# Condensed Interim Financial Statements

## For the three and six months ended June 30, 2021 and 2020

(Expressed in Canadian Dollars)
(Unaudited)

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## Management's Responsibility for Financial Statements

The accompanying condensed interim financial statements of Argo Gold 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 ("IFRS") 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 condensed interim 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 condensed interim 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.

| | |
|---|---|
| *(signed) "Judy Baker"* | *(signed) "Michael Farrant"* |
| Judy Baker | Michael Farrant |
| Chief Executive Officer | Chief Financial Officer |

Toronto, Canada
August 30, 2021

**Notice to Reader**

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, 2021 have not been reviewed by the Company's auditor.

ARGOGOLD

**Condensed Interim Statements of Financial Position**
**As at**
(Unaudited)

| (Expressed in Canadian Dollars) | | | **June 30, 2021** | | December 31, 2020 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| **Current assets** | | | | | |
| Cash | | **$** | **805,464** | $ | 1,807,018 |
| HST receivable | | | **125,675** | | 35,862 |
| Prepaid expenses | | | **69,648** | | 25,600 |
| Investments | Note 5 | | **1,166,250** | | 1,501,250 |
| | | | **2,167,037** | | 3,369,730 |
| **Non-current assets** | | | | | |
| Mineral properties | Note 7 | | **932,750** | | 932,750 |
| Equipment | Note 8 | | **1,708** | | 1,488 |
| **Total Assets** | | **$** | **3,101,495** | $ | 4,303,968 |
| **Liabilities and Equity** | | | | | |
| **Current liabilities** | | | | | |
| Accounts payable and accrued liabilities | Note 10 | **$** | **621,313** | $ | 120,445 |
| Flow-through share premium liability | Notes 9(b),11 | | **-** | | 224,650 |
| | | | **621,313** | | 345,095 |
| **Shareholders' Equity** | | | | | |
| Share capital | Note 9(b) | | **14,668,158** | | 14,668,158 |
| Warrant reserve | Note 9(d) | | **1,006,229** | | 1,006,229 |
| Deficit | | | **(13,194,205)** | | (11,715,514) |
| | | | **2,480,182** | | 3,958,873 |
| **Total Liabilities and Shareholders' Equity** | | **$** | **3,101,495** | $ | 4,303,968 |

Nature of operations and going concern (Note 1)
Commitments (Note 11)

Approved by the Board of Directors and authorized on August 30, 2021:

"*Judy Baker*"
Judy Baker
Director

"*Reinhard Schu*"
Reinhard Schu
Director

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

**Condensed Interim Statements of Loss and Comprehensive Loss**
**For the periods ended**
(Unaudited)

| (Expressed in Canadian Dollars) | | Three Months Ended June 30, **2021** | 2020 | Six Months Ended June 30, **2021** | 2020 |
|---|---|---|---|---|---|
| **Expenses** | | | | | |
| Exploration and evaluation | Note 7 | **$ 929,892** | $ 94,992 | **$ 1,007,332** | $ 173,482 |
| Management fees | Note 10 | **42,000** | 34,000 | **84,000** | 67,000 |
| Consulting fees | | **11,500** | 29,875 | **24,500** | 54,750 |
| Professional fees | | **11,300** | 17,213 | **23,028** | 33,716 |
| Business development | | **34,673** | 6,382 | **74,703** | 29,157 |
| Investor relations | | **40,740** | 36,630 | **79,591** | 58,130 |
| General and administrative | | **24,108** | 16,900 | **53,036** | 28,591 |
| Listing, filing and regulatory fees | | **11,562** | 8,091 | **19,282** | 14,069 |
| Depreciation | Note 8 | **406** | 229 | **1,329** | 738 |
| Share-based compensation | Note 9(c) | **-** | 130,560 | **-** | 269,580 |
| Total expenses | | **1,106,181** | 374,872 | **1,366,801** | 729,213 |
| Loss before the undernoted | | **(1,106,181)** | (374,872) | **(1,366,801)** | (729,213) |
| Bank charges | | **(326)** | (176) | **(1,147)** | (329) |
| Part X11.6 taxes | | **(395)** | - | **(395)** | (4,106) |
| Interest income | | **2** | 4 | **2** | 14 |
| Flow-through share premium recovery | Note 11 | **194,388** | 559 | **224,650** | 1,186 |
| Change in unrealized gain (loss) on value of investments | Note 5 | **36,000** | (16,525) | **(335,000)** | (16,700) |
| **Net loss and comprehensive loss for the period** | | **$ (876,512)** | $ (391,010) | **$(1,478,691)** | $ (749,148) |
| **Net loss per share** | | | | | |
| Basic and diluted loss per share | | **$ (0.01)** | $ (0.01) | **$ (0.02)** | $ (0.02) |
| Weighted average number of shares outstanding – basic and diluted | | **63,068,881** | 51,808,887 | **63,068,881** | 49,209,162 |

