



**UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2020 & 2019**

## **MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

The accompanying unaudited consolidated interim financial statements of Argentum Silver Corporation (the "Company") are the responsibility of the management and Board of Directors of the Company.

The unaudited interim consolidated 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 unaudited interim consolidated 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 interim consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard 34 Interim Financial Reporting of International Financial Reporting Standards using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors is responsible for reviewing and approving the unaudited interim consolidated 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 unaudited interim consolidated 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 unaudited interim consolidated 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.

"Gary Nassif" (signed)

\_\_\_\_\_  
Chief Executive Officer

"James Fairbairn" (signed)

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Chief Financial Officer

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### **NOTICE TO READER**

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of management. The unaudited interim consolidated statements for the three months ended September 30, 2020 and 2019 have not been reviewed by the Company's auditors.

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# ARGENTUM SILVER CORP.

## Unaudited Interim Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

<i>As at,</i>	<i>September 30,</i> <i>2020</i>	<i>June 30,</i> <i>2020</i>
	\$	\$
<b>ASSETS</b>		
Current		
Cash and cash equivalents (Note 4)	868,494	1,006,243
Trade and other receivables (Note 5)	11,674	11,138
Prepaid expenses and deposits	3,969	5,458
<b>Total current assets</b>	<b>884,137</b>	<b>1,022,839</b>
Reclamation deposit (Note 14)	15,000	15,000
Equipment (Note 6)	51,958	60,897
<b>Total assets</b>	<b>951,095</b>	<b>1,098,736</b>
<b>LIABILITIES AND EQUITY</b>		
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities (Notes 7 and 9)	127,039	144,278
<b>Total current liabilities</b>	<b>127,039</b>	<b>144,278</b>
Provision for site reclamation and closure (Note 15)	66,695	68,140
<b>Total liabilities</b>	<b>193,734</b>	<b>212,418</b>
<b>EQUITY</b>		
Share capital (Note 10)	12,423,861	12,423,861
Reserves (Note 10)	1,410,592	1,410,592
Accumulated deficit	(13,052,570)	(12,932,210)
Reserve for foreign currency translation	(24,522)	(15,925)
<b>Total equity</b>	<b>757,361</b>	<b>886,318</b>
<b>Total liabilities and equity</b>	<b>951,095</b>	<b>1,098,736</b>

*Nature of Operations and Going Concern (Note 1)*

*Commitments and Contingencies (Note 11)*

*Subsequent Event (Note 16)*

**Approved on behalf of the Board of Directors on November 18, 2020:**

**“Albert Contardi” (signed)**

*Director*

**“Gary Nassif” (signed)**

*Director*

The accompanying notes are an integral part of these unaudited interim consolidated financial statements

## ARGENTUM SILVER CORP.

### Unaudited Interim Consolidated Statements of Comprehensive Loss

(Expressed in Canadian dollars)

	2020	2019
<b>For the three months ended September 30,</b>	<b>\$</b>	<b>\$</b>
Exploration and evaluation expenditures (Note 9)	63,850	26,350
Management and consulting fees (Note 10)	33,750	33,750
Office, general and administration	5,724	2,888
Professional fees	9,956	9,370
Shareholder communication	847	1,651
Depreciation (Note 7)	6,641	-
	(120,768)	(74,009)
Interest income	1,695	1,370
Foreign exchange gain (loss)	(1,287)	78
<b>Net loss</b>	<b>(120,360)</b>	<b>(72,561)</b>
<b>Other comprehensive loss - items that will not subsequently reclassify into income</b>		
Exchange on translation of foreign subsidiaries	(8,597)	-
<b>Comprehensive loss</b>	<b>(128,957)</b>	<b>(72,561)</b>
<b>Loss per share - basic and diluted</b>	<b>(0.00)</b>	<b>(0.00)</b>
<b>Weighted average number of common shares - basic and diluted (000's)</b>	<b>48,279</b>	<b>36,993</b>

The accompanying notes are an integral part of these unaudited interim consolidated financial statements

## ARGENTUM SILVER CORP.

### Unaudited Interim Consolidated Statements of Changes in Equity

(Expressed in Canadian dollars)

