



**ARGENTUM**  
SILVER CORPORATION

**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2021 & 2020**

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

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

The consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with International Financial Reporting Standards ("IFRS"). When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis to ensure that the consolidated financial statements are presented fairly, in all material respects.

The Company maintains systems of internal control that are designed by management to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and to produce reliable accounting records for financial reporting purposes.

The Board of Directors is responsible for reviewing and approving the 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 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 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)

Chief Financial Officer



**Crowe MacKay LLP**

1100 - 1177 West Hastings St.  
Vancouver, BC V6E 4T5

Main +1 (604) 687-4511

Fax +1 (604) 687-5805

[www.crowemackay.ca](http://www.crowemackay.ca)

## **Independent Auditor's Report**

To the Shareholders of Argentum Silver Corp.

### **Opinion**

We have audited the consolidated financial statements of Argentum Silver Corp. ("the Group"), which comprise the consolidated statements of financial position as at June 30, 2021 and June 30, 2020 and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at June 30, 2021 and June 30, 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

### **Basis for Opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Material Uncertainty Related to Going Concern**

We draw attention to Note 1 to the consolidated financial statements which describes the material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### **Other Information**

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the other information prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

## **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are

responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Diana Huang.

**"Crowe MacKay LLP"**

**Chartered Professional Accountants  
Vancouver, Canada  
September 27, 2021**

**ARGENTUM SILVER CORP.**  
**Consolidated Statements of Financial Position**  
(Expressed in Canadian dollars)

<i>As at,</i>	<i>June 30,</i> <i>2021</i>	<i>June 30,</i> <i>2020</i>
	\$	\$
<b>ASSETS</b>		
Current		
Cash and cash equivalents (Note 5)	1,004,990	1,006,243
Marketable securities (Note 9)	54,688	-
Trade and other receivables (Note 6)	9,828	11,138
Prepaid expenses and deposits	7,724	5,458
<b>Total current assets</b>	<b>1,077,230</b>	<b>1,022,839</b>
Reclamation deposit (Note 15)	-	15,000
Equipment (Note 7)	28,535	60,897
<b>Total assets</b>	<b>1,105,765</b>	<b>1,098,736</b>
<b>LIABILITIES AND EQUITY</b>		
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities (Notes 8 and 10)	134,272	144,278
<b>Total current liabilities</b>	<b>134,272</b>	<b>144,278</b>
Provision for site reclamation and closure (Note 16)	61,970	68,140
<b>Total liabilities</b>	<b>196,242</b>	<b>212,418</b>
<b>EQUITY</b>		
Share capital (Note 11)	12,755,861	12,423,861
Reserves (Note 11)	1,410,592	1,410,592
Accumulated deficit	(13,239,107)	(12,932,210)
Reserve for foreign currency translation	(17,823)	(15,925)
<b>Total equity</b>	<b>909,523</b>	<b>886,318</b>
<b>Total liabilities and equity</b>	<b>1,105,765</b>	<b>1,098,736</b>

*Nature of Operations and Going Concern (Note 1)*  
*Commitments and Contingencies (Note 12)*

**Approved on behalf of the Board of Directors on September 27, 2021:**

“Albert Contardi” (signed)

*Director*

“Gary Nassif” (signed)

*Director*

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

**ARGENTUM SILVER CORP.**  
**Consolidated Statements of Comprehensive Loss**  
(Expressed in Canadian dollars)

	2021	2020
<b>For the years ended June 30,</b>	<b>\$</b>	<b>\$</b>
Exploration and evaluation expenditures (Note 9)	<b>36,606</b>	1,452,085
Management and consulting fees (Note 10)	<b>138,825</b>	171,989
Office, general and administration	<b>10,602</b>	10,962
Professional fees	<b>61,054</b>	48,328
Shareholder communication	<b>18,216</b>	18,764
Depreciation (Note 7)	<b>22,876</b>	14,801
	<b>(288,179)</b>	(1,716,929)
Interest income	<b>17,617</b>	4,211
Unrealized loss on marketable securities (Note 9)	<b>(4,687)</b>	-
Foreign exchange gain (loss)	<b>(31,648)</b>	(2,243)
<b>Net loss</b>	<b>(306,897)</b>	(1,714,961)
<b>Other comprehensive loss - items that will not subsequently reclassify into income</b>		
Exchange on translation of foreign subsidiaries	<b>(1,898)</b>	(15,925)
<b>Comprehensive loss</b>	<b>(308,795)</b>	(1,730,886)
<b>Loss per share - basic and diluted</b>	<b>(0.01)</b>	(0.04)
<b>Weighted average number of common shares - basic and diluted (000's)</b>	<b>50,528</b>	44,406