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

**Condensed Interim Statements of Changes in Shareholders' Equity**
(Unaudited)

| (Expressed in Canadian Dollars) | Note | Share Capital: Number of Shares | Share Capital: Amount | Reserves: Warrants | Reserves: Stock Options | Deficit | Total |
|---|---|---|---|---|---|---|---|
| **Balance at December 31, 2019** | | **39,197,349** | **$ 12,791,100** | **$ -** | **$ 471,820** | **$(12,410,167)** | **$ 852,753** |
| Shares issued for cash as part of unit financing | 9(b)(i) | 11,200,000 | 1,008,000 | - | - | - | 1,008,000 |
| Warrants issued as part of unit financing | 9(b)(i) | - | (438,100) | 438,100 | - | - | - |
| Shares issued for debt settlement | 9(b)(ii) | 400,000 | 50,000 | - | - | - | 50,000 |
| Shares issued for services | 9(b)(ii) | 700,000 | 87,500 | - | - | - | 87,500 |
| Shares issued for mineral property | 7, 9(b)(iii) | 1,350,000 | 222,750 | - | - | - | 222,750 |
| Cancellation of stock options | | - | - | - | (100,176) | 100,176 | - |
| Expiry of stock options | | - | - | - | (159,287) | 159,287 | - |
| Share-based compensation | | - | - | - | 269,580 | - | 269,580 |
| Net loss for the period | | - | - | - | - | (749,148) | (749,148) |
| **Balance at June 30, 2020** | | **52,847,349** | **13,721,250** | **438,100** | **481,937** | **(12,899,852)** | **1,741,435** |
| Shares issued for cash as part of unit financing | 9(b)(iv) | 8,261,232 | 1,404,409 | - | - | - | 1,404,409 |
| Warrants issued as part of unit financing | 9(b)(iv) | - | (533,676) | 533,676 | - | - | - |
| Share issue costs on unit financing | 9(b)(iv) | - | (92,928) | 25,589 | - | - | (67,339) |
| Flow-through shares issued for cash | 9(b)(v) | 1,960,300 | 431,266 | - | - | - | 431,266 |
| Flow-through share premium | 9(b)(v) | - | (224,650) | - | - | - | (224,650) |
| Share issue costs on flow-through financing | 9(b)(v) | - | (37,513) | 8,864 | - | - | (28,649) |
| Cancellation of stock options | | - | - | - | (621,877) | 621,877 | - |
| Expiry of stock options | | - | - | - | (19,860) | 19,860 | - |
| Share-based compensation | | - | - | - | 159,800 | - | 159,800 |
| Net income for the period | | - | - | - | - | 542,601 | 542,601 |
| **Balance at December 31, 2020** | | **63,068,881** | **14,668,158** | **1,006,229** | **-** | **(11,715,514)** | **3,958,873** |
| Net loss for the period | | - | - | - | - | (1,478,691) | (1,478,691) |
| **Balance at June 30, 2021** | | **63,068,881** | **$ 14,668,158** | **$ 1,006,229** | **$ -** | **$(13,194,205)** | **$ 2,480,182** |

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

**Condensed Interim Statements of Cash Flows**
**For the periods ended**
(Unaudited)

| (Expressed in Canadian Dollars) | Note | Three Months Ended June 30, 2021 | Three Months Ended June 30, 2020 | Six Months Ended June 30, 2021 | Six Months Ended June 30, 2020 |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| **Net loss for the period** | | **$ (876,512)** | $ (391,010) | **$ (1,478,691)** | $ (749,148) |
| Adjustments not affecting cash: | | | | | |
| Depreciation | 8 | **406** | 229 | **1,329** | 738 |
| Flow-through share premium recovery | 11 | **(194,388)** | (559) | **(224,650)** | (1,186) |
| Share-based compensation | 9(c) | **-** | 130,560 | **-** | 269,580 |
| Shares issued for services | 9(b)(ii) | **-** | - | **-** | 87,500 |
| Change in unrealized (gain) loss on value of investments | 5 | **(36,000)** | 16,525 | **335,000** | 16,700 |
| Operating cash flows before changes in non-cash working capital: | | **(1,106,494)** | (244,255) | **(1,367,012)** | (375,816) |
| Changes in non-cash working capital: | | | | | |
| HST receivable | | **(102,165)** | 5,498 | **(89,813)** | (4,264) |
| Prepaid expenses | | **62,265** | 14,825 | **(44,048)** | (26,354) |
| Accounts payable and accrued liabilities | | **551,957** | (24,658) | **500,868** | (174,636) |
| Cash used in operating activities | | **(594,437)** | (248,590) | **(1,000,005)** | (581,070) |
| **Cash flows from investing activities** | | | | | |
| Purchase of mineral property | 7 | **-** | (135,000) | **-** | (135,000) |
| Purchase of equipment | 8 | **-** | - | **(1,549)** | - |
| Cash used in investing activities | | **-** | (135,000) | **(1,549)** | (135,000) |
| **Cash flows from financing activities** | | | | | |
| Issuance of common shares | 9(b)(i) | **-** | - | - | 1,008,000 |
| Subscription receivable | | **-** | - | **-** | 10,800 |
| Cash provided by financing activities | | **-** | - | - | 1,018,800 |
| **(Decrease) increase in cash during the period** | | **(594,437)** | (383,590) | **(1,001,554)** | 302,730 |
| **Cash, beginning of period** | | **1,399,901** | 809,905 | **1,807,018** | 123,585 |
| **Cash, end of period** | | **$ 805,464** | $ 426,315 | **$ 805,464** | $ 426,315 |

