

**Form 51-102F3**  
**MATERIAL CHANGE REPORT**

1. **Name and Address of Company**

Argo Gold Inc. (the “Company”)  
365 Bay Street, Suite 400  
Toronto, Ontario M5H 2V1

2. **Date of Material Change**

January 25, 2017

3. **News Release**

A press release disclosing the material change was released on January 26, 2017, through the facilities of Newsfile Corp.

4. **Summary of Material Change**

The Company announced the closing of its previously announced debt settlement and has entered into debt conversion agreements with various arm’s length and non-arm’s length creditors pursuant to which the Company settled an aggregate of \$239,000 of indebtedness of the Company through the issuance of an aggregate of 2,390,000 common shares (“**Common Shares**”) at a price of \$0.10 per Common Share (the “**Debt Settlement**”).

The participation by insiders in the Debt Settlement constitutes a “related party transaction” within the meaning of Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* (“**MI 61-101**”).

5. **Full Description of Material Change**

A full description of the material change is described in the Company’s press release which is attached as Schedule “A” hereto.

The following supplementary information is provided in accordance with Section 5.2 of Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions (“**MI 61-101**”).

**(a) a description of the transaction and its material terms:**

The Company settled an aggregate of \$239,000 of debt through the issuance of 2,390,000 Common shares at a price of \$0.10 per Common Share, of which, certain ‘related parties’ (as such term is defined in MI 61-101) acquired, directly and indirectly, an aggregate of 860,000 Common Shares.

**(b) the purpose and business reasons for the transaction:**

The Company wished to settle up to \$239,000 in debt in order to improve its financial position and reduce its accrued liabilities.

**(c) the anticipated effect of the transaction on the issuer's business and affairs:**

The settlement of indebtedness will improve the Company's financial position and reduce its accrued liabilities.

**(d) a description of:**

**(i) the interest in the transaction of every interested party and of the related parties and associated entities of the interested parties:**

Ms. Judy Baker, a director and officer of the Company, acquired 300,000 Common Shares of the Company by settling \$30,000 of outstanding indebtedness owed by the Company to Ms. Baker.

Mr. Alex Falconer, a director and officer of the Company, through a company owned by him, acquired ownership, control and direction over 560,000 Common Shares of the Company by settling \$56,000 of outstanding indebtedness owed by the Company to Mr. Falconer.

**(ii) the anticipated effect of the transaction on the percentage of securities of the issuer, or of an affiliated entity of the issuer, beneficially owned or controlled by each person or company referred to in subparagraph (i) for which there would be a material change in that percentage:**

Ms. Baker acquired 300,000 Common Shares in connection with the Debt Settlement. Ms. Baker will own or control directly an aggregate of 3,455,000 Common Shares, representing approximately 15.73% of the issued and outstanding Common Shares of the Company. If Ms. Baker were to exercise all of her convertible securities she would own, directly, 5,331,750 Common Shares, representing approximately 22.36% of the Company's then outstanding Common Shares, on a partially diluted basis.

Mr. Falconer acquired 560,000 Common Shares in connection with the Debt Settlement. Mr. Falconer will own or control, directly and indirectly, an aggregate of 886,694 Common Shares, representing approximately 4.04% of the issued and outstanding Common Shares of the Company. If Mr. Falconer were to exercise all of his convertible securities he would own, directly and indirectly, 1,036,694 Common Shares, representing approximately 4.68% of the Company's then outstanding Common Shares, on a partially diluted basis.

**(e) unless this information will be included in another disclosure document for the transaction, a discussion of the review and approval process adopted by the board of directors and the special committee, if any, of the issuer for the transaction, including a discussion of any materially contrary view or abstention by a director and any material disagreement between the board and the special committee:**

A resolution of the board of directors was passed on January 17, 2017 approving the settlement of the Company's indebtedness. Ms. Baker and Mr. Falconer signed the resolution for the purposes of Section 129(1) of the *Business Corporation Act* (Ontario) (the "OBCA") and not a vote by Ms. Baker or Mr. Falconer on the resolution as required by Section 132(5) of the OBCA. No special committee was established in connection with the transaction, and no materially contrary view or abstention was expressed or made by any director.

- (f) **A summary in accordance with section 6.5 of MI 61-101, of the formal valuation, if any, obtained for the transaction, unless the formal valuation is included in its entirety in the material change report or will be included in its entirety in another disclosure document for the transaction:**

Not applicable.

- (g) **disclosure, in accordance with section 6.8 of MI 61-101, of every prior valuation in respect of the issuer that relates to the subject matter of or is otherwise relevant to the transaction:**

- (i) **that has been made in the 24 months before the date of the material change report:**

Not applicable.

- (ii) **the existence of which is known, after reasonable enquiry, to the issuer or to any director or officer of the issuer:**

Not applicable.