	Share Capital		Reserves	Accumulated Deficit	Reserve for Foreign Currency Translation	Total
	Number of shares	Amount				
<b>Balance at June 30, 2019</b>	<b>30,500,765</b>	<b>\$ 9,968,305</b>	<b>\$ 1,323,592</b>	<b>\$ (11,217,249)</b>	<b>\$ -</b>	<b>\$ 74,648</b>
Exercise of warrants	15,000,000	1,650,000	-	-	-	1,650,000
Net loss for the period	-	-	-	(72,561)	-	(72,561)
<b>Balance at September 30, 2019</b>	<b>45,500,765</b>	<b>\$ 11,618,305</b>	<b>\$ 1,323,592</b>	<b>\$ (11,289,810)</b>	<b>\$ -</b>	<b>\$ 1,652,087</b>
Shares issued on corporate acquisition (Note 14)	2,777,778	805,556	-	-	-	805,556
Warrants issued on corporate acquisition (Note 14)	-	-	87,000	-	-	87,000
Net loss for the period	-	-	-	(1,642,400)	-	(1,642,400)
Other comprehensive loss	-	-	-	-	(15,925)	(15,925)
<b>Balance at June 30, 2020</b>	<b>48,278,543</b>	<b>\$ 12,423,861</b>	<b>\$ 1,410,592</b>	<b>\$ (12,932,210)</b>	<b>\$ (15,925)</b>	<b>\$ 886,318</b>
Net loss for the period	-	-	-	(120,360)	-	(120,360)
Other comprehensive loss	-	-	-	-	(8,597)	(8,597)
<b>Balance at September 30, 2020</b>	<b>48,278,543</b>	<b>\$ 12,423,861</b>	<b>\$ 1,410,592</b>	<b>\$ (13,052,570)</b>	<b>\$ (24,522)</b>	<b>\$ 757,361</b>

The accompanying notes are an integral part of these unaudited interim consolidated financial statements

# ARGENTUM SILVER CORP.

## Unaudited Interim Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

	2020	2019
For the three months ended September 30,	\$	\$
<b>Operating activities</b>		
Net loss for the period	(120,360)	(72,561)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation	6,641	-
Foreign exchange	(7,744)	-
Change in non-cash working capital		
Trade and other receivables	(536)	(8,170)
Prepaid expenses and deposits	1,489	1,220
Accounts payable and accrued liabilities	(17,239)	4,382
Cash used in operating activities	(137,749)	(75,129)
<b>Financing activities</b>		
Issuance of share capital, net of costs	-	1,650,000
Cash provided from financing activities	-	1,650,000
<b>Investing activities</b>		
Interest on promissory note issued	-	(1,370)
Reclamation deposits	-	(15,000)
Cash used in investing activities	-	(16,370)
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(137,749)</b>	<b>1,558,501</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>1,006,243</b>	<b>45,152</b>
<b>Cash and cash equivalents, end of period (Note 4)</b>	<b>868,494</b>	<b>1,603,653</b>
<b>Supplementary Information</b>		
<b>Interest paid</b>	-	-
<b>Income tax paid</b>	-	-

The accompanying notes are an integral part of these unaudited interim consolidated financial statements

**ARGENTUM SILVER CORP.**  
**Notes to the Unaudited Interim Consolidated Financial Statements**  
**For the three months ended September 30, 2020 and 2019**  
(Expressed in Canadian dollars)

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**1. NATURE OF OPERATIONS AND GOING CONCERN**

Argentum Silver Corp. (“Argentum”, the “Company”) was incorporated as Silex Ventures Ltd. under the Business Corporations Act (*British Columbia*) on March 21, 2007. Argentum engages in the acquisition, exploration and development of mineral properties. The Company is in the exploration stage and has not yet determined whether any of its properties contain economically recoverable ore reserves.

The Company’s head office and principal place of business is Suite 401 - 217 Queen Street West, Toronto, ON, M5V 0R2.

Its principal business activity is mineral exploration and evaluation in Canada and Peru (see Note 8).

As at September 30, 2020, the Company had a working capital of \$757,098 (June 30, 2020 - \$878,561), had not yet achieved profitable operations, had accumulated deficit of \$13,052,570 (June 30, 2020 - \$12,932,210) and expects to incur further losses in the development of its business.

The business of exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. 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, and 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, all of which are uncertain. Failure to achieve the above could have a significant impact on the Company’s ability to continue as a going concern.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and evaluation activities, and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements, non-compliance with regulatory requirements or aboriginal land claims.