Supplemental cash flow information:

| | | | | | |
|---|---|---|---|---|---|
| Value of common shares issued on debt settlement | 9(b)(ii) | **$ -** | $ - | **$ -** | $ 50,000 |
| Value of common shares issued for services | 9(b)(ii) | **$ -** | $ - | **$ -** | $ 87,500 |
| Value of common shares issued for mineral property | 7 | **$ -** | $ 222,750 | **$ -** | $ 222,750 |

*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") was 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 on the OTCQB under the symbol ARBTF. The Company is currently engaged in the acquisition, exploration and development of mineral properties. Effective September 19, 2016, the Company changed its name to Argo Gold Inc. from Arbitrage Exploration Inc. The address of the Company's corporate office and principal place of business is 350 Bay Street, Suite 700 Toronto, Ontario, M5H 2S6, Canada.

These condensed interim 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 profitable levels of operations. Changes in future conditions could require material write downs of the carrying values.

The business of exploring for minerals involves a high degree of risk and there can be no assurance that the exploration programs will result in profitable operations. The Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain mineral reserves that are economically recoverable. The recoverability of amounts shown for mineral properties is dependent upon the establishment of a sufficient quantity of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development and upon future profitable production or proceeds from the disposition of these assets.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of operations of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, unregistered claims, indigenous claims, and non-compliance with regulatory, environmental and social licensing requirements. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, political uncertainty and currency exchange fluctuations and restrictions.

The Company has not realized a profit from operations and has incurred significant expenditures related to property exploration, resulting in a cumulative deficit of $13,194,205 as at June 30, 2021 (December 31, 2020 - $11,715,514). The recoverability of the carrying value of mineral 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 property 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 its business strategy. As at June 30, 2021, the Company had current assets of $2,167,037 (December 31, 2020 - $3,369,730) to cover current liabilities of $621,313 (December 31, 2020 - $120,445), exclusive of non-cash flow-through share premium liability.

## 2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

### Statement of Compliance

These condensed interim financial statements (the "financial statements") have been prepared in accordance with IAS 34, Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the IFRS Interpretations Committee.

The preparation of these unaudited condensed interim financial statements requires management to make judgements, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expense. In management's opinion, all adjustments considered necessary for a fair presentation have been included in these unaudited condensed interim financial statements. Interim results are not necessarily indicative of the results expected for the financial year. Actual annual results may differ from interim estimates. The significant judgements made by management applied in the preparation of these unaudited condensed interim financial statements are consistent with those applied and disclosed in the Company's audited financial statements for the year ended December 31, 2020. For a description of the Company's critical accounting estimates and assumptions, please refer to the Company's audited financial statements and related notes for the year ended December 31, 2020.

### Basis of Presentation

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. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

These financial statements do not include all the information required for full annual financial statements and therefore should be read in conjunction with the audited financial statements of the Company as at and for the year ended December 31, 2020. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes to the Company's financial position and performance since the last audited annual financial statements.

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

Certain prior year amounts have been reclassified to conform to current year presentation.

### Approval of the Financial Statements

The financial statements of the Company for the periods ended June 30, 2021 and 2020 were approved and authorized for issue by the Board of Directors on August 30, 2021.

## 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT

**Use of Estimates and Judgement**

The preparation of financial statements in conformity with IFRS requires that management make judgements, estimates and assumptions about future events that affect the amounts reported in the financial statements and related notes to the financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities, profits and expenses. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited annual financial statements as at and for the year ended December 31, 2020.

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the condensed interim financial statements are discussed below:

*Share-based payment transactions*

The Company measures the cost of equity-settled transactions with employees and applicable non-employees by reference to the fair value of the equity instruments at the date at which they are vested. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, risk-free interest rates, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 9(c).

*Capitalization of mineral property acquisition costs*

Management has determined that capitalized acquisition costs have future economic benefits and are economically recoverable. In making this judgement, management has assessed various sources of information including, but not limited to, the geologic and metallurgic information, operating management expertise and existing permits. See Note 7 for details of the Company's capitalized acquisition costs in respect of mineral properties.

## 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT (Continued)

*Impairment of mineral properties*

While assessing whether any indications of impairment exist for mineral properties, consideration is given to both external and internal sources of information. Information the Company considers includes changes in the market, economic and legal environment in which the Company operates that are not within its control that could affect the recoverable amount of mineral properties. Internal sources of information include the manner in which the mineral properties are being used or are expected to be used and indications of expected economic performance of the properties. Estimates include but are not limited to estimates of the discounted future cash flows expected to be derived from the Company's mining properties, costs to sell the properties and the appropriate discount rate. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics can result in a write-down of the carrying amounts of the Company's mineral properties.

