ARGOGOLD (Formerly Arbitrage Resources Inc)

(a development stage company)

CONDENSED INTERIM UNAUDITED FINANCIAL STATEMENTS

(PREPARED BY MANAGEMENT)

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2018 AND 2017

(Expressed in Canadian Dollars)
(Unaudited)

INDEX

ARGOGOLD (Formerly·Arbitrage·Resources·Inc)

Management's Responsibility for Financial Statements

The accompanying financial statements of Argo Gold Inc. (Formerly Arbitrage Resources Inc.) (The "Company" or "Argo Gold") are the responsibility of management and the Board of Directors. These condensed interim financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the condensed interim financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the statement of financial position date. In the opinion of management, the condensed interim financial statements have been prepared within acceptable limits of materiality and are in accordance with International Financial Reporting Standards appropriate in the circumstances.

Management has established processes, which are in place to provide it sufficient knowledge to support management representations that it has exercised reasonable diligence that (i) the financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of, and for the periods presented by, the condensed interim financial statements and (ii) the condensed interim financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the condensed interim financial statements.

The Board of Directors is responsible for reviewing and approving the condensed interim financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the condensed interim financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company’s affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

"Judy Baker"
Judy Baker
President and Chief Executive Officer

"Kenney Storey"
Kenney Storey
Chief Financial Officer

Toronto, Canada
August 29, 2018

The accompanying condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company’s management. The condensed interim financial statements have been prepared using accounting policies in compliance with International Financial Reporting Stands for the preparation of the condensed interim financial statements and are in accordance with IAS 34 – Interim Financial Reporting.

The Company’s independent auditor has not performed a review of these unaudited condensed interim financial statements in accordance with standards established by the Canadian Chartered Professional Accountants for a review of interim financial statements by an entity’s auditor.

The accompanying condensed interim financial statements of the Company have been prepared by and are the responsibility of management. The condensed interim financial statements as at and for the three and six months ended June 30, 2018 have not been reviewed by the Company's auditor.

ARGOGOLD (Formerly Arbitrage Resources Inc)

Condensed Interim Statements of Financial Position

(Expressed in Canadian Dollars)

As at	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Assets		
Current		
Cash	**$ 122,748**	$ 51,912
Investments (Note 5)	**303,325**	-
HST receivable	**36,289**	106,115
Prepaid expenses and deposits	**-**	-
	462,362	158,027
Exploration and evaluation assets (Note 7)	**1,272,260**	1,235,355
Fixed assets (Note 8)	**7,451**	4,632
	$ 1,742,073	$ 1,398,014
Liabilities and Equity		
Current		
Accounts payable and accrued liabilities (Note 10)	**$ 160,879**	$ 106,023
	160,879	106,023
Shareholders' Equity		
Share capital (Note 9)	**11,653,466**	11,440,050
Contributed surplus	**642,808**	633,207
Deficit	**(10,725,080)**	(10,781,266)
	1,581,194	1,291,991
	$ 1,742,073	$ 1,398,014

Subsequent events (Note 12)

Approved by the Board of Directors and authorized on August 29, 2018:

"Judy Baker"	"Chris Irwin"
Judy Baker	Chris Irwin
Director	Director

The accompanying notes form an integral part of these unaudited condensed interim financial statements

ARGOGOLD (Formerly Arbitrage Resources Inc)

Condensed Interim Statements of Income (Loss) and Comprehensive Income (Loss)

(Expressed in Canadian Dollars)

For the three and six months ended (Unaudited)

	Three Months June 30, 2018	Three Months June 30, 2017	Six Months June 30, 2018	Six Months June 30, 2017
Expenses				
Depreciation	**$ 1,050**	$ 60	**$ 1,687**	$ 119
Management fees	**29,800**	43,600	**49,000**	62,800
Business development	**25,919**	15,628	**81,709**	24,423
Investor relations	**3,879**	6,629	**5,351**	10,721
Professional fees	**28,578**	34,425	**65,401**	47,823
Consulting fees	**9,103**	9,820	**113,392**	27,709
Listing and regulatory fees	**4,646**	1,310	**958**	3,225
Advertising and promotion	**14,218**	13,150	**14,218**	26,678
Administrative fees	**17,119**	8,658	**30,403**	20,188
Exploration expenses	**3,870**	121,304	**3,870**	154,341
Share-based compensation	**36,523**	-	**36,523**	92,008
Total operating expenses	**174,704**	254,584	**402,512**	470,035
Loss from operations	**(174,704)**	(254,584)	**(402,512)**	(470,035)
Gain (loss) on shares issued for debt	**-**	-	**19,000**	-
Gain (loss) on disposal of properties	**691,615**	-	**689,866**	-
Gain (loss) on value of market securities held for trading	**(248,925)**	-	**(252,425)**	-
Net income (loss) for the period	**$ 267,986**	$ (254,584)	**$ 53,929**	$ (470,035)
Net income (loss) and comprehensive income (loss) for the period	**$ 267,986**	$ (254,584)	**$ 53,929**	$ (470,035)
Net income (loss) per share				
Basic and fully diluted income (loss) per share	**$ 0.01**	$ (0.01)	**$ 0.00**	$ (0.02)
Weighted average numer of shares outstanding - basic and fully diluted	**29,126,584**	24,443,259	**28,716,347**	23,421,147