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

## ARGENTUM SILVER CORP.

### 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
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 year	-	-	-	(1,714,961)	-	(1,714,961)
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>
Exercise of warrants	3,320,000	332,000	-	-	-	332,000
Net loss for the year	-	-	-	(306,897)	-	(306,897)
Other comprehensive loss	-	-	-	-	(1,898)	(1,898)
<b>Balance at June 30, 2021</b>	<b>51,598,543</b>	<b>\$ 12,755,861</b>	<b>\$ 1,410,592</b>	<b>\$ (13,239,107)</b>	<b>\$ (17,823)</b>	<b>\$ 909,523</b>

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

**ARGENTUM SILVER CORP.**  
**Consolidated Statements of Cash Flows**  
(Expressed in Canadian dollars)

	2021	2020
<b>For the years ended June 30,</b>	<b>\$</b>	<b>\$</b>
<b>Operating activities</b>		
Net loss for the year	(306,897)	(1,714,961)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	22,876	14,801
Reclamation deposits disposed	15,000	-
Accrued interest income	-	(2,617)
Unrealized loss on marketable securities	4,687	-
Foreign exchange	1,418	(13,651)
Non cash acquisition (sale) of property	(59,375)	1,313,177
Change in non-cash working capital		
Trade and other receivables	1,310	21,003
Prepaid expenses and deposits	(2,266)	(458)
Accounts payable and accrued liabilities	(10,006)	(293,347)
Cash used in operating activities	(333,253)	(676,053)
<b>Financing activities</b>		
Issuance of share capital, net of costs	332,000	1,650,000
Cash provided from financing activities	332,000	1,650,000
<b>Investing activities</b>		
Cash acquired on corporate acquisition	-	2,144
Reclamation deposits	-	(15,000)
Cash used in investing activities	-	(12,856)
<b>Increase in cash and cash equivalents</b>	<b>(1,253)</b>	<b>961,091</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>1,006,243</b>	<b>45,152</b>
<b>Cash and cash equivalents, end of year</b>	<b>1,004,990</b>	<b>1,006,243</b>
<b>Supplementary Information</b>		
<b>Non-cash financing activities</b>		
Shares issued (received) for property	(59,375)	805,556
Fair value of warrants issued for property	-	87,000
<b>Interest received (paid)</b>	<b>17,617</b>	<b>4,211</b>
<b>Income tax paid</b>	<b>-</b>	<b>-</b>

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

**ARGENTUM SILVER CORP.**  
**Notes to the Consolidated Financial Statements**  
**For the years ended June 30, 2021 and 2020**  
(Expressed in Canadian dollars)

---

**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 9).

As at June 30, 2021, the Company had working capital of \$942,958 (June 30, 2020 - \$878,561), had not yet achieved profitable operations, had an accumulated deficit of \$13,239,107 (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 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 June 30, 2021, 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.**  
**Notes to the Consolidated Financial Statements**  
**For the years ended June 30, 2021 and 2020**  
(Expressed in Canadian dollars)

---

**2. BASIS OF PREPARATION**

**2.1 Statement of compliance and presentation**

The consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (“IASB”) and the International Financial Reporting Interpretations Committee (“IFRIC”).

These consolidated financial statements were approved and authorized by the Board of Directors of the Company on September 27, 2021.

**2.2 Basis of measurement**

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments measured at fair value, as explained in the accounting policies set out in Note 3. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information. The Company’s reporting and functional currency is the Canadian dollar.