These unaudited interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to a going concern, which assumes that the Company will be able to meet its obligations. Realization values may be substantially different from carrying values as shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. At September 30, 2020, the Company had no source of operating revenues, had not yet achieved profitable operations, expects to incur further losses in the development of its business, all of which casts significant doubt about the Company’s ability to continue as a going concern.

**ARGENTUM SILVER CORP.**  
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**2. BASIS OF PREPARATION**

**2.1 Statement of compliance and presentation**

These unaudited interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standards (“IAS”) 34 ‘Interim Financial Reporting’ (“IAS 34”) using accounting policies consistent with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

These unaudited interim consolidated financial statements were authorized by the Board of Directors of the Company on November 18, 2020.

**2.2 Basis of measurement**

These unaudited interim consolidated financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company’s June 30, 2020, annual financial statements.

**2.3 Principles of Consolidation**

These unaudited interim consolidated financial statements for the three month periods ended September 30, 2020 and 2019 include the financial position, financial performance and cash flows of the Company and its subsidiaries detailed below:

		<b>2020</b>	<b>2019</b>	
<b>Subsidiaries</b>	<b>Country of Incorporation</b>	<b>Economic Interest</b>	<b>Economic Interest</b>	<b>Basis of Accounting</b>
Norsemont II Resources SAC	Peru	100%	-	Full consolidation
Argentum Peru Holdings Limited	Canada	100%	-	Full consolidation

**2.4 Use of management estimates, judgments and measurement uncertainty**

The preparation of these unaudited interim consolidated financial statements using accounting policies consistent with IFRS requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Such estimates primarily relate to unsettled transactions and events as at the date of the financial statements. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue and expenses.

Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. Significant estimates and judgments made by management in the preparation of these financial statements are outlined below:

***Going concern assumption***

Going concern presentation of the financial statements assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due.



**ARGENTUM SILVER CORP.**  
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**2. BASIS OF PREPARATION (continued)**

**2.4 Use of management estimates, judgments and measurement uncertainty (continued)**

***Income taxes***

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

***Decommissioning provisions***

These are made based on the estimated settlement amounts. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management. Estimates are reviewed quarterly and are based on current regulatory requirements. Significant changes in estimates of contamination, restoration standards and techniques will result in changes to provisions on a quarterly basis. Actual rehabilitation costs will ultimately depend on actual future settlement amount for the rehabilitation costs which will reflect the market condition at the time that the rehabilitation costs are actually incurred. The final cost of the currently recognized rehabilitation provisions may be higher or lower than currently provided for.

***Corporate acquisition***

Significant judgment was involved in determining the acquisition of Norsemont SAC between a business acquisition and asset acquisition and estimates in the valuation of consideration paid of shares and warrants issued and allocation of consideration to the fair value of identifiable assets.

***Functional currency***

The Company's management is required to make judgments as to the currency of the primary economic environment in which an entity operates to determine the functional currency of the entity. The Company has determined that the functional currency of the Company is the Canadian dollar, and the functional currency of the subsidiary is the US Dollar.

***Calculation of share-based payments and fair value of warrants***

The Black-Scholes option pricing model is used to determine the fair value for share-based payments and warrants and utilizes subjective assumptions such as expected price volatility and expected life of the option or warrant. Discrepancies in these input assumptions can significantly affect the fair value estimate.

**ARGENTUM SILVER CORP.**  
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**2. BASIS OF PREPARATION (continued)**

**2.5 COVID-19**

At the end of 2019, a novel strain of coronavirus (“COVID-19”) was reported in China. The COVID-19 outbreak has developed rapidly in 2020, with a significant number of infections around the world. On March 11, 2020, it was labelled a pandemic by the World Health Organization. During the first quarter of 2020, attempts at containment of COVID-19 have resulted in decreased economic activity, which has adversely affected the broader global economy. The rapid development and fluidity of the situation precludes any prediction as to the ultimate impact of COVID-19; however, the Company seeks to obtain the best possible information to enable the assessment of the risks involved, and implement appropriate measures to respond. During the year ended June 30, 2020, and for the three- month period ended September 30, 2020, the Company has taken a number of measures to safeguard the health of its employees and the local communities where it operates.