The accompanying notes form an integral part of these unaudited condensed interim financial statements

ARGOGOLD (Formerly Arbitrage Resources Inc)

Condensed Interim Statements of Changes in Shareholders' Equity
For the three and six months ended June 30, 2018 and 2017
(Expressed in Canadian Dollars)
(Unaudited)

	Common shares	Amount	Contributed surplus	Accumulated deficit	Total
Balance at January 1, 2017	19,598,128	$ 10,227,861	$ 325,440	$ (10,106,140)	$ 447,161
Shares issued for cash	3,090,000	647,233	-	-	647,233
Shares issued for debt settlement	2,390,000	215,100	-	-	215,100
Shares issued for property	1,250,000	195,000	-	-	195,000
Share issue costs	-	(47,145)	-	-	(47,145)
Exercise of warrants	2,057,500	205,750	-	-	205,750
Issuance of warrants	-	(269,908)	269,908	-	-
Share-based compensation	-	-	92,008	-	92,008
Net loss and comprehensive loss				(470,035)	(470,035)
Balance at June 30, 2017	28,385,628	$ 11,173,891	$ 687,356	$ (10,576,175)	$ 1,285,072
Balance at January 1, 2018	28,861,628	$ 11,440,050	$ 633,207	$ (10,781,271)	$ 1,291,986
Shares issued for debt settlement (Note 9.b)(i))	760,000	133,000	-	-	133,000
Shares issued for property (Note 7, 9.b)(iii))	200,000	30,000	-	-	30,000
Warrants exercised (Note 9.b)(ii)(iv))	356,300	50,416	(14,660)	-	35,756
Warrants expired	-	-	(12,262)	12,262	-
Share-based compensation (Note 9.c))	-	-	36,523	-	36,523
Net income and comprehensive income				53,929	53,929
Balance at June 30, 2018	**30,177,928**	**$ 11,653,466**	**$ 642,808**	**$ (10,715,080)**	**$ 1,581,194**

The accompanying notes form an integral part of these unaudited condensed interim financial statements

ARGOGOLD (Formerly Arbitrage Resources Inc)

Condensed Interim Statements of Cash Flows
For the three and six months ended June 30, 2018 and 2017
(Expressed in Canadian Dollars)
(Unaudited)

	Three months June 30, 2018	Three months June 30, 2017	Six months June 30, 2018	Six months June 30, 2017
Cash flows from operating activities				
Net income (loss) for the period	**$ 267,986**	$ (254,584)	**$ 53,929**	$ (470,035)
Adjustments not effecting cash:				
Depreciation	**1,050**	60	**1,687**	119
Share-based compensation	**36,523**	-	**36,523**	92,008
Shares issued for services	**-**	-	**152,000**	-
(Gain) loss on shares issued for debt	**-**	-	**(19,000)**	-
Operating cash flows before changes in non-cash working capital	**305,559**	(254,524)	**225,138**	(377,908)
Changes in non-cash working capital:				
Accounts receivable	**-**	(50,000)	**-**	(41,600)
Marketable securities received for property disposals	**(540,000)**	-	**(555,750)**	-
Loss on valuation of marketable securities held for trading	**248,925**	-	**252,425**	-
Prepaid expenses	**1,818**	(25,000)	**-**	(25,000)
HST receivable	**82,889**	(28,303)	**69,826**	(41,364)
Accounts payable and accrued liabilities	**(33,201)**	24,334	**54,851**	(140,037)
Cash used in operating activities	**65,990**	(333,493)	**46,490**	(625,909)
Cash flows from investing activities				
Exploration and evaluation assets	**(31,124)**	-	**(102,790)**	(195,000)
Purchase of Geisler Patents	**-**	-	**30,000**	-
Disposal of exploration and evaluation assets	**48,385**	-	**65,885**	-
Purchase of equipment	**(4,506)**	(1,359)	**(4,506)**	(1,359)
Cash used in investing activities	**12,755**	(1,359)	**(11,411)**	(196,359)
Cash flows from financing activities				
Issuance of common shares	**-**	852,983	**-**	1,263,077
Share issue costs	**-**	(47,145)	**-**	(47,145)
Exercise of warrants	**35,000**	-	**35,756**	-
Repayment of short-term debt	**-**	-	**-**	(53,514)
Cash provided by financing activities	**35,000**	805,838	**35,756**	1,162,418
Net change in cash	**113,745**	470,986	**70,836**	340,150
Cash, beginning of period	**9,003**	118,263	**51,912**	249,099
Cash, end of period	**$ 122,748**	$ 589,249	**$ 122,748**	$ 589,249