**2.3 Principles of Consolidation**

These consolidated financial statements for the years ended June 30, 2021 and 2020 include the financial position, financial performance and cash flows of the Company and its subsidiary detailed below:

		<b>2021</b>	<b>2020</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%	100%	Full consolidation
Argentum Peru Holdings Limited	Canada	100%	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.**  
**Notes to the Consolidated Financial Statements**  
**For the years ended June 30, 2021 and 2020**  
(Expressed in Canadian dollars)

---

**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 subsidiaries 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.**  
**Notes to the Consolidated Financial Statements**  
**For the years ended June 30, 2021 and 2020**  
(Expressed in Canadian dollars)

---

**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 years ended June 30, 2021 and 2020, the Company has taken a number of measures to safeguard the health of its employees and the local communities where it operates.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**3.1 Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its wholly-owned subsidiaries, Argentum Peru Holdings Limited, and Norsemont II Resources SAC, a company operating in Peru.

All inter-company transactions, balances, income, and expenses are eliminated on consolidation.

**3.2 Mineral properties**

All acquisition and exploration costs, net of incidental revenues, except for those acquired through a business combination are charged to operations in the period incurred until such time as it has been determined that a property has economically recoverable reserves, in which case subsequent exploration costs and the costs incurred to develop a property are capitalized into “mines under construction” after assessing for impairment. On the commencement of commercial production, all assets included in “mines under construction” are transferred to “producing mines” and depletion of each mining property will be provided on a unit-of-production basis using estimated resources as the depletion base.

All exploration and evaluation expenditures acquired through a business combination are capitalized as intangible assets. They are subsequently measured at cost less accumulated impairment.

**3.3 Decommissioning, restoration, and similar liabilities**

A legal or constructive obligation to incur restoration, rehabilitation, and environmental costs may arise when environmental disturbance is caused by the Company’s exploration and evaluation activities. Discount rates using a pretax rate that reflects the risk and the time value of money are used to calculate the net present value. These costs are charged against profit or loss as exploration and evaluation expenditures and the related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

**ARGENTUM SILVER CORP.**  
**Notes to the Consolidated Financial Statements**  
**For the years ended June 30, 2021 and 2020**  
(Expressed in Canadian dollars)

---

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.4 Equipment

Equipment is measured at cost less accumulated depreciation and any impairment losses. Depreciation is recognized in net loss and is calculated straight line over their estimated useful lives as follows:

Office equipment	4-10 years
Exploration equipment	5-10 years
Vehicles	5 years

#### 3.5 Share-based payments

##### *Share-based payment transactions*

Employees (including directors and senior executives) of the Company receive a portion of their remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (“equity-settled transactions”).

Share-based payment transactions involving non-employees are measured at the estimated fair value of the goods or services received. In situations where equity instruments are issued and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the estimated fair value of the share-based payment.

##### *Equity-settled transactions*

The costs of equity-settled transactions with employees are measured by reference to the estimated fair value of the equity instruments at the date on which they are granted.

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the “vesting date”). The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company’s best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in reserves.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vested irrespective of whether or not the market condition is satisfied provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based payment arrangement or is otherwise beneficial to the employee as measured at the date of modification.

**ARGENTUM SILVER CORP.**  
**Notes to the Consolidated Financial Statements**  
**For the years ended June 30, 2021 and 2020**  
(Expressed in Canadian dollars)

---

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.6 Taxation

Income tax expense represents the sum of tax currently payable and deferred tax.

##### *Current income tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the date of the statement of financial position.

##### *Deferred income tax*

Deferred income tax is provided using the liability method on temporary differences at the date of the statement of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each date of the statement of financial position and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each date of the statement of financial position and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the date of the statement of financial position.

**ARGENTUM SILVER CORP.**  
**Notes to the Consolidated Financial Statements**  
**For the years ended June 30, 2021 and 2020**  
(Expressed in Canadian dollars)

---

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **3.6 Taxation (continued)**

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of comprehensive income (loss).

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

#### **3.7 Income (loss) per share**

The basic income (loss) per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. The diluted income (loss) per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the year, if dilutive. Diluted income (loss) per share assumes that the proceeds upon the exercise of the options and warrants are used to repurchase common shares at the average market price during the year.