## 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.

**Commodity Risk**

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company monitors commodity prices as they relate to gold and the stock market to determine the appropriate course of action to be taken.

**Liquidity Risk**

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

(Expressed in Canadian Dollars)

## 4. FINANCIAL INSTRUMENTS (Continued)

The Company manages its liquidity risk by regularly monitoring its cash flows from operating activities and holding adequate amounts of cash. The 2021 budget is planned to be funded from funds raised on December 23, 2020 (see Note 9(b)(iv)(v)). There is no certainty of the Company's ability to complete additional financings.

As at June 30, 2021 the Company held cash of $805,464 (December 31, 2020 - $1,807,018) to settle current liabilities of $621,313 (December 31, 2020 - $120,445), exclusive of non-cash flow-through share premium liability.

### 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. In the event that the Company held interest bearing debt, the Company could be exposed to interest rate risk. The Company does not have any interest-bearing debt. 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 subscriptions receivable. The Company has reduced its credit risk by investing its cash with a Canadian chartered bank.

The Company's financial assets and liabilities as at June 30, 2021 and December 31, 2020 were as follows:

| | Amortized Cost | FVPL | Total |
|---|---|---|---|
| **December 31, 2020** | | | |
| Financial assets | | | |
| Cash | $ 1,807,018 | $ - | $ 1,807,018 |
| Investments | $ - | $ 1,501,250 | $ 1,501,250 |
| Financial liabilities | | | |
| Accounts payable and accrued liabilities | $ 120,445 | $ - | $ 120,445 |
| **June 30, 2021** | | | |
| Financial assets | | | |
| Cash | $ 805,464 | $ - | $ 805,464 |
| Investments | $ - | $ 1,166,250 | $ 1,166,250 |
| Financial liabilities | | | |
| Accounts payable and accrued liabilities | $ 621,313 | $ - | $ 621,313 |

At June 30, 2021 and December 31, 2020, there were no significant concentrations of credit risk for receivables. The carrying amounts reflected above represent the Company's maximum exposure to credit risk for such receivables.

The fair values of these financial instruments approximate their carrying values because of their short-term nature and/or the existence of market related interest rates on the instruments.

(Expressed in Canadian Dollars)

## 5. INVESTMENTS

| | June 30, 2021 | | | December 31, 2020 | | |
|---|---|---|---|---|---|---|
| | Shares | Share Price | Fair Value | Shares | Share Price | Fair Value |
| Cross River Ventures Corp. | 2,500,000 | $0.155 | $ 387,500 | 2,500,000 | $0.340 | $ 850,000 |
| Angus Gold Inc. | 800,000 | $0.950 | 760,000 | 800,000 | $0.800 | 640,000 |
| Manitou Gold Inc. | 250,000 | $0.075 | 18,750 | 250,000 | $0.045 | 11,250 |
| Total Fair Value of Investments | | | $1,166,250 | | | $1,501,250 |

On April 4, 2018, the Company completed a purchase and sale agreement to sell a 100% interest in its Rockstar Gold Project located in the Sault Ste. Marie Mining Division, to Manitou Gold Inc. ("Manitou") (TSX-V: MTU) with the following consideration payable to Argo Gold:

i) $200,000 cash payable on closing;
ii) 4.0 million shares of Manitou payable on closing; and
iii) 1.0% net smelter return ("NSR"), of which Manitou has a one-time right to buy back 0.5% of the NSR for $500,000.

On November 12, 2020, the Company announced the sale of a 100% interest in the McVicar Lake Gold Project in the Patricia Mining Division in northwestern Ontario to Cross River Ventures Corp. ("Cross River") (CSE: CRVC) for the following consideration:

i) $200,000 cash - received November 18, 2020;
ii) 2,500,000 common shares of Cross River - received November 13, 2020; and
iii) 2.0% NSR royalty on commercial production, of which 1.0% can be repurchased at any time for a cash payment of $1,000,000.

The common shares of Cross River are subject to the following escrow arrangement:

i) 625,000 shares released March 14, 2021;
ii) 625,000 shares released June 12, 2021;
iii) 625,000 shares released September 10, 2021; and
iv) 625,000 shares released December 9, 2021.

On November 16, 2020, the Company announced the sale of a 100% interest in the Wawa Area Gold Projects comprised of the Macassa Lake, Mishi Lake and Abbie Lake properties to Angus Gold Inc. ("Angus Gold") (TSX-V: GUS) for the following consideration:

i) $100,000 cash – received November 26, 2020; and
ii) 800,000 common shares of Angus Gold – received November 27, 2020.

During the three and six month periods ended June 30, 2021 and 2020, the Company did not sell any of its investments.

(Expressed in Canadian Dollars)

## 6. CAPITAL MANAGEMENT

The Company defines capital management as the manner in which it manages its share capital. As at June 30, 2021, the Company's share capital was $14,668,158 (December 31, 2020 - $14,668,158).