The accompanying notes form an integral part of these unaudited condensed interim financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN

Argo Gold Inc. (the "Company" or "Argo Gold") (formerly Arbitrage Resources Inc.) is a development stage enterprise incorporated under the laws of Ontario on December 9, 1995. The Company is listed on the Canadian Stock Exchange ("CSE"), having the symbol ARQ and is in the process of exploring its mineral properties. Effective September 19, 2016, the Company changed its name to Argo Gold Inc.

The address of the Company's corporate office and principal place of business is 365 Bay Street, Suite 400 Toronto, Ontario, M5H 2V1, Canada.

These financial statements have been prepared on a going concern basis, which contemplates that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern, and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying financial statements. Such adjustments could be material. It is not possible to predict whether the company will be able to raise adequate financing or to ultimately attain profit levels of operations. These conditions indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. Changes in future conditions could require material write downs of the carrying values.

The Company realized a gain from the sale of properties during the current quarter ended June 30, 2018 resulting in a $267,986 profit for the quarter and a $53,929 profit year to date. However the Company has not consistently realized a profit from operations and has incurred significant expenditures related to property explorations resulting in a cumulative deficit of $10,715,080 as at June 30, 2018 (December 31, 2017 $10,781,266). The recoverability of the carrying value of exploration properties and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise alternative financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. While management has been historically successful in raising the necessary capital, it cannot provide assurance that it will be successful in future financing activities or be able to execute on its business strategy. As at June 30, 2018, the Company had current assets of $462,362 (December 31, 2017 - $158,027) to cover current liabilities of $160,879 (December 31, 2017 - $106,023).

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The condensed interim financial statements of the Company for the periods ended June 30, 2018 and 2017 and approved and authorized for issue by the Board of Directors on August 29, 2018.

Basis of Measurement

These financial statements have been prepared on the historical cost basis, except for financial instruments designated at fair value through profit and loss, which are stated at their fair value.

The preparation of financial statements in conformity with IFRS requires that management make certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies. The areas involving a higher degree of judgement are areas where assumptions and estimates are significant in the financial statements are disclosed in below.

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (continued)

Functional and Presentation Currency

These financial statements are presented in Canadian dollars, which is the Company's functional currency.

Use of Estimates and Judgement

The preparation of financial statements in conformity with IFRS requires that management make judgemental, estimates and assumptions about future events that affect the amounts reported in the financial statements and related notes to the financial statements. Actual results may differ from those estimates.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

EXPLORATION AND EVALUATION EXPENDITURES

Exploration and evaluation expenditure ("E&E") assets consist of exploration and mining concessions, patents, options and contracts. Acquisition and leasehold costs and exploration costs are capitalized and deferred until such time as the property' is put into production or the properties are disposed of either through sale or abandonment.
E&E costs consist of:

- Gathering exploration data through topographical and geological studies;
- Exploratory drilling, trenching and sampling;
- Determining the volume and grade of the resource;
- Test work on geology, metallurgy, mining, geotechnical and environmental; and
- Conducting engineering, marketing and financial studies.

Proceeds received from the sale of any interest in a property are first credited against the carrying value of the property, with any excess included in operations for the period. If a property is abandoned, the property and related deferred exploration costs are written off to operations.

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgement in determining whether there are future economic benefits, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after the expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is written off in the statement of operations in the period when the new information becomes available. The Company assesses each cash generating unit ("CGU") annually to determine whether any indication of impairment exists.

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, exploration potential and operating performance. Fair value is determined as the amount that would be obtained from the sale of the assets in an arm's length transaction between knowledgeable and willing parties.

EQUIPMENT

Recognition and Measurement

Equipment is measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes all expenditures that are directly attributable to the acquisition of the asset.

Depreciation

Equipment is depreciated annually on a declining balance basis using a rate of 20%
Computers are depreciated annually on a declining balance basis using a rate of 55%.

Impairment

The carrying amounts of the Company's equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. In addition, capitalized E&E assets are assessed for impairment upon demonstrating the technical feasibility and commercial viability of the project.