#### **3.8 Financial assets**

The Company classifies its financial assets in the following categories: at fair value through profit or loss (“FVTPL”), at fair value through other comprehensive income (“FVTOCI”) or at amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition. A financial asset is measured at amortized cost if it is held within a business model whose objective is to hold assets and collect contractual cash flows, its contractual terms give rise on specified dates that are solely payments of principle and interest on the principle amount outstanding, and it is not designated as FVTPL. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, the Company can make an irrevocable election (on an instrument by-instrument basis) on the day of acquisition to designate them as FVTOCI.

##### *Financial assets at FVTPL*

Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of operations and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in the statement of income (loss) in the period in which they arise. The Company’s marketable securities are classified as FVTPL.

##### *Financial assets at FVTOCI*

Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income (loss). There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. None of the Company’s financial assets are classified as FVTOCI.

**ARGENTUM SILVER CORP.**  
**Notes to the Consolidated Financial Statements**  
**For the years ended June 30, 2021 and 2020**  
(Expressed in Canadian dollars)

---

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **3.8 Financial assets (continued)**

##### *Financial assets at amortized cost*

Financial assets at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment. They are classified as current assets or non-current assets based on their maturity date. The Company's financial assets at amortized cost comprise cash and cash equivalents, trade and other receivables, and reclamation deposit.

Financial assets are derecognized when they mature or are sold, and substantially all the risks and rewards of ownership have been transferred. Gains and losses on derecognition of financial assets classified as FVTPL or amortized cost are recognized in the statement of income (loss). Gains or losses on financial assets classified as FVTOCI remain within accumulated other comprehensive income until derecognized.

#### **3.9 Financial liabilities**

The Company classifies its financial liabilities as subsequently measured at amortized cost which include accounts payable and accrued liabilities. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or they expire.

#### **3.10 Impairment of financial assets**

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the loss allowance is measured for the financial asset at an amount equal to twelve-month expected credit losses. For trade receivables the Company applies the simplified approach to providing for expected credit losses, which allows the use of a lifetime expected loss provision. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized. Given the nature and balances of the Company's receivables the Company has no material loss allowance as at June 30, 2021 and 2020.

#### **3.11 Impairment of non-financial assets**

At each date of the statement of financial position, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong.

Recoverable amount is the higher of fair value less disposal costs and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of loss, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

**ARGENTUM SILVER CORP.**  
**Notes to the Consolidated Financial Statements**  
**For the years ended June 30, 2021 and 2020**  
(Expressed in Canadian dollars)

---

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **3.11 Impairment of non-financial assets (continued)**

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years.

#### **3.12 Cash and cash equivalents**

Cash and cash equivalents in the statement of financial position comprises of cash on hand at banks and demand deposits that are subject to an insignificant risk of change in value.

#### **3.13 Provisions**

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to the passage of time is recognized as interest expense.

#### **3.14 Related-party transactions**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence; related parties may be individuals or corporate entities. A transaction is considered to be a related-party transaction when there is a transfer of resources or obligations between related parties. Related-party transactions that are in the normal course of business and have commercial substance are measured at fair value.

#### **3.15 Foreign currency transactions**

##### *Functional and presentation currency*

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of the Company is the Canadian dollar and each of its subsidiaries is the US dollar. The presentation currency of the Company is the Canadian dollar.

##### *Transactions and balances*

Foreign currency transactions are recorded at the rate of exchange existing on the transaction date. Foreign currency monetary assets and liabilities are translated at the rate of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items measured at historical cost continued to be carried at the exchange rates at the dates of the transactions. Non-monetary items measured at fair value are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of such an item.

**ARGENTUM SILVER CORP.**  
**Notes to the Consolidated Financial Statements**  
**For the years ended June 30, 2021 and 2020**  
(Expressed in Canadian dollars)

---

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **3.15 Foreign currency transactions (continued)**

##### *Group companies*

The results and financial position of all the consolidated entities that have a functional currency different from the Company's presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the exchange rate on the date of the statement of financial position,
- income and expenses for each statement of comprehensive loss are translated at the average exchange rate in effect during the reporting period; and
- all resulting exchange differences are recognized in accumulated other comprehensive income.