There were no changes in the Company's approach to capital management during the period ended June 30, 2021 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, that optimizes the cost of capital at an acceptable risk; and
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. MINERAL PROPERTIES

| **Acquisition Costs** | **June 30, 2021** | December 31, 2020 |
|---|---|---|
| Uchi Gold Project | **$ 285,000** | $ 285,000 |
| Talbot Lake Gold Project | **357,750** | 357,750 |
| Hurdman Silver-Zinc Project | **290,000** | 290,000 |
| Total exploration and evaluation assets | **$ 932,750** | $ 932,750 |

### Uchi Gold Project

The Uchi Gold Project is comprised of a number of mineral claims located in Earngey Township, approximately 85 km northeast of Ear Fall, Ontario and 1.5 km south of the past-producing Uchi gold mine. The Uchi Gold Project claims have been assembled through a series of property acquisitions and claims staking by the Company as more fully described below.

On February 15, 2017, the Company acquired a 100% interest in the Woco mineral claims from Dollard Mines Ltd. in exchange for 1.0 million common shares of Argo Gold and a 2.0% NSR royalty on the claims. The fair value of the 1.0 million shares was estimated at $160,000 based on their market price of $0.16 per share.

On August 8, 2017, the Company acquired a 100% interest in the Northgate mineral claims, adjacent to the Woco mineral claims, from Rubicon Minerals Corporation in exchange for 500,000 common shares of the Argo Gold and a 2.0% NSR royalty on the claims (with 1.0% of this 2.0% NSR entitled to a third party per an existing agreement). 0.5% of the NSR can be purchased back by the Company for a price of $500,000. The fair value of the 500,000 shares was estimated at $95,000 based on their market price of $0.19 per share.

## 7. MINERAL PROPERTIES (Continued)

On February 22, 2018, the Company acquired the Geisler patented mining claims, adjacent to the northern boundary of the Woco claims, from Premier Gold Mines Limited, in exchange for 200,000 common shares of Argo Gold. The fair value of the shares was estimated at $30,000 based on their market price of $0.15 per share, on the date the acquisition agreement was signed.

In the spring of 2018, the Company staked additional claims adjacent to the west-southwest property boundary and in February 2019, the Company staked additional claims to the northwest and to the northeast property boundaries. The staking costs were expensed.

### Talbot Lake Gold Project

On June 10, 2020, the Company acquired a 100% interest in 38 mineral claims, covering 760 hectares, near Talbot Lake, in the Pickle Lake area of the Patricia Mining District, from Denison Mines Inc. ("Denison") in exchange for $135,000 in cash, 1,350,000 common shares of Argo Gold and a 2.0% NSR royalty on the claims, 1.0% of which can be purchased back for $1.0 million. The fair value of the 1,350,000 shares was estimated at $222,750 based on their market price of $0.165 per share.

In addition, if Argo Gold establishes an aggregate mineral resource estimate across all categories, of greater than one million ounces of gold or gold equivalent in accordance with National Instrument 43-101, the Company will make a one-time payment to Denison of $1.5 million either in cash or in common shares of Argo Gold, at the option of the Company.

The mineral claims are also subject to a pre-existing royalty, which is 3.0% of exploration expenses to a maximum of $245,180 and an additional $100,000 owing on a production decision.

During May 2020, Argo Gold staked an additional 399 mineral claims covering approximately 7,982 hectares, covering the geological strike length of the Talbot Lake Gold Project. During June 2020, Argo Gold staked an additional 141 mineral claims adjacent to the Talbot Lake Gold Project. The $27,000 in staking costs were expensed.

### Hurdman Property

On September 4, 2013, the Company acquired the Hurdman Silver-Zinc Property from Eloro Resources Ltd. ("Eloro") located in Hurdman Township, in exchange for 5,000,000 common shares (1,250,000 post-consolidation) of Argo Gold and $40,000 in cash. The fair value of the 5.0 million shares was estimated at $250,000 based on their pre-consolidation market price of $0.05 per share.

In the spring of 2018, Argo Gold staked additional claims to the southeast. The staking costs were expensed. All the claims comprising the Hurdman Property are 100% owned by Argo Gold.

### Cobalt and Zinc Projects

In the Spring of 2018, Argo Gold staked the Keelow Lake cobalt property and the Percy Lake zinc property in the Sault Ste. Marie Mining Division in Northern Ontario. These claims are owned 100% by Argo Gold.

### Angela Lake

In the spring of 2018, Argo Gold staked claims at Angela Lake in the Red Lake Mining Division. These claims are owned 100% by Argo Gold.