Impairment is determined for an individual asset unless the asset docs not generate cash inflows that are independent of those generated from other assets or group of assets, in which case, the individual assets are grouped together into CGUs for impairment purposes.

An impairment exists when the carrying amount of the asset, or group of assets, exceeds its recoverable amount. The impairment loss is the amount by which the carrying value exceeds the recoverable amount and such loss is recognized in the statement of operations. The recoverable amount of an asset is the higher of its fair value less costs to dispose and its value in use.

A previously recognized impairment loss is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized such that the recoverable amount has increased. The carrying amount after a reversal must not exceed the carrying account (net of depreciation) that would have been determined had no impairment loss been recognized.

ACCOUNTING FOR INCOME TAXES

Income tax expense comprises of current and deferred tax expense. Current tax expense is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Deferred tax assets and liabilities are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes.

Income tax expense is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity. Income taxes are calculated using the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred tax assets and liabilities are recognized for the deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and for tax losses and other deductions carried forward.

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ACCOUNTING FOR INCOME TAXES (continued)

Deferred income tax assets and liabilities are calculated using enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability is settled. An asset is recognized on the statement of financial position only when it is probable that the future economic benefits will flow to the entity and the asset has a cost or value that can be measured reliably. The effect on deferred tax assets and liabilities of changes in tax rates are recognized in income in the period in which the change is substantively enacted.

BASIC LOSS PER COMMON SHARE

The Company presents basic and diluted earnings (loss) per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for own shares held, for the effects of all dilutive potential common shares, which comprise convertible warrants and share options granted by the Company. Diluted earnings (loss) per share for the periods presented does not include the effect warrants as they are anti-dilutive.

SHARE-BASED PAYMENTS

The Company accounts for share-based payments using the fair value method. Under this method, compensation expense for employees is measured at fair value on the date of grant using the Black-Scholes option pricing model, and is recognized as an expense or capitalized, depending on the nature of the grant, with a corresponding increase in equity, over the period that the employees earn the options. The amount recognized as an expense is adjusted to reflect the number of share options expected to vest. The Black-Scholes option pricing model requires the input of subjective assumptions, including the expected term of the option and stock price volatility.

Warrants, stock options, and other equity instruments issued as purchase consideration in non-cash transactions, other than as consideration for E&E assets, are recorded at fair value of the goods or services received or if the value of the goods or services received is not reliably measurable then the value of the instruments is measured as determined by management using the Black-Scholes option pricing model. The fair value of the shares issued as purchase consideration for E&E assets is based upon the trading price on the TSX on the date of the agreement to issue shares as determined by the Board of Directors.

RECLAMATION OBLIGATION

A legal or constructive obligation to incur restoration, rehabilitation, and environmental costs may arise when environmental disturbance is caused by the exploration, development, or ongoing production of an E&E interest. The Company's exploration activities are subject to various governmental laws and regulations relating to the protection of the environment. These environmental regulations are continually changing and are generally becoming more restrictive.

The fair value of the liability for an asset retirement obligation is recorded when the legal obligation arises and the corresponding increase to the asset is amortized over the life of the asset. The liability is increased over time to reflect an accretion element considered in the initial measurement at fair value. The Company intends to comply with such laws and regulations, as at June 30, 2018 no such obligations have been incurred.

SHARE CAPITAL

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

The Company's common shares, share warrants, and flow-through shares are classified as equity instruments. Preference share capital is classified as equity if it is non-retractable, or redeemable only at the Company's option, and any dividends are discretionary. Dividends thereon are recognized as distributions within equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from proceeds.

WARRANTS

Proceeds from unit placements are allocated between shares and warrants issued according to their relative fair value. The relative fair value of the share component is credited to share capital and the relative fair value of the warrant component is credited to contributed surplus. Upon exercise of the warrants, consideration paid by the warrant holder together with the amount previously recognized in the contributed surplus account is recorded as an increase to share capital.

Recent Accounting Pronouncements

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods after March 31, 2018 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded from the table below. The following has not yet been adopted and is being evaluated to determine the impact on the Company.

(i) IFRS 9, Financial Instruments ("IFRS 9") was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted. The Company is in the process of assessing the impact of this pronouncement.

Recent Accounting Pronouncements (continued)

(ii) On January 13, 2016 the IASB issued IFRS 16, "Leases". The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15, "Revenue from contracts with customers" at or before the date of initial adoption of IFRS 16. IFRS 16 will replace IAS 17, "Leases". This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-to-fuse asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided. The extent of the impact of adoption of this standard has not yet been determined.