### **4. 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 June 30, 2021, 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.**  
**Notes to the Consolidated Financial Statements**  
**For the years ended June 30, 2021 and 2020**  
(Expressed in Canadian dollars)

**4. 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 June 30, 2021, the Company had current assets of \$1,077,230 (June 30, 2020 - \$1,022,839) and current liabilities of \$134,272 (June 30, 2020 - \$144,278). The Company's accounts payable and accrued liabilities and receivables are subject to normal trade terms. As at June 30, 2021, the Company had working capital of \$942,958 (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 year ended June 30, 2021 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 year ended June 30, 2021 would have been approximately \$100 higher/lower.

**5. CASH AND CASH EQUIVALENTS**

The balance at June 30, 2021, consists of cash on deposit with banks in Canada and Peru in general interest-bearing accounts totaling \$1,004,990 (June 30, 2020 - \$106,243 cash) and cashable guaranteed investment certificates with a major Canadian bank of \$nil (June 30, 2020 - \$900,000) for total cash and cash equivalents of \$1,004,990 (June 30, 2020 - \$1,006,243).

**6. 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>June 30, 2021</b>	June 30, 2020
GST/HST receivable	\$ 9,828	\$ 9,964
Other receivables	-	1,174
<b>Total trade and other receivables</b>	<b>\$ 9,828</b>	<b>\$ 11,138</b>

At June 30, 2021, the Company anticipates full recovery of these amounts and therefore no impairment has been recorded against these receivables.

**ARGENTUM SILVER CORP.**  
**Notes to the Consolidated Financial Statements**  
**For the years ended June 30, 2021 and 2020**  
(Expressed in Canadian dollars)

**7. EQUIPMENT**

	Office Equipment	Exploration Equipment	Vehicles	Total
	\$	\$	\$	\$
<b>Cost</b>				
As at June 30, 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	(2,430)	(6,104)	(952)	(9,486)
<b>As at June 30, 2021</b>	<b>13,986</b>	<b>46,235</b>	<b>5,991</b>	<b>66,212</b>
<b>Accumulated depreciation</b>				
As at June 30, 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	2,739	16,802	3,335	22,876
<b>As at June 30, 2021</b>	<b>4,711</b>	<b>26,975</b>	<b>5,991</b>	<b>37,677</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 June 30, 2021</b>	<b>9,275</b>	<b>19,260</b>	-	<b>28,535</b>

**8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

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

	As at,	
	June 30, 2021	June 30, 2020
Accounts payable	\$ 114,272	\$ 104,278
Accrued liabilities	20,000	40,000
<b>Total accounts payable and accrued liabilities</b>	<b>\$ 134,272</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.**  
**Notes to the Consolidated Financial Statements**  
**For the years ended June 30, 2021 and 2020**  
(Expressed in Canadian dollars)

**9. EXPLORATION AND EVALUATION EXPENDITURES**

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

Year ended June 30,	2021	2020
Cochavara Project (Note 14)	\$ 102,852	\$ 1,395,585
Vanadium Ridge Project	(66,246)	56,500
<b>Exploration and evaluation expenditures</b>	<b>\$ 36,606</b>	<b>\$ 1,452,085</b>

Exploration and evaluation asset expenditures during the years ended June 30, 2021 and 2020, by nature are detailed as follows:

Year ended June 30,	2021	2020
	\$	\$
Acquisition costs and taxes	40,853	1,313,177
Cash received on sale of Vanadium Ridge	(50,000)	-
Shares received on sale of Vanadium Ridge	(59,375)	-
Consulting	21,600	120,394
Field expenses and other	83,528	18,514
<b>Total</b>	<b>36,606</b>	<b>1,452,085</b>

**Cochavara – Peru**

On January 15, 2020, the Company acquired all of the issued and outstanding shares of Norsemont II Resources Inc. (“Norsemont”), (Note 14). 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 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.

**Sale transaction:**

On April 16, 2021, the Company entered into a mining claim acquisition agreement with Imbue Capital (“Imbue”) pursuant to which the Company has agreed to sell its 80% right, title, and interest in the Vanadium Ridge Property north of Kamloops, British Columbia.

