provides a reconciliation of adjusted net income (loss) to the consolidated financial statements:

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Net income (loss), as reported ($000s)	$ (2,686)	$ 440	$ 9,924	$ 18,665
Impact of foreign exchange on deferred income taxes ($000s)	(3,197)	1,039	(2,924)	(6,610)
Foreign exchange (gains) losses, net of tax ($000s)	302	(656)	2,303	735
Inventory write down, net of tax ($000s)	4,580	-	4,580	-
Recognition of previously unrecognized Mexican deferred tax assets ($000s)	-	(1,251)	-	(4,210)
Adjusted net income (loss) ($000s)	$ (1,001)	$ (428)	$ 13,883	$ 8,580
Weighted average number of common shares outstanding, as reported	177,795,549	176,980,554	177,692,126	171,821,210
Adjusted earnings (loss) per share - basic	$ (0.01)	$ (0.00)	$ 0.08	$ 0.05

Net cash is calculated as the sum of the cash and cash equivalents balance net of debt as at the statement of financial position date. A reconciliation of net cash is provided below:

	September 30, 2018	June 30, 2018	December 31, 2017
Cash and cash equivalents ($000s)	$ 20,560	$ 22,730	$ 14,060
Debt ($000s)	(8,000)	(8,000)	(8,000)
Net cash ($000s)	$ 12,560	$ 14,730	$ 6,060

CAUTIONARY STATEMENT

Readers of this MD&A are encouraged to read the "Risk Factors" as more fully described in the Company's filings with the Canadian Securities Administrators, including its Annual Information Form for the year ended December 31, 2017, available on SEDAR at www.sedar.com. The following, while not exhaustive, are important Risk Factors to consider: Commodity Price Volatility; Uncertainty of Exploration and Development; Uncertainty in the Estimation of Mineral Reserves and Mineral Resources; Permitting Risk; Mineral and Surface Rights; Financing Requirements; The Revolving Credit Facility may present certain risks to the Corporation; Operational Risks; The Corporation may not achieve its Production Estimates; Increase in Production Costs; Uncertainty Relating to Mineral Resources; Environmental Risks and Hazards; Fluctuations in Operating Results can cause Common Share Price Decline; Local Legal, Political and Economic Factors; Changes in Climate Conditions; Unsettled First Nations Rights; Governmental Regulation of the Mining Industry; Foreign Subsidiaries; Operations in Mexico; Competition for Exploration, Development and Operation Rights; Foreign Currency Exchange Rate Fluctuation; Title to Properties; Safety and Security; Infrastructure; Community Relations; Contractors; Labour and Employment Matters; Attracting and Retaining Talented Personnel; Contract Renegotiation; Construction and Start-up of New Mines; Volatility of Market for Common Shares; Foreign Private Issuer Status; Internal Control over Financial Reporting; Acquisitions and Integration; Risk Management; Insurance and Uninsured Risks; Dilution Risk; Asset Impairment Charges; Write-downs and Impairments; Exchange Controls; Possible Conflicts of Interest of Directors and Officers of the Corporation; Enforcement of Civil Liabilities in the United States; Cybersecurity Risks; Security and Privacy Breaches; Recent Global Financial Conditions; and Foreign Corrupt Practices and Anti-Bribery Legislation.

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

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

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

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

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

TECHNICAL INFORMATION AND QUALIFIED PERSON

The technical information contained in this document has been prepared under the supervision of, and has been reviewed and approved by, Mr. Brian Arkell, Argonaut's Vice President of Exploration, a qualified person as defined by NI 43-101.

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

El Castillo Complex	NI 43-101 Technical Report on Resources and Reserves, El Castillo Complex, Durango, Mexico dated March 27, 2018 and with an effective date of March 7, 2018
La Colorada Mine	NI 43-101 Technical Report on Resources and Reserves, La Colorada Gold/Silver Mine, Hermosillo, Mexico dated March 27, 2018 and with an effective date of December 8, 2017
Magino Gold Project	Feasibility Study Technical Report on the Magino Project, Ontario, Canada dated December 21, 2017 and with an effective date of November 8, 2017
San Antonio Gold Project	NI 43-101 Technical Report on Resources, San Antonio Project, Baja California Sur, Mexico dated October 10, 2012 and with an effective date of September 1, 2012

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