**3. FINANCIAL RISK FACTORS**

**Credit Risk**

The Company's credit risk is primarily attributable to cash and cash equivalents and promissory note receivable. The Company has no significant concentration of credit risk arising from operations. The Company's current policy is to invest excess cash in interest-bearing deposits issued by its banking institutions. The Company's maximum exposure to credit risk as at September 30, 2020, is the carrying value of cash and cash equivalents, and trade and other receivables and promissory note receivable. The majority of the Company's cash and cash equivalents is held in Canadian chartered banks.

**Market Risk**

*Foreign Currency Risk*

The Company's exploration and evaluation activities are in Canadian dollars and Peruvian Nuevo Soles. The Company's funds are predominantly kept in Canadian dollars, with a major Canadian financial institution. The Company has minimum foreign currency risk.

**Fair Value**

The carrying value of cash and cash equivalents, trade and other receivables, reclamation deposit, promissory note receivable and accounts payable and accrued liabilities approximates fair value due to their short-term nature.

The fair value hierarchy has the following levels:

- Level one includes quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level two includes inputs that are observable other than quoted prices included in level one.
- Level three includes inputs that are not based on observable market data.

**ARGENTUM SILVER CORP.**  
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**3. FINANCIAL RISK FACTORS (continued)**

**Liquidity Risk**

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2020, the Company had current assets of \$884,137 (June 30, 2020 - \$1,022,839) and current liabilities of \$127,039 (June 30, 2020 - \$144,278). The Company's accounts payable and accrued liabilities and receivables are subject to normal trade terms. As at September 30, 2020, the Company had working capital of \$757,098 (June 30, 2020 - \$878,561).

**Interest Rate Risk**

The Company is not exposed to interest rate risk due to the short-term nature of its financial instruments.

**Sensitivity analysis**

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over the next 12-month period:

- (i) Interest rate risk is limited to cash and cash equivalents balances, primarily held in Canadian and US dollars in Canada and Peru.
- (ii) The Company's subsidiaries hold financial assets and liabilities in US dollars and Peruvian nuevo soles that give rise to foreign exchange risk. If the US dollar rose or fell in relation to the Canadian dollar by 5% with all other variables held constant, net loss for the three month period ended September 30, 2020 would have been approximately \$1,000 higher/lower. If the Peruvian nuevo sole rose or fell in relation to the Canadian dollar by 5% with all other variables held constant, accumulated other comprehensive loss for the three-month period ended September 30, 2020 would have been approximately \$100 higher/lower.

**4. CASH AND CASH EQUIVALENTS**

The balance at September 30, 2020, consists of cash on deposit with banks in Canada and Peru in general interest-bearing accounts totaling \$68,494 (June 30, 2020 - \$106,243 cash) and cashable guaranteed investment certificates with a major Canadian bank of \$800,000 (June 30, 2020 - \$900,000) for total cash and cash equivalents of \$868,494 (June 30, 2020 - \$1,006,243).

**5. TRADE AND OTHER RECEIVABLES**

The Company's trade and other receivables arise from government and harmonized sales tax ("GST/HST") due from the Canadian government.

	<b>As at,</b>	
	<b>September 30,</b>	June 30,
	<b>2020</b>	2020
GST/HST receivable	\$ 11,674	\$ 9,964
Other receivables	-	1,174
<b>Total trade and other receivables</b>	<b>\$ 11,674</b>	<b>\$ 11,138</b>

At September 30, 2020, the Company anticipates full recovery of these amounts and therefore no impairment has been recorded against these receivables.

**ARGENTUM SILVER CORP.**  
**Notes to the Unaudited Interim Consolidated Financial Statements**  
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**6. EQUIPMENT**

	Office Equipment	Exploration Equipment	Vehicles	Total
	\$	\$	\$	\$
<b>Cost</b>				
As at June 30, 2018 and 2019	-	-	-	-
Additions	16,463	51,922	6,697	75,082
Foreign exchange	(47)	417	246	616
<b>As at June 30, 2020</b>	<b>16,416</b>	<b>52,339</b>	<b>6,943</b>	<b>75,698</b>
Foreign exchange	(1,083)	(1,392)	(183)	(2,658)
<b>As at September 30, 2020</b>	<b>15,333</b>	<b>50,947</b>	<b>6,760</b>	<b>73,040</b>
<b>Accumulated depreciation</b>				
As at June 30, 2018 and 2019	-	-	-	-
Depreciation expense	1,972	10,173	2,656	14,801
<b>As at June 30, 2020</b>	<b>1,972</b>	<b>10,173</b>	<b>2,656</b>	<b>14,801</b>
Depreciation expense	436	5,013	1,192	6,641
<b>As at September 30, 2020</b>	<b>2,408</b>	<b>15,186</b>	<b>3,848</b>	<b>21,442</b>
<b>Net book value</b>				
As at June 30, 2019	-	-	-	-
<b>As at June 30, 2020</b>	<b>14,444</b>	<b>42,166</b>	<b>4,287</b>	<b>60,897</b>
<b>As at September 30, 2020</b>	<b>12,925</b>	<b>35,761</b>	<b>2,912</b>	<b>51,958</b>