**ARGENTUM SILVER CORP.**  
**Notes to the Consolidated Financial Statements**  
**For the years ended June 30, 2021 and 2020**  
(Expressed in Canadian dollars)

**9. EXPLORATION AND EVALUATION EXPENDITURES (continued)**

Pursuant to the terms of the agreement, Argentum has agreed to sell its interest in the Property, in exchange for total consideration of \$600,000, consisting of \$200,000 in cash and \$400,000 in stock. More specifically, the payment schedule for the sale of the Property is as follows:

- (i) On signing of the agreement, Imbue pays to Argentum \$50,000 in cash (received) and issues \$50,000 worth of Ares Strategic Mining Inc. (“Ares”) common shares (78,125 shares received), the number of which to be based on the previous 10-day volume-weighted average price (“VWAP”) of the Ares share price;
- (ii) Within three months of signing, Imbue pays Argentum \$150,000 in cash (received after June 30, 2021) and issues \$200,000 worth of Ares common shares, the number of which to be based on the previous 10-day VWAP of the Ares share price; and,
- (iii) Within six months of signing, Imbue issues Argentum \$150,000 worth of Ares common shares, the number of which to be based on the previous 10-day VWAP of the Ares share price.

**Marketable Securities Balances:**

As at June 30, 2021, the value of the 78,125 Ares shares held was \$54,688 (June 30, 2020 - \$nil). During the year ended June 30, 2021, the Company recognized an unrealized loss of \$4,687 (2020 - \$nil) as the market value of various shares decreased.

**10. 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>June 30, 2021</b>	June 30, 2020
Amount included in trade and other payables, due to companies controlled by directors and/or officers	<b>\$ 2,228</b>	\$ Nil

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 years ended June 30, Balances:</b>	<b>2021</b>	2020
Short-term benefits	<b>\$ 135,000</b>	\$ 135,000
Total compensation paid to key management	<b>\$ 135,000</b>	\$ 135,000

**ARGENTUM SILVER CORP.**  
**Notes to the Consolidated Financial Statements**  
**For the years ended June 30, 2021 and 2020**  
(Expressed in Canadian dollars)

---

**11. 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>\$</b>	<b>9,968,305</b>
Exercise of warrants	15,000,000		1,650,000
Shares issued on corporate acquisition (Note 14)	2,777,778		805,556
<b>Balance, June 30, 2020</b>	<b>48,278,543</b>	<b>\$</b>	<b>12,423,861</b>
Exercise of warrants	3,320,000		332,000
<b>Balance, June 30, 2021</b>	<b>51,598,543</b>	<b>\$</b>	<b>12,755,861</b>

**Activity during the year ended June 30, 2021:**

During the year ended June 30, 2021, 2,320,000 warrants expiring on October 23, 2020, and 1,000,000 warrants expiring on November 20, 2020, were exercised for total proceeds of \$332,000. The remaining 360,000 warrants expiring on October 23, 2020, expired unexercised.

**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.

**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.

**ARGENTUM SILVER CORP.**  
**Notes to the Consolidated Financial Statements**  
**For the years ended June 30, 2021 and 2020**  
(Expressed in Canadian dollars)

**11. SHARE CAPITAL (continued)**

**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 June 30, 2021, the Company had 3,509,854 (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 June 30, 2021	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		Expiry date	Remaining contractual life (years) <sup>(i)</sup>
\$	Outstanding	Exercisable		
0.24	1,650,000	1,650,000	July 11, 2023	2.03
<b>0.24</b>	<b>1,650,000</b>	<b>1,650,000</b>		<b>2.03</b>

(i) Total represents weighted average.

**ARGENTUM SILVER CORP.**  
**Notes to the Consolidated Financial Statements**  
**For the years ended June 30, 2021 and 2020**  
(Expressed in Canadian dollars)

**11. 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 14)	400,000	0.25
June 30, 2020	4,080,000	0.12
Exercise of warrants	(3,320,000)	0.10
Expiry of warrants	(360,000)	0.10
June 30, 2021	400,000	0.25

During the year ended June 30, 2021, 2,320,000 warrants expiring on October 23, 2020 and 1,000,000 warrants expiring on November 20, 2020 were exercised for total proceeds of \$332,000. The remaining 360,000 warrants expiring on October 23, 2020 expired unexercised.