(Expressed in Canadian Dollars)

## 7. MINERAL PROPERTY INTERESTS (Continued)

**Exploration and Evaluation Expenditures**

**For the three months ended**

| June 30, 2021 | Uchi | Talbot Lake | Hurdman | Other | Total |
|---|---|---|---|---|---|
| Drilling program | $ 872,677 | $ - | $ - | $ - | $ 872,677 |
| Consulting fees | 31,042 | 3,142 | 2,080 | 1,713 | 37,977 |
| LiDAR survey | 16,910 | - | - | - | 16,910 |
| Land management | 60 | - | - | 375 | 435 |
| Other costs | - | 213 | - | 1,680 | 1,893 |
| | $ 920,689 | $ 3,355 | $ 2,080 | $ 3,768 | $ 929,892 |

**For the three months ended**

| June 30, 2020 | Wawa Area | Uchi | Talbot Lake | Hurdman | Other | Total |
|---|---|---|---|---|---|---|
| Consulting fees | $ 28,347 | $ 17,390 | $ 7,458 | $ 3,750 | $ 6,808 | $ 63,753 |
| Land management | 1,770 | - | 400 | 60 | 1,559 | 3,789 |
| Staking costs | - | - | 27,000 | - | 450 | 27,450 |
| | $ 30,117 | $ 17,390 | $ 34,858 | $ 3,810 | $ 8,817 | $ 94,992 |

**For the six months ended**

| June 30, 2021 | Uchi | Talbot Lake | Hurdman | Other | Total |
|---|---|---|---|---|---|
| Drilling program | $ 886,477 | $ - | $ - | $ - | $ 886,477 |
| Consulting fees | 59,740 | 33,150 | 2,330 | 3,500 | 98,720 |
| LiDAR survey | 16,910 | - | - | - | 16,910 |
| Land management | 60 | - | - | 650 | 710 |
| Other costs | 2,158 | 213 | - | 1,680 | 4,051 |
| Property taxes | 464 | - | - | - | 464 |
| | $ 965,809 | $ 33,363 | $ 2,330 | $ 5,830 | $ 1,007,332 |

**For the six months ended**

| June 30, 2020 | Wawa Area | Uchi | Talbot Lake | Hurdman | Other | Total |
|---|---|---|---|---|---|---|
| Consulting fees | $ 35,160 | $ 62,805 | $ 7,458 | $ 9,000 | $ 16,970 | $ 131,393 |
| Land management | 2,637 | 2,560 | 400 | 5,280 | 2,848 | 13,725 |
| Staking costs | 450 | - | 27,000 | - | 450 | 27,900 |
| Property taxes | - | 464 | - | - | - | 464 |
| | $ 38,247 | $ 65,829 | $ 34,858 | $ 14,280 | $ 20,268 | $ 173,482 |

(Expressed in Canadian Dollars)

## 8. EQUIPMENT

| Cost | Computer Hardware | Total |
|---|---|---|
| Balance, December 31, 2020 | $ 6,440 | $ 6,440 |
| Additions | 1,549 | 1,549 |
| Balance, June 30, 2021 | 7,989 | 7,989 |
| **Accumulated depreciation** | | |
| Balance, December 31, 2020 | 4,952 | 4,952 |
| Depreciation for the period | 1,329 | 1,329 |
| Balance, June 30, 2021 | 6,281 | 6,281 |
| **Net book value – June 30, 2021** | **$ 1,708** | **$ 1,708** |

| Cost | Computer Hardware | Total |
|---|---|---|
| Balance, December 31, 2019 | $ 6,390 | $ 6,390 |
| Additions | 1,700 | 1,700 |
| Less: assets no longer in use | (1,650) | (1,650) |
| Balance, December 31, 2020 | 6,440 | 6,440 |
| **Accumulated depreciation** | | |
| Balance, December 31, 2019 | 5,464 | 5,464 |
| Depreciation for the period | 1,138 | 1,138 |
| Less: assets no longer in use | (1,650) | (1,650) |
| Balance, December 31, 2020 | 4,952 | 4,952 |
| **Net book value – December 31, 2020** | **$ 1,488** | **$ 1,488** |

The assets no longer in use, were fully depreciated and are no longer in the Company's possession.

## 9. SHARE CAPITAL

### (a) Authorized

The Company is authorized to issue an unlimited number of common shares without par value and an unlimited number of special shares, issuable in series.

### (b) Issued and outstanding

| Share Capital | Note 9(b) | Number of Common Shares | Amount |
|---|---|---|---|
| **Balance at December 31, 2019** | | **39,197,349** | **$ 12,791,100** |
| Private placement – Units at $0.09 – February 5, 2020 | (i) | 11,200,000 | 1,008,000 |
| Less: warrant valuation | (i) | - | (438,100) |
| Common shares issued to settle debt – February 18, 2020 | (ii) | 1,100,000 | 137,500 |
| Common shares issued for mineral property – June 10, 2020 | (iii) | 1,350,000 | 222,750 |
| Private placement – Units at $0.17 – December 23, 2020 | (iv) | 8,261,232 | 1,404,409 |
| Less: warrant valuation | (iv) | - | (533,676) |
| Private placement – $0.22 flow-through common shares | (v) | 1,960,300 | 431,266 |
| Less: premium on flow-through common shares | (v) | - | (224,650) |
| Share issue costs – cash | (iv, v) | - | (95,988) |
| Share issue costs – fair value of warrants | (iv, v) | - | (34,453) |
| **Balance at December 31, 2020 and June 30, 2021** | | **63,068,881** | **$ 14,668,158** |

