AFRICAN GOLD GROUP, INC.
NOTICE TO SHAREHOLDERS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017 AND 2016

Responsibility for Consolidated Financial Statements

The accompanying interim condensed consolidated financial statements for African Gold Group, Inc. for the three and six months ended June 30, 2017 and 2016 have been prepared by management in accordance with International Financial Reporting Standards applicable to interim financial reporting (see note 1 to the condensed interim consolidated financial statements). Recognizing that the company is responsible for both the integrity and objectivity of the condensed interim consolidated financial statements, management is satisfied that these condensed interim consolidated financial statements have been fairly presented.

Auditors Involvement

BDO Dunwoody LLP, Chartered Accountants, the external auditors of African Gold Group, Inc., have not audited or performed review procedures applicable to auditor review of interim financial statements as at the end of the three and six month periods June 30, 2017 and 2016.

African Gold Group, Inc.

Condensed Interim Statements of Financial Position

(Expressed in U.S. Dollars)

	June 30, 2017	December 31, 2016
	(Unaudited)	(Audited)
ASSETS		
Current assets		
Cash and cash equivalents	**$2,827,851**	$105,144
Receivables	**111,046**	102,574
Prepaid expenses	**23,818**	20,478
Total current assets	**2,962,715**	228,196
Evaluation and exploration assets (note 5)	**24,867,805**	22,416,882
Property and equipment	**1,809**	5,790
Total assets	**$27,832,329**	$22,650,868
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 6)	**$1,129,761**	$1,762,665
SHAREHOLDERS' EQUITY		
Share capital (note 7(b))	**58,113,835**	51,165,490
Reserve - share based payments (note 7(c))	**6,875,560**	6,875,560
Accumulated other comprehensive income	**(6,145,044)**	(7,158,977)
Accumulated deficit	**(32,141,783)**	(29,993,870)
Total shareholders' equity	**26,702,568**	20,888,203
Total liabilities and shareholders' equity	**$27,832,329**	$22,650,868

The accompanying summary of significant accounting policies and notes are an integral part of the interim consolidated financial statements.

African Gold Group, Inc.

Condensed Interim Consolidation Statements of Operations and Comprehensive Loss

(Expressed in U.S. Dollars)

(Unaudited)

	Three months ended June 30, 2017	Three months ended June 30, 2016	**Six months ended June 30, 2017**	Six months ended June 30, 2016
Interest Income	**$ 120**	$ -	**$ 242**	$ -
Expenses				
Administrative and general (note 12)	**$ 109,417**	$ 85,455	**178,397**	$ 202,239
Consulting and personnel costs (note 12)	**933,962**	201,608	**1,074,747**	425,297
Amortization expense	**1,977**	117	**3,987**	226
Foreign exchange loss (gain)	**703,064**	(12,402)	**891,024**	2,180,826
Share based payments	**-**	-	**-**	212,285
Net loss from continuing operations	**(1,748,300)**	$ (274,778)	**(2,147,913)**	$ (3,020,873)
Income from discontinued operations (note 11)	**-**	108	**-**	384,767
Net loss for the period	**$ (1,748,300)**	$ (274,670)	**$ (2,147,913)**	(2,636,106)
Foreign currency translation differences	**830,262**	1,716,919	**1,013,933**	(2,249,977)
Comprehensive loss for the period	**$ (918,038)**	$ 1,442,249	**$ (1,133,980)**	$ (4,886,083)
Average weighted shares outstanding	**309,725,028**	250,502,350	**280,662,274**	250,502,350
Basic and diluted income (loss) form continuing operations per share	**$ (0.01)**	$ (0.00)	**$ (0.01)**	$ (0.01)

The accompanying summary of significant accounting policies and notes are an integral part of the interim consolidated financial statements.

African Gold Group, Inc.

Condensed Interim Consolidation Statement of Equity

(Expressed in U.S. Dollars)
(Unaudited)