**7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

The accounts payable and accrued liabilities of the Company consist of the following:

	As at,	
	September 30, 2020	June 30, 2020
Accounts payables	\$ 108,289	\$ 104,278
Accrued liabilities	18,750	40,000
<b>Total accounts payable and accrued liabilities</b>	<b>\$ 127,039</b>	<b>\$ 144,278</b>

Trade payables of the Company are principally comprised of amounts outstanding for trade purchases relating to exploration activities and amounts payable for operating and financing activities. The usual credit period allowed for trade purchases is between 30 to 90 days.

**ARGENTUM SILVER CORP.**  
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**8. EXPLORATION AND EVALUATION EXPENDITURES**

The exploration and evaluation expenses for the Company are summarized as follows:

<b>Three months ended September 30,</b>	<b>2020</b>	<b>2019</b>
Cochavara Project (Note 14)	\$ 61,850	\$ 2,000
Vanadium Ridge Project	2,000	24,350
<b>Exploration and evaluation expenditures</b>	<b>\$ 63,850</b>	<b>\$ 26,350</b>

Exploration and evaluation asset expenditures during the three months ended September 30, 2020 and 2019, by nature are detailed as follows:

<b>Three months ended September 30,</b>	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Acquisition costs and taxes	49,117	-
Consulting	2,000	26,350
Field expenses	12,733	-
<b>Total</b>	<b>63,850</b>	<b>26,350</b>

**Cochavara – Peru**

On January 15, 2020, the Company acquired all of the issued and outstanding shares of Norsemont II Resources Inc. (“Norsemont”), (Note 13). Norsemont owns a 100-per-cent interest in the Cochavara silver-lead-zinc project in northern Peru.

The Cochavara project consists of six concessions totalling 3,479 hectares located in the department of La Libertad in northern Peru, approximately 70 kilometres east of the city of Trujillo.

**Vanadium Ridge Project – British Columbia**

On July 2, 2018, the Company entered into a mining claim acquisition agreement (the “Agreement”) with Lithium Energy Products Inc. (the “Vendor”) pursuant to which the Company agreed to purchase 80% of the Vendor's right, title and interest in the Vanadium Ridge Property (the “Property”).

Pursuant to the terms of the Agreement, the Company agreed to purchase the interest in the Property, in exchange for the payment of \$150,000 (paid) and the issuance of 1,250,000 common shares (issued with a value of \$262,500 at a price of \$0.21 per share) of the Company to the Vendor on the date the TSX Venture Exchange granted approval of the transaction (July 26, 2018).

The Vanadium Ridge Project is located at the southern end of the Quesnel Trough approximately 50 km north of Kamloops, British Columbia. The property consists of 20 mining claims covering 2,151 hectares near the town of Barriere.

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**9. RELATED-PARTY DISCLOSURES**

Certain corporate entities and consultants that are related to the Company's officers and directors provide consulting and other services to Argentum. All transactions were conducted in the normal course of operations and are measured as follows:

<b>As at,</b>	<b>September 30, 2020</b>	<b>June 30, 2020</b>
Amount included in trade and other payables, due to companies controlled by directors and/or officers	<b>\$ Nil</b>	<b>\$ Nil</b>

Amounts due to companies controlled by directors and officers are unsecured, non-interest bearing and have no set terms of repayment.

**Compensation of Key Management Personnel**

<b>Transactions during the three months ended September 30, Balances:</b>	<b>2020</b>	<b>2019</b>
Short-term benefits	<b>\$ 34,000</b>	<b>\$ 34,000</b>
Share-based compensation	-	-
Total compensation paid to key management	<b>\$ 34,000</b>	<b>\$ 34,000</b>

**10. SHARE CAPITAL**

Argentum's authorized share capital consists of an unlimited number of common shares and with no par value.