## 9. SHARE CAPITAL (Continued)

(i) On February 5, 2020, the Company completed a non-brokered private placement offering, with an entity beneficially owned by Mr. Eric Sprott, through the issuance of 11,200,000 units at a price of $0.09 per unit, for gross proceeds of $1,008,000. Each unit consists of one common share and one common share purchase warrant, with each warrant entitling the holder thereof to purchase one common share at an exercise price of $0.12 for a period of thirty-six (36) months from the date of closing. The fair value of the warrants issued was estimated to be $438,100 based on their black-scholes value, using assumptions noted in Note 9(d).

(ii) On February 18, 2020, the Company settled aggregate indebtedness of $137,500 with six creditors through the issuance of 1,100,000 common shares at a price of $0.125 per common share. $50,000 of this amount related to services provided in 2019 by an officer of the Company and an independent director of the Company.

(iii) On June 10, 2020, the Company issued 1,350,000 common shares in connection with the purchase of the Talbot Lake mineral property. The fair value of the 1,350,000 shares was estimated at $222,750 based on their market price of $0.165 per share (see Note 7).

(iv) On December 23, 2020, the Company completed a non-brokered private placement offering through the issuance of 8,261,232 units at a price of $0.17 per unit for aggregate gross proceeds of $1,404,409. Each unit consists of one common share and one common share purchase warrant, with each warrant entitling the holder thereof to purchase on common share at an exercise price of $0.24 for a period of twenty-four (24) months from the date of closing. The grant date fair value of the warrants issued was estimated to be $533,676 based on their black-scholes value, using assumptions noted in Note 9(d).

In connection with the issuance of the units, the Company paid a finder’s fee equal to $67,339 and issued an aggregate of 396,112 finder’s warrants. Each finder warrant is exercisable into one common share at a price of $0.24 per share for twenty-four (24) months from the date of closing. The grant date fair value of these warrants was estimated to be $25,589 based on their black-scholes value using assumptions noted in Note 9(d).

(v) On December 23, 2020, the Company completed a non-brokered private placement offering through the issuance of 1,960,300 flow-through common shares at a price of $0.22 per flow-through common share, for aggregate gross proceeds of $431,266. In connection with the issuance of the flow-through common shares, the Company paid a finder’s fee of $28,649 and issued an aggregate of 137,221 finder’s warrants. Each finder warrant is exercisable into one common share at a price of $0.24 per share for twenty-four (24) months from the date of closing. The grant date fair value of these warrants was estimated to be $8,864 based on their black-scholes value using assumptions noted in Note 9(d). The Company recognized a flow-through share premium of $224,650 as a result of the issuance of the flow-through shares.

(Expressed in Canadian Dollars)

**9. SHARE CAPITAL** (Continued)

**(c) Stock Options**

The Company has a stock option plan to provide directors, officers, employees and consultants with options to purchase common shares of the Company. The maximum number of common shares reserved for issuance upon the exercise of options, is not to exceed 10% of the total number of common shares outstanding immediately prior to such issuance. The stock options have a maximum term of five years and a vesting period and exercise price determined by the board of directors, however they have generally been granted for a term of three years with vesting occurring immediately. The exercise price of the stock options is fixed by the board of directors and may not be less than the market price of the shares at the time of grant, subject to all applicable regulatory requirements.

The following table reflects the continuity of stock options for the six months ended June 30, 2021.

| | Number of Stock Options | Weighted Average Exercise Price |
|---|---|---|
| **Outstanding at December 31, 2019** | **3,750,000** | **$ 0.15** |
| Granted | 3,400,000 | $ 0.17 |
| Cancelled | (6,000,000) | $ 0.16 |
| Expired | (1,150,000) | $ 0.18 |
| **Outstanding at December 31, 2020 and June 30, 2021** | **-** | **$ -** |

No stocks options were granted, exercised, cancelled or expired during the three and six months ended June 30, 2021. There were no stock options outstanding as at June 30, 2021.

**(d) Warrants**

The following table reflects the continuity of warrants for the six months ended June 30, 2021:

| | Number of Warrants | Issue Date Fair Value | Weighted Average Exercise Price |
|---|---|---|---|
| **Balance at December 31 2019** | **-** | **$ -** | **$ -** |
| Issued | 19,994,565 | 1,006,229 | $ 0.17 |
| **Balance, December 31, 2020 and June 30, 2021** | **19,994,565** | **$ 1,006,229** | **$ 0.17** |

On February 5, 2020, the Company issued 11,200,000 warrants in connection with a $0.09 unit financing (see Note 9(b)(i)). Each warrant entitles the holder thereof to purchase one common share at an exercise price of $0.12 for a period of thirty-six (36) months from the date of closing. Issue date fair value of $438,100 was transferred from share capital to warrant reserve.