	Common Shares		Share Based Payments	Accumulated Other Comprehensive Income	Accumulated Deficit	Equity
	#	$	$	$	$	$
Balance, December 31, 2015	250,477,600	51,132,921	6,663,276	(8,037,049)	(27,749,464)	22,009,684
Shares based payment (note 7)	-	-	212,284	-	-	212,284
Exercise of warrants (note 7)	99,000	3,807	-	-	-	3,807
Foreign currency translation differences	-	-	-	1,716,919	-	1,716,919
Net loss for the period	-	-	-	-	(2,636,106)	(2,636,106)
Balance, June 30, 2016	250,576,600	51,136,728	6,875,560	(6,320,130)	(30,385,570)	21,306,588
Exercise of warrants (note 7)	380,000	14,270	-	-	-	14,270
Exercise of stock options (note 7)	320,000	14,492	-	-	-	14,492
Foreign currency translation differences	-	-	-	(838,847)	-	(838,847)
Net income for the period	-	-	-	-	391,700	391,700
Balance, December 31, 2016	251,276,600	51,165,490	6,875,560	(7,158,977)	(29,993,870)	20,888,203
Private placement	74,827,188	4,680,757	-	-	-	4,680,757
Exercise of stock options (note 7)	145,550	6,488	-	-	-	6,488
Acquisition of exploration asset	33,333,333	2,261,100	-	-	-	2,261,100
Foreign currency translation differences	-	-	-	1,013,933	-	1,013,933
Net loss for the period	-	-	-	-	(2,147,913)	(2,147,913)
Balance, June 30, 2017	359,582,671	58,113,835	6,875,560	(6,145,044)	(32,141,783)	26,702,568

The accompanying summary of significant accounting policies and notes are an integral part of the interim consolidated financial statements.

African Gold Group, Inc.
Condensed Interim Consolidated Statements of Cash Flows
(Expressed in US. Dollars)
(Unaudited)

	Six months ended June 30, 2017	Six months ended June 30, 2016
CASH (USED IN) PROVIDED BY:		
OPERATING ACTIVITIES		
Net Income (loss)	**(2,147,913)**	(2,636,106)
Items not involving cash:		
Share-based compensation	**-**	212,285
Amortization	**3,981**	236
	(2,143,932)	(2,423,585)
Net change in non-cash working capital (note 12)	**(644,716)**	1,531,739
Net cash flows (used in) operating activities	**(2,788,648)**	(891,846)
FINANCING ACTIVITIES		
Proceeds on the exercise of warrants	**-**	3,807
Proceeds on the exercise of options	**6,488**	
Private placement (note 7)	**4,991,437**	-
Share issue costs (note 7)	**(310,680)**	-
Net cash flows provided by financing activities	**4,687,245**	3,807
INVESTING ACTIVITIES		
Investment in mineral properties and deferred exploration expenditures	**(189,823)**	(189,295)
Net cash flow from investing activities	**(189,823)**	(189,295)
Effect of exchange rate change (note 12)	**1,013,933**	1,716,829
CHANGE IN CASH DURING THE PERIOD	**2,722,707**	639,495
CASH, beginning of the period	**105,144**	356,899
CASH, end of the period	**2,827,851**	996,394

The accompanying summary of significant accounting policies and notes are an integral part of the interim consolidated financial statements

1. NATURE OF BUSINESS AND BASIS OF PRESENTATION

Nature of Business

African Gold Group, Inc. (the "Company" or "AGG") was incorporated in Ontario, Canada on October 2, 2002 and carries on business in one segment, being the identification, acquisition and exploration of properties for mining of precious and base metals. The Company's principal asset is a mining license located in Mali, West Africa. The Company is listed on the TSX Venture Exchange, having the symbol AGG-V. The address of the Company's head office is 65 Queen Street West, Suite 805, Toronto, Ontario, Canada M5H 2M5.

The business of mining and 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 interests in the underlying properties, the discovery of economically recoverable reserves and the achievement of the Company's ability to dispose of its interests on an advantageous basis. Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest in accordance with industry standards to the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, unregistered claims, aboriginal claims, and non-compliance with regulatory requirements.

Statement of Compliance

These condensed interim consolidated financial statements, have been prepared in US dollars, in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting. They do not include all of the information and note disclosure required for full annual financial statements and should be read in conjunction with the consolidated financial statements for the year ended December 31, 2016.

In the opinion of management, all adjustments considered necessary for a fair statement of results in accordance with IFRS have been included.

The condensed interim consolidated financial statements were authorized for issue by the Board of Directors on August 24, 2017.

2. GOING CONCERN

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern, which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Accordingly, the consolidated financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and meet its liabilities and commitments in other than the normal course of business and at amounts different from those in the consolidated financial statements.

The Company reported a net loss of $2,147,913 in the period and a cash outflow from operations of $2,788,648. At June 30, 2017, the Company has working capital of $1,832,954. At present, the Company has no producing properties and consequently has no current operating income or cash flows.

The Company has a need for equity capital and financing for working capital and exploration and development of its properties. Because of continuing operating losses, the Company's continuance as a going concern is dependent on its ability to obtain adequate financing and to reach profitable levels of operation. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operation. The Company believes that it will be able to access funds from certain shareholders or potential investors in order to ensure that the Company can continue to fund on-going administrative expenses; however the receipt of such funds remains uncertain. There is no assurance that the Company will be able to obtain such financings or obtain them

2. GOING CONCERN - continued

on favorable terms. These material uncertainties may cast significant doubt on the Company's ability to continue as a going concern.

3. SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements were prepared using the same accounting policies and methods as those used in the Company's consolidated financial statements for the year ended December 31, 2016. These new standards and changes did not have any material impact on the Company's condensed consolidated financial statements.

Recent Accounting Pronouncements not yet adopted

The International Accounting Standards Board ("IASB") or the International Financial Reporting Interpretations Committees ("IFRIC") have issued a number of new or revised standards or interpretations that will become effective for future periods and have a potential implication for the Company.

IFRS 9 Financial Instruments ("IFRS 9") was issued by the IASB in November 2009 with additions in October 2010 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

IFRS 15 Revenue from Contracts ("IFRS 15") establishes principals for recognizing revenues based on a five-step model which is to be applied with all contracts with customers. The Company plans to adopt the new standard for the year ended December 31, 2018.

IFRS 16, Leases ("IFRS 16") was issued by the IASB in January 2016 and will replace IAS 17 Leases. IFRS 16 specifies the methodology to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The mandatory effective date is for annual periods beginning on or after January 1, 2019.

The Company has not early adopted any of these standards or interpretations and is currently assessing the impact of the revised standards and interpretations on its consolidated financial statements.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at banks and on hand earn interest at floating interest rates based on daily deposit rates. The Company had in cash $2,827,851 as at June 30, 2016 and $105,144 at December 31, 2016. The Company had no cash equivalents at June 30, 2017 or December 31, 2016.

5. EXPLORATION AND EVALUATION ASSETS

Mali Concessions

As at June 30, 2017 the Mali concessions were $22,606,705 (2016 - $22,306,882).

On June 28, 2005, the Company entered into an agreement with Compagnie Miniere d'Or ('Cominor') SA of France to acquire a 100% interest in three exploration permits for three separate mineral concessions located in the Republic of Mali, West Africa. The purchase price paid for these three concessions was 750,000 Euros.

The three exploration permits consist of:

(i) The Bagoe-West Concession, which comprises 183 sq. km of land located in the Sikasso Region,
(ii) The Bagoe-East Concession, which comprises 183 sq. km of land located in the Sikasso Region, and
(iii) The Kobada Concession, comprising 41 sq. km of land located in the Kangaba Region.

Included in the purchase price are data based reference material gathered from exploration and development activities performed by Cominor on each of the concessions, and a variety of ground transportation and exploration equipment.

In January 2008, the Company received notification from the Government of Mali Mines, Energy and Water Department that the application to explore the Foroko and Acoma concessions had been approved. The properties, representing approximately 216 square kilometres, are adjacent to the Kobada concession. In August 2012, all Mali permits were consolidated into one mining permit under the existing Acoma permit. The permit was initially valid to February 2016 and automatically renewed for an additional two-year period.

Madougou Project

On June 20, 2017, the Company completed the acquisition of all the issued and outstanding shares of 2516232 Ontario Inc. (“PrivateCo”) which owns an option to acquire the Madougou gold project in Burkina Faso Africa. AGG issued an aggregate of 33,333,333 common share in the capital of the Company at a deemed price of CDN$0.09 per share for a total acquisition price of CDN$3,000,000 or $2,261,100. PrivateCo is party to an option agreement with TEMFOR s.a.r.l. (“TEMFOR”) to acquire from TEMFOR the Madougou Project. Pursuant to the option agreement, PrivateCo can exercise the option as follows:

In order to acquire an initial 10% interest in the Madougou Project, PrivateCo must pay $80,000 to TEMFOR on or before such date that the exploration permit for the Madougou Project is transferred to a newly incorporated Burkina Faso company (the “First Option”);

In order to acquire an additional 41% interest in the Madougou Project, PrivateCo must (i) pay $300,000 to TEMFOR, and (ii) complete a National Instrument 43-101 (“NI 43-101”) compliant technical report that contains an inferred mineral resource, within 12 months of the exercise of the First Option (the “Second Option”);

In order to acquire an additional 24% interest in the Madougou Project, PrivateCo must (i) pay $300,000 to TEMFOR, and (ii) complete a NI 43-101 compliant technical report that contains an indicated mineral resource, within 12 months of the exercise of the Second Option;

(Expressed in U.S. Dollars)

5. EXPLORATION AND EVALUATION ASSETS - continued

In order to acquire the remaining 25% interest in the Madougou Project, PrivateCo must (i) fund any and all expenditures related to the Madougou Project, and (ii) complete a NI 43-101 compliant feasibility study which could reasonably serve as the basis for a final decision by an internationally recognized financial institution to finance the development of a mining project (the "Fourth Option").

If PrivateCo exercises the Fourth Option and acquires a 100% interest in the Madougou Project, PrivateCo shall grant to TEMFOR a 