The issued and outstanding common shares are as follows:

	<b>Number of Shares</b>	<b>Stated Value</b>
<b>Balance, June 30, 2019</b>	<b>30,500,765</b>	<b>\$ 9,968,305</b>
Exercise of warrants	15,000,000	1,650,000
Shares issued on corporate acquisition (Note 13)	2,777,778	805,556
<b>Balance, June 30, 2020 and September 30, 2020</b>	<b>48,278,543</b>	<b>\$ 12,423,861</b>

**Activity during the three-month period ended September 30, 2020:**

There were no transactions during the three-month period ended September 30, 2020.

**Activity during the year ended June 30, 2020:**

During the year ended June 30, 2020, 15,000,000 warrants exercisable at \$0.11 set to expire on September 2, 2019 were exercised for gross proceeds of \$1,650,000.

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**10. SHARE CAPITAL (continued)**

**Reserves**

Reserves comprise the cost of shares cancelled for no consideration and the fair value of stock option grants and broker warrants prior to exercise.

**Share-Based Payments**

The Company has a rolling stock option plan (the “Plan”) under which it is authorized to grant options to directors, officers, consultants and employees of the Company. The number of options granted under the Plan is limited to 10% in the aggregate of the number of issued and outstanding common shares of the Company at the date of the grant of the options. The exercise price of options granted under the Plan may not be less than the closing price of the Company’s common shares on the TSX-V on the trading day immediately before the date the options are granted, less the discount permitted under the TSX-V’s policies, subject to a minimum exercise price of \$0.10. Options granted under the Plan have a maximum life of ten years and vest according to conditions set by the Company’s board of directors at the time the options are granted.

As at September 30, 2020, the Company had 3,177,854 (June 30, 2020 – 3,177,854) options available for issuance under the Plan.

A summary of stock option activity is as follows:

	Number of Options	Weighted Average Exercise Price \$
June 30, 2019, June 30, 2020 and September 30, 2020	1,650,000	0.24

Options to purchase common shares carry exercise prices and terms to maturity as follows:

Exercise price <sup>(i)</sup> Outstanding	Number of options Outstanding		Expiry date	Remaining contractual life (years) <sup>(i)</sup>
\$	Outstanding	Exercisable		
0.24	1,650,000	1,650,000	July 11, 2023	2.78
<b>0.24</b>	<b>1,650,000</b>	<b>1,650,000</b>		<b>2.78</b>

(i) Total represents weighted average.

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**10. SHARE CAPITAL (continued)**

**Share Purchase Warrants**

A summary of share purchase warrants activity is as follows:

	Number of Warrants	Weighted Average Exercise Price \$
June 30, 2019	18,680,000	0.11
Exercise of warrants	(15,000,000)	0.11
Issuance of warrants on corporate acquisition (Note 13)	400,000	0.25
<b>June 30, 2020 and September 30, 2020</b>	<b>4,080,000</b>	<b>0.12</b>

The resulting fair value of the 400,000 warrants issued on corporate acquisition of \$87,000 was estimated using the Black-Scholes option pricing model with the following assumptions: share price on grant date of \$0.29, expected dividend yield of 0%; expected annualized volatility of 126% based on the Company's stock price; a risk-free interest rate of 1.62%, and an expected average life of 3 years.

As at September 30, 2020, the following share purchase warrants are outstanding:

Number of Warrants	Exercise Price \$	Expiry Date
2,680,000	0.10	October 23, 2020
1,000,000	0.10	November 20, 2020
400,000	0.25	January 16, 2023
<b>4,080,000</b>		



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## **11. COMMITMENTS AND CONTINGENCIES**

The Company's activities are subject to environmental regulation (including regular environmental impact assessments and permitting) in the jurisdiction in which its mineral properties are located. Such regulations cover a wide variety of matters including, without limitation, prevention of waste, pollution and protection of the environment, labour relations and worker safety. The Company may also be subject under such regulations to clean-up costs and liability for toxic or hazardous substances which may exist on or under any of its properties or which may be produced as a result of its operations. It is likely that environmental legislation and permitting will evolve in a manner which will require stricter standards and enforcement. This may include increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a higher degree of responsibility for companies, their directors and employees.

The Company has recorded provision for such costs as described in note 15.

## **12. CAPITAL MANAGEMENT**

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and evaluation of mineral properties. The board of directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital to include all components of shareholders' equity. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the three month period ended September 30, 2020.