On December 23, 2020, the Company issued 8,261,232 warrants in connection with a $0.17 unit financing (see Note 9(b)(iv)). Each warrant entitles the holder thereof to purchase one common share at an exercise price of $0.24 for a period of twenty-four (24) months from the date of closing. Issue date fair value of $533,676 was transferred from share capital to warrant reserve.

In connection with the unit and flow-through financings completed on December 23, 2020 (see Notes 9(b)(iv) and (v), the Company issued 533,333 finder's warrants. Each finder warrant entitles the holder thereof to purchase one common share at an exercise price of $0.24 for a period of twenty-four (24) months from the date of closing. Issue date fair value of $34,453 was recorded as share issue costs.

(Expressed in Canadian Dollars)

## 9. SHARE CAPITAL (Continued)

The fair value of the warrants issued, are estimated on the dates of issue using the Black-Scholes pricing model with the following assumptions:

| Issue Date | Stock Price | Exercise Price | Risk-free Interest Rate | Expected Stock Price Volatility | Expected Life (in years) | Expected Dividend Rate |
|---|---|---|---|---|---|---|
| February 5, 2020 | $0.05 | $0.12 | 1.48% | 163% | 3 | 0% |
| December 23, 2020 | $0.105 | $0.24 | 0.23% | 157% | 2 | 0% |

As at June 30, 2021, 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 Outstanding | Exercise Price | Weighted Average Remaining Life (years) | Expiry Date | Issue Date Fair Value |
|---|---|---|---|---|
| 11,200,000 | $0.12 | 1.60 | February 5, 2023 | $ 438,100 |
| 8,261,232 | $0.24 | 1.48 | December 22, 2022 | 533,676 |
| 533,333 | $0.24 | 1.48 | December 22, 2022 | 34,453 |
| 19,994,565 | $0.17 | 1.55 | | $ 1,006,229 |

The weighted average remaining contractual life of warrants outstanding as at June 30, 2021 is 1.55 years (December 31, 2020 - 2.03 years) at a weighted average exercise price of $0.17 (December 31, 2020 - $0.17).

## 10. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

*Key Management Compensation*

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company. Key management of Argo Gold includes the Chief Executive Officer and the Chief Financial Officer.

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | **2020** | 2020 | **2020** | 2020 |
| Management fees – paid to CEO | **$ 15,000** | $ 15,000 | **$ 30,000** | $ 30,000 |
| Exploration and evaluation fees – paid to CEO (1) | **15,000** | 15,000 | **30,000** | 30,000 |
| Management fees – paid for CFO services | **27,000** | 19,000 | **54,000** | 37,000 |
| Consulting fees – paid to an independent director | **3,000** | 3,000 | **6,000** | 5,000 |
| Total fees paid to management | **60,000** | 52,000 | **120,000** | 102,000 |
| Share-based payments | **-** | 77,500 | - | 156,940 |
| | **$ 60,000** | $ 129,500 | **$ 120,000** | $ 258,940 |

(1) Amount included in "Consulting fees" in exploration and evaluation expenditures.

**10. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION** (Continued)

*Related Party Transactions*

Related parties include the Board of Directors, senior management, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

There were no related party transactions during the three and six months ended June 30, 2021.

As at June 30, 2021, $1,024 (December 31, 2020 - $26,313) included in accounts payable and accrued liabilities was owing to related parties. These amounts are unsecured, non-interest bearing, with no fixed terms of repayment.

**11. COMMITMENTS**

As at June 30, 2021, the Company has a remaining commitment to spend $nil (December 31, 2020 - $431,266) from amounts raised from flow-through financing on eligible Canadian Exploration Expenditures ("CEE"), by December 31, 2022.

Flow-through common shares require the Company to incur an amount equivalent to the proceeds of the issued flow-through common shares on eligible CEE. The Company has indemnified current and previous flow-through subscribers for any tax and other costs payable by them in the event the Company does not incur the required exploration expenditures. No amounts have been recorded in these financial statements for potential liabilities relating to these indemnities as a triggering event has not taken place. Upon issuance of the flow-through shares in December 2020 in the amount of $431,266 (December 2019 - $142,812), the Company recorded a flow-through share premium liability of $224,650 (December 2019 - $5,951). As expenditures are incurred, the liability will be drawn down as income through the statement of loss. During the three and six months ended June 30, 2021, the Company incurred $373,171 and $431,266 on eligible CEE related to the 2020 flow-through issuance. During the three months ended June 30, 2021 and 2020, the Company recorded a flow-through share premium recovery of $194,388 and $559, respectively in the statement of loss. During the six months ended June 30, 2021 and 2020, the Company recorded a flow-through share premium recovery of $224,650 and $1,186, respectively in the statement of loss.

The Company's exploration and evaluation activities are subject to laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its activities are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

The Company and its operations have been largely unaffected by the impact of the COVID-19 global pandemic. The Company continues to follow all related government measures and mandates and recommendations from health officials. The Company continues to believe that it will remain largely unaffected, however the future impact on the Company, if any, is uncertain at this time.