- (h) **the general nature and material terms of any agreement entered into by the issuer, or a related party of the issuer, with an interested party or a joint actor with an interested party, in connection with the transaction:**

The Company entered into debt conversion agreements with Ms. Baker and Mr. Falconer, through a company owned and controlled by him. The debt conversion agreements provided for the issuance of common shares of the Company at a price of \$0.10 per common share to settle indebtedness of the Company.

- (i) **disclosure of the formal valuation and minority approval exemptions, if any, on which the issuer is relying under sections 5.5 and 5.7 of MI 61-101 respectively, and the facts supporting reliance on the exemptions:**

The Debt Settlement may be classified as a “related party transaction” within the meaning of MI 61-101 as insiders of the Company participated in the Debt Settlement. The Company is relying on the exemptions from the valuation and minority shareholder approval requirements of MI 61-101 contained in sections 5.5(a) and 5.7(1)(a) of MI 61-101, as the fair market value of the participation in the Debt Settlement by insiders does not exceed 25% of the market capitalization of the Company, as determined in accordance with MI 61-101.

The Company did not file a material change report in respect of the related party transaction at least 21 days before the closing of the Debt Settlement, which the Company deems reasonable in the circumstances to be able to improve the Company’s financial position and reduce its accrued liabilities.

6. **Reliance on subsection 7.1(2) of National Instrument 51-102**

The report is not being filed on a confidential basis.

7. **Omitted Information**

No significant facts have been omitted from this Material Change Report.

8. **Executive Officer**

For further information, contact Judy Baker, President and Chief Executive Officer of the Company at (416) 786-7860.

9. **Date of Report**

This report is dated at Toronto, this 27<sup>th</sup> day of January, 2017.

## SCHEDULE "A"

### ARGO GOLD INC.

365 Bay Street, Suite 400  
Toronto, Ontario M5H 2V1

FOR IMMEDIATE RELEASE  
January 26, 2017

Symbol: ARQ  
S/O: 21,964,128

### ARGO GOLD CLOSES DEBT SETTLEMENT

**Toronto, CANADA, January 26, 2017** – Argo Gold Inc. ("**Argo Gold**" or the "**Company**") (CSE: ARQ) announces that it has closed its previously announced debt settlement and entered into debt conversion agreements with various arm's length and non-arm's creditors, pursuant to which the Company has settled an aggregate of \$239,000 of indebtedness of the Company through the issuance of an aggregate of 2,390,000 common shares ("**Common Shares**") at a price of \$0.10 per Common Share.

The Common Shares issued pursuant to the debt settlement are subject to a four month hold period.

Pursuant to Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* ("**MI 61-101**"), the debt settlement constitutes a "related party transaction" as insiders of the Company will receive an aggregate of 860,000 Common Shares of the Company in connection with the debt settlement. The Company is relying on the exemptions from the valuation and minority shareholder approval requirements of MI 61-101 contained in sections 5.5(a) and 5.7(1)(a) of MI 61-101, as the fair market value of the shares for debt transaction with the insider does not exceed 25% of the market capitalization of the Company, as determined in accordance with MI 61-101. The Company did not file a material change report in respect of the related party transaction at least 21 days before the closing of the debt settlement, which the Company deems reasonable in the circumstances as the Company wishes to improve its financial position by reducing its accrued liabilities.

Argo Gold's website is [www.argogold.ca](http://www.argogold.ca)

For more information please contact:

Judy Baker  
President  
(416) 786-7860  
[judybakertoronto@gmail.com](mailto:judybakertoronto@gmail.com)

**NEITHER THE CANADIAN SECURITIES EXCHANGE NOR ITS REGULATIONS SERVICES PROVIDER HAVE REVIEWED OR ACCEPT RESPONSIBILITY FOR THE ADEQUACY OR ACCURACY OF THIS RELEASE.**

#### **Forward-looking Information Cautionary Statement**

*Except for statements of historic fact, this news release contains certain "forward-looking information" within the meaning of applicable securities law. Forward-looking information is frequently characterized by words such as "plan", "expect", "project", "intend", "believe", "anticipate", "estimate" and other similar words, or statements that certain events or conditions "may" or "will" occur. Forward-looking statements are based on the opinions and estimates at the date the statements are made, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those anticipated in the forward-looking statements including, but not limited to delays or uncertainties with regulatory approvals, including that of the CSE. There are uncertainties inherent in forward-looking information, including factors beyond the Company's control. The Company undertakes no obligation to update forward-looking information if circumstances or management's estimates or opinions should change except as required by law. The reader is cautioned not to place undue reliance on forward-looking statements. Additional information identifying risks and uncertainties that could affect financial results is contained in the Company's filings with Canadian securities regulators, which filings are available at [www.sedar.com](http://www.sedar.com).*