The 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 June 30, 2021, the following share purchase warrants are outstanding:

Number of Warrants	Exercise Price \$	Expiry Date
400,000	0.25	January 16, 2023
400,000		

**ARGENTUM SILVER CORP.**  
**Notes to the Consolidated Financial Statements**  
**For the years ended June 30, 2021 and 2020**  
(Expressed in Canadian dollars)

---

## **12. 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 16.

## **13. 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 year ended June 30, 2021.

The Company considers its capital to be equity, which is comprised of share capital, reserves and accumulated deficit, which as at June 30, 2021, totaled \$909,523 (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.

**ARGENTUM SILVER CORP.**  
**Notes to the Consolidated Financial Statements**  
**For the years ended June 30, 2021 and 2020**  
(Expressed in Canadian dollars)

---

**14. 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 11)	\$	805,556
Warrants issued on acquisition (Note 11)		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.

**ARGENTUM SILVER CORP.**  
**Notes to the Consolidated Financial Statements**  
**For the years ended June 30, 2021 and 2020**  
(Expressed in Canadian dollars)

**15. 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 June 30, 2021, no reclamation liability exists on the Vanadium Ridge Project and the reclamation deposit was transferred to Imbue upon sale of the Vanadium Ridge Project as described in Note 9.

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

The Company's determination of the environmental rehabilitation provision arising from its activities at the Cochavara project at June 30, 2021, was \$61,970 (USD \$50,000) (June 30, 2020: \$68,140, (USD \$50,000)). 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 June 30, 2021, to be equal to the total future undiscounted cash flows to settle the provision for reclamation, being \$61,970 (USD \$50,000) (June 30, 2020: \$68,140 (USD \$50,000)).

**17. INCOME TAXES**

The Company's income tax provision differs from the amount resulting from the application of the Canadian statutory income tax rate. A reconciliation of the combined Canadian federal and provincial income tax rates with the Company's effective tax rates for the years ended June 30, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Statutory income tax rate	27%	27%
Income taxes (recovery) computed at statutory rates	\$ (73,000)	\$ (463,000)
Rate difference in other jurisdiction	(4,000)	-
Non-deductible expenses and other	(15,000)	374,000
Foreign exchange movement	66,000	-
True up	992,000	-
Change in unrecognized deferred tax asset	(966,000)	89,000
Income tax expense/(recovery)	\$ -	\$ -

The Canadian statutory income tax rate of 27% (2020 – 27%) is comprised of the federal income tax rate at approximately 15% (2020 – 15%) and the provincial income tax rate of approximately 12% (2020 – 12%). The primary differences which give rise to the deferred income tax assets at June 30, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
<i>Deferred income tax assets</i>	\$	\$
Share issuance costs and other	9,000	19,000
Deferred exploration expenditures	1,055,000	724,000
Non-capital losses carried forward and other losses	716,000	2,003,000
	<u>1,780,000</u>	<u>2,746,000</u>
Less : unrecognized deferred tax asset	(1,780,000)	(2,746,000)
Net deferred tax assets	<u>-</u>	<u>-</u>

**ARGENTUM SILVER CORP.**  
**Notes to the Consolidated Financial Statements**  
**For the years ended June 30, 2021 and 2020**  
(Expressed in Canadian dollars)

---

**17. INCOME TAXES (continued)**

The Company has available for carry forward non-capital losses in Canada of \$2,092,000 (2020 - \$5,338,000) that may be carried forward to reduce taxable income derived in future years, which expire in various amounts from 2036 to 2041. The Company has losses of \$514,000 (2020 - \$420,000) in Peru that may be carried forward to reduce taxable income derived in future years, which expire between 2022 and 2025.

The Company also had Canadian exploration expenditures of \$3,906,000 (2020 - \$2,682,000) as at June 30, 2021, which under certain circumstances, may be utilized to reduce taxable income in future years.

As at June 30, 2021, the Company has unrecognized deferred tax liabilities of approximately \$119,000 (2020 - \$119,000) due to temporary differences arising on the initial recognition of the acquisition of Norsemont.