4. FINANCIAL INSTRUMENTS

The Company manages its exposure to a number of different financial risks arising from its operations as well as its use of financial instruments including market risks (commodity prices, foreign currency exchange rate and interest rate), credit risk and liquidity risk through its risk management strategy. The objective of the strategy is to support the delivery of the Company's financial targets while protecting its future financial security and flexibility.

Financial risks are primarily managed and monitored through operating and financing activities and, if required, through the use of derivative financial instruments. The Company does not use derivative financial instruments for purposes other than risk management. The financial risks are evaluated regularly with due consideration to changes in the key economic indicators and up-to-date market information.

Market Risk

Market risk is the risk or uncertainty arising from possible market price movements and their impact on the future performance of the business. The Company may use derivative financial instruments such as foreign exchange contracts and interest rate swaps to manage certain exposures. These market risks are evaluated by monitoring changes in key economic indicators and market information on an ongoing basis.

Liquidity Risk

Liquidity risk encompasses the risk that a company cannot meet its financial obligations in full. The Company's main sources of liquidity is derived from its common stock issuances. These funds are primarily used to finance working capital, operating expenses, capital expenditures, and acquisitions.

The Company manages its liquidity risk by regularly monitoring its cash flows from operating activities and holding adequate amounts of cash. The 2018 budget is planned to be funded by additional financing.

As at June 30, 2018 the Company held cash of $122,748 (December 31, 2017 - $51,912) to settle current liabilities of $160,879 (December 31, 2017 - $106,023).

(Expressed in Canadian Dollars)

4. FINANCIAL INSTRUMENTS (continued)

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Cash bears interest at market rates. Management believes that the risk that the Company will realize a loss on interest rates due to the long-tem debt is remote due to current market prices and its fixed rate. Other current financial assets and liabilities are not exposed to interest rate risk because of their short-term nature.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist of cash and accounts receivable. The Company has reduced its credit risk by investing its cash with a Canadian chartered bank.

Fair Value

The Company has designated its cash as FVTPL; measured at fair value. Accounts receivable are classified as loans and receivables; measured at amortized cost. Accounts payable and accrued liabilities and HST payable are classified as other financial liabilities; measured at amortized cost.

5. INVESTMENTS

	Shares	Share price	Share Value
Manitou Gold Inc.	4,000,000	$ 0.075	$ 300,000
RT Minerals Corp.	35,000	$ 0.095	$ 3,325
Total Fair Value of Investments			$ 303,325

On February 14, 2018, Argo Gold completed a purchase and sale agreement to sell a 100% interest in the South Wawa Gold Project to RT Minerals Corp. for consideration of 350,000 common shares of RT Minerals Corp. On June 19, 2018 RT Minerals Corp. announced a consolidation of its common shares on the basis of one (1) post-consolidated share for every ten (10) pre-consolidated shares.

On March 21 2018, the Company entered into an agreement with an arm's length purchaser Manitou Gold Inc. pursuant to which Argo Gold agreed to sell its 100% interest in 16 unpatented mining claims comprising its Rockstar Gold Project located in the Sault Ste. Marie Mining Division. Pursuant to the terms of the Letter Agreement, Argo Gold agreed to sell its Rockstar Property, in exchange for: 1) $200,000 payable to the Company on the date of closing, 2) 4 million shares of Manitou Gold Inc. on the date of closing, and 3) A 1% net smelter return royalty (the "Royalty") in favour of Argo Gold on the Rockstar Property. The Purchaser shall have a one-time right to purchase 0.5% of the Royalty from Argo Gold for the sum of $500,000. The transaction was closed in the current quarter, (April 04, 2018) when the common share certificate was dated and funds received.

(Expressed in Canadian Dollars)

6. CAPITAL MANAGEMENT

The Company defines capital management in the manner it manages its share capital. As at June 30, 2018 the Company's share capital was $11,653,466 (December 31, 2017 - $11,440,050).

There were no changes in the Company's approach to capital management during the period ended June 30, 2018 and the Company is not subject to any externally imposed capital requirements.

The Company's objectives when managing capital are:

a) To safeguard the Company's financial capacity and liquidity for future earnings in order to continue to provide an appropriate return to shareholders and other stakeholders;
b) To maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk;
c) To enable the Company to maximize growth by meeting its capital expenditure budget, to expand its budget to accelerate projects, and to take advantage of acquisition opportunities.

The Company regularly monitors and reviews the amount of capital in proportion to risk and future development and exploration opportunities. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new debt or equity or similar instruments or make adjustments to its capital expenditure program.