The Company considers its capital to be equity, which is comprised of share capital, reserves and accumulated deficit, which as at September 30, 2020, totaled \$757,361 (June 30, 2020 – \$886,318).

The Company's objective when managing capital is to obtain adequate levels of funding to support its exploration activities, to obtain corporate and administrative functions necessary to support organizational functioning and to obtain sufficient funding to further the identification of mineral deposits.

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the TSXV which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months.

The Company raises capital, as necessary, to meet its needs and take advantage of perceived opportunities and, therefore, does not have a numeric target for its capital structure. Funds are primarily secured through equity capital raised by way of private placements. There can be no assurance that the Company will be able to continue raising equity capital in this manner.

The Company invests all capital that is surplus to its immediate operational needs in interest bearing accounts with a Canadian financial institution.

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**13. CORPORATE ACQUISITION**

On January 15, 2020, the Company closed the acquisition of all of the issued and outstanding shares of Norsemont, by way of a three-cornered amalgamation under the *Business Corporations Act* (British Columbia) pursuant to which 1208350 B.C. LTD., a wholly-owned subsidiary of Argentum, amalgamated with Norsemont (the “Acquisition”). The amalgamated entity subsequently changed its name to Argentum Peru Holdings Limited.

Under the terms of the amalgamation, shareholders of Norsemont received 0.165343 common shares in the capital of Argentum for every common share held of Norsemont. As a result of the amalgamation, Argentum issued 2,777,778 Argentum shares. In addition, holders of convertible securities of Norsemont received 400,000 common share purchase warrants of Argentum, each Argentum warrant entitling the holder thereof to acquire one additional Argentum share at an exercise price of \$0.25 on or before the date that is three years following the closing of the Acquisition.

The operations and changes in cash flow of Norsemont have been included from the date control was acquired (January 15, 2020) to the date of these unaudited interim consolidated financial statements. As Norsemont does not meet the definition of a business per IFRS 3, the Acquisition has been accounted for as an asset acquisition, whereby Argentum is considered to issue additional shares in return for the net assets of Norsemont at their fair value as follows:

*Fair value of Norsemont net assets acquired*

Cash and cash equivalents	\$	2,144
Trade and other receivables		18,052
Equipment		75,082
Accounts payable and accrued liabilities		(349,032)
Provision for site reclamation and closure		(65,250)
Promissory note issued to Argentum		(101,617)
<u>Net liabilities assumed</u>	<u>\$</u>	<u>(420,621)</u>
Consideration paid:		
Shares issued on acquisition (Note 10)	\$	805,556
Warrants issued on acquisition (Note 10)		87,000
<u>Total consideration</u>	<u>\$</u>	<u>892,556</u>
<u>Allocated to:</u>		
<u>Net liabilities assumed</u>	<u>\$</u>	<u>(420,621)</u>
<u>Exploration and evaluation expenditures</u>	<u>\$</u>	<u>1,313,177</u>

During the year ended June 30, 2020, the Company recognized \$2,617 in interest income related to the promissory note issued to Argentum, bringing the balance to \$101,617 on settlement. The promissory note was assumed on completion of the acquisition.

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**14. RECLAMATION DEPOSITS**

The Company is required to make reclamation deposits in respect of its expected site reclamation and closure obligations for the Vanadium Ridge Project. The reclamation deposits represent collateral for possible reclamation activities necessary on mineral properties in connection with the permits required for exploration activities by the Company. As at September 30, 2020, no reclamation liability exists on the Vanadium Ridge Project.

**15. PROVISION FOR SITE RECLAMATION AND CLOSURE**

The Company's determination of the environmental rehabilitation provision arising from its activities at the Cochavara project at September 30, 2020, was \$66,695 (June 30, 2020: \$68,140). The Company is not able to reliably estimate the timing of the rehabilitation activities at this time, and as such considers the present value of the provision at September 30, 2020, to be equal to the total future undiscounted cash flows to settle the provision for reclamation, being \$66,695 (June 30, 2020: \$68,140).

**16. SUBSEQUENT EVENT**

Subsequent to September 30, 2020, 2,320,000 warrants expiring on October 23, 2020 and 150,000 warrants expiring on November 20, 2020 were exercised for total proceeds of \$247,000. The remaining 360,000 warrants expiring on October 23, 2020 expired unexercised.