7. EXPLORATION AND EVALUATION ASSET

	June 30, 2018	December 31, 2017
Hurdman	**$ 362,696**	$ 352,831
McVicar	**28,773**	25,413
Upper Canada/Wawa Area	**345,432**	373,591
Woco	**374,112**	369,872
South Wawa	**-**	17,500
Mishi Lake	**81,253**	81,253
Geisler Patents	**30,000**	-
Cobalt Projects	**47,669**	-
Other	**2,325**	14,895
	$ 1,272,260	$ 1,235,355

Hurdman Property

On September 4, 2013, the Company closed the acquisition of the Hurdman Property with Eloro Resources Ltd. ("Eloro"), whereby the Company acquired the Eloro wholly owned Hurdman Property, comprising 12 contiguous mining claims covering 2,944 hectares in Hurdman Township, 120 kilometres north northwest of the City of Timmins, Ontario. The acquisition was completed by issuing 5,000,000 common shares (post consolidation 1,250,000 common shares) and paying $40,000 in cash to Eloro.

In 2017, the Company digitized historic drilling to create a 3D model of the mineralization and in February 2017 staked four additional geophysical anomalies peripheral to the project. The staked mineral claims total 265 claim units covering 4,240 hectares as at 30-Jun-18. The Hurdman Silver-Zinc Project is 100% owned by Argo Gold.

7. EXPLORATION AND EVALUATION ASSET (continued)

McVicar Lake Gold Project

In June 2016, the Company staked 144 claim units totaling 2304 hectares in the McVicar Lake area and Stoughton Lake area located approximately 90 kilometres west of Pickle Lake. The claims are 100% owned by the Company.

In September 2017 the Company carried out exploration activity including re-establishing access, sampling, geological and structural mapping, and prospecting in conjunction with the compilation and review of historical geological and geophysical data. The Company also staked an additional 48 strategic claim units, totaling 768 hectares, adjacent to the McVicar Lake Gold Project located 90 kilometres west of Pickle Lake, Ontario. On 30-Jun-18 the McVicar Lake Gold Project consisted of 3,072 hectares.

Wawa Area Gold Projects Acquired from Upper Canada - Rockstar, Macassa Creek, Abbie Lake

On April 4, 2018, the Company sold its 100% interest in 16 unpatented mining claims comprising its Rockstar Gold Project in the Jacobson and Riggs townships, to an arm's length purchaser Manitou Gold Inc., details of the sale are mentioned in Note 5.

On November 7th 2016, the Company acquired a 100% interest in mineral claims located in the townships of Jacobson, Riggs, Abbie Lake area and David Lakes area near Wawa, Ontario from Upper Canada Exploration Inc., in exchange for an aggregate of 1,739,833 common shares of the Company with a fair value of $173,983 and the grant of a 2% net smelter returns royalty on the property. The mineral claims include: the Rockstar property comprising of 16 mineral claims in Jacobson and Riggs townships, the Macassa Creek property comprising of two mineral claims in the David Lakes area, and the Abbie Lake property comprising of 24 mineral claims in the Abbie Lake area.

Mishi Lake Gold Project - Wawa Area

On March 30th 2017 the Company acquired a 100% interest in the Mishi Lake property located in the Mishibishu Lake Area and St. Germain Township of the Sault St. Marie Mining District in exchange for an aggregate of 250,000 common shares of the Company. The Mishi Lake Gold Project is comprised of 3 mineral claims; one is in the Mishibishu Lake Area and two are in St. Germain Township covering 656 hectares on 30-Jun-18, which is located on the eastern central portion of the Mishibishu Deformation Zone in the Mishibishu Lake Greenstone Belt.

South Wawa Gold Project – Wawa Area

On February 14, 2018, Argo Gold entered into an agreement with an arm's length purchaser RT Minerals Corp. pursuant to which Argo Gold has agreed to sell its 100% interest its South Wawa Gold Project for consideration of 350,000 common shares of RT Minerals.

In February 2017, the Company staked 16 claim units totaling 256 hectares southeast of Wawa in Naveau Township, Sault Ste. Marie Mining Division. The acquired claims are 100% owned by Argo Gold.

7. EXPLORATION AND EVALUATION ASSET (continued)

Wawa Area Exploration Activity

In the 2017 field season, Argo Gold carried out field exploration at all five of Wawa area gold projects including; Mishi Lake, Macassa Creek, Abbie Lake, South Wawa and Rockstar Gold Projects. Exploration activity included re-establishing access, sampling, geological and structural mapping, and prospecting in conjunction with the compilation and review of historical geological and geophysical data; as well as planning for follow-up drilling.

Woco Gold Property

On November 22, 2016, the Company acquired a 100% interest in the Woco mineral claims located in Earngey Township located 85 kilometres northeast of Ear Fall, Ontario from Dollard Mines Ltd in exchange for one million common shares of the Company and the grant of a 2% net smelter return royalty on the property. The Woco mineral claims covered 320 hectares on 30-Jun-18, located northwest of Uchi Lake, proximal to the Uchi Lake deformation zone in the BirchUchi Greenstone belt. The Woco gold project is located 85 kilometres northeast of Ear Falls, Ont., and 1.5 kilometres south of the past producing Uchi mine.

On August 8, 2017, the Company acquired a 100% interest in the Northgate Gold Project located in Earngey Township – adjacent to the Woco Gold Project – from Rubicon Minerals Corporation in exchange for 500,000 common shares of the Company and a 2.0% net smelter returns royalty on the claims (with 1.0% of this 2.0% royalty entitled to a third party per an existing agreement).

In the 2017 field season, Argo Gold carried out exploration activity at the Woco Gold Project including the newly acquired adjacent Northgate mineral claims. Exploration activity included re-establishing access, sampling, geological and structural mapping, and prospecting in conjunction with the compilation and review of historical geological and geophysical data; as well as planning for follow-up drilling.

Geisler Patents

On February 22 2018, Argo Gold entered into a mining claim acquisition agreement with Premier Gold Mines Limited to acquire a 100% interest in certain mineral claims adjacent to Argo Gold's 100%-owned Woco Gold Project located in Earngey Township. In exchange for these mineral claims, Premier will receive 200,000 common shares of Argo Gold.

Cobalt Projects

On June 11, 2018, Argo Gold acquired several cobalt projects in Northern Ontario. Argo Gold has staked the Fortune Lake Property consisting of 46 claim units covering 942 hectares on the eastern end of the Werner – Rex Lakes Fault Zone, and the Campfire Lake Property consisting of 41 claim units covering 890 hectares on the possible eastern strike extension of Werner – Rex Lakes Fault Zone. Both the Fortune Lake and Campfire Lake claims groups are in the Kenora Mining Division. In addition, Argo Gold has staked the Keelow Lake Property consisting of 45 claim units covering 945 hectares in the Sault Ste. Marie Mining Division. All the newly acquired claims are 100% owned by Argo Gold.

(Expressed in Canadian Dollars)

8. FIXED ASSETS

Cost	**Office Equipment**	**Computer Hardware**	**Total Fixed Assets**
Cost, December 31, 2016	$ 4,438	$ -	$ 4,438
Additions	-	6,389	6,389
Cost, December 31, 2017	$ 4,438	$ 6,389	$ 10,827
Additions during the period	-	4,506	4,506
Cost, June 30, 2018	**$ 4,438**	**$ 10,895**	**$ 15,333**
Accumulated depreciation, December 31, 2016	$ 3,244	$ -	$ 3,244
Depreciation for the year	1,194	1,757	2,951
Accumulated depreciation, December 31, 2017	$ 4,438	$ 1,757	$ 6,195
Depreciation for the period	-	1,687	1,687
Accumulated depreciation, June 30, 2018	**$ 4,438**	**$ 3,444**	**$ 7,882**
Carrying value, December 31, 2016	$ 1,194	$ -	$ 1,194
Carrying value, December 31, 2017	$ -	$ 4,632	$ 4,632
Carrying value, June 30, 2018	**-**	**$ 7,451**	**$ 7,451**

9. SHARE CAPITAL

a) Authorized

Unlimited number of common shares
Unlimited number of special shares, issuable in series

b) Total outstanding shares: 30,177,928

(i) On February 02, 2018, 760,000 common shares of the Company were issued to settle $152,000 in Company debts.

(iii) On February 26, 2018, warrants were exercised and the Company issued 6,300 common shares with a fair value of $756.

(iii) On February 27, 2018, 200,000 common shares of the Company were issued with a fair value of $30,000 pursuant to the Geisler Patents purchase agreement.

(iv) On May 18, 2018, warrants were exercised and the Company issued 350,000 common shares with a fair value of $35,000.

(Expressed in Canadian Dollars)

9. SHARE CAPITAL (continued)

c) Stock options

The Company has a stock option plan to provide employees, directors, officers and consultants with options to purchase common shares of the Company. Under the plan, the exercise price of each option equals the market price of the Company's stock on the day of grant and the maximum term of option is five years. The maximum number of shares which may be issued under the program shall not exceed 10% of the issued and outstanding shares. The following summarizes the employees, directors, officers and consultants stock options that have been granted, exercised, expired, vested or cancelled during the period ended June 30, 2018.
The stock options outstanding at June 30, 2018 and December 31, 2017 are as follows:

	June 30, 2018		December 31, 2017	
	Number of Options	**Weighted Ave. Exercise Price**	Number of Options	Weighted Ave. Exercise Price
Outstanding, beginning of the period	**2,800,000**	**$ 0.13**	1,500,000	$ 0.10
Granted	**500,000**	**0.10**	1,300,000	0.16
Exercised	**-**	**-**	-	-
Forfeited - Cancelled	**(300,000)**	**0.10**	-	-
Outstanding, end of the period	**3,000,000**	**$ 0.12**	2,800,000	$ 0.13

The following table summarizes information about stock options outstanding and exercisable at June 30, 2018.

	Number Outstanding at June 30, 2018	**Exercise Price**	**Weighted Average Remaining Life (years)**	**Date of Expiry**	**Number Exercisable at June 30, 2018**
August 18, 2016	1,200,000	$ 0.10	1.13	August 18, 2019	1,200,000
January 23, 2017	400,000	$ 0.10	1.56	January 23, 2020	400,000
March 30, 2017	400,000	$ 0.18	1.75	March 30, 2020	400,000
July 6, 2017	500,000	$ 0.20	2.01	July 6, 2020	500,000
June 14, 2018	500,000	$ 0.10	2.96	June 14, 2021	500,000
	3,000,000	**$ 0.13**			**3,000,000**

The Company provides compensation to directors, employees and consultants in the form of stock options.

The Company issued 500,000 options at an exercise price of $0.10 to officers and consultants during the current quarter and no options were exercised in the period ending June 30, 2018.

The fair value of the options granted are estimated on the dates of grant using a Black-Scholes option pricing model.

(Expressed in Canadian Dollars)

9. SHARE CAPITAL (continued)

d) Warrants

The following table summarizes warrants that are outstanding at June 30, 2018:

	Number of Warrants		Black-Scholes Value		Weighted Average Exercise Price
Balance, January 1, 2016	**1,930,750**	**$**	**28,082**	**$**	**0.10**
Issued	952,250		53,119		0.10
Issued	374,500		20,891		0.10
Issued (Broker)	98,245		12,739		0.12
Balance, December 31, 2016	3,355,745	$	114,831	$	0.10
Issued	340,500		40,266		0.30
Issued	465,500		55,642		0.30
Issued	513,850		61,460		0.30
Exercised	(2,057,500)		(35,153)		(0.10)
Balance, December 31, 2017	2,618,095		237,046	$	0.10
Exercised	(356,300)		(20,340)		(0.10)
Expired	(850,000)		(12,262)		(0.10)
Balance, June 30, 2018	**1,411,795**	**$**	**169,291**	**$**	**0.29**

At June 30, 2018, the following warrants were outstanding. The warrants entitle the holders to purchase the stated number of common shares at the exercise price on or before the expiry date:

Warrants		Exercise Price	Weighted Average Remaining Life	Expiry date
91,945	$	0.12	0.50	Dec. 31, 2018
340,500		0.30	0.84	May 02, 2019
465,500		0.30	0.86	May 11, 2019
513,850		0.30	0.90	May 26, 2019
1,411,795			0.78	

(Expressed in Canadian Dollars)

10. RELATED PARTY TRANSACTIONS

The following related party transactions occurred and were reflected in the financial statements during the period ended June 30, 2018 and 2017 as follows:

	June 30, 2018	June 30, 2017
Management fees and consulting fees expense:		
Management fees were charged by the CFO for corporate administrative and financial management services (note b)	$ 19,000	$ 27,800
Consulting fees were charged by the CEO for corporate administration (note b)	$ 30,000	$ 35,000
Professional fees expense:		
Legal fees were charged by an officer/director for legal and corporate secretarial services	$ 39,171	$ -

a) Included in accounts payable and accrued liabilities are consulting fees of $30,000 (June 30, 2017 - $6,725) to the CEO and CFO for management fees, and legal fees of $39,171 (June 30, 2017 - $Nil) due to a company controlled by a director in common with the Company.

b) Key management compensation was incurred of $49,000 (June 30, 2017 - $62,800) in salaries.

c) As a result of the debt settlement arrangement that occurred on February 02, 2018 the Company settled amounts payable of $15,000 to a company controlled by a director in common with the Company.

11. COMMITMENTS

As at June 30, 2018, the Company had a commitment to spend $Nil (June 30, 2017 - $Nil) from amounts raised by flow-through financing on eligible Canadian exploration and development expenses.

12. SUBSEQUENT EVENTS

Subsequent to the quarter end, Argo Gold has settled an aggregate of $38,400 of indebtedness of the Company with various arm's length creditors through the issuance of an aggregate of 320,000 common shares at a price of $0.12 per Common Shares. The Common Shares issued pursuant to the debt settlement are subject to a four month and one day hold period pursuant to applicable securities laws.

13. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current period's presentation. These reclassifications did not affect prior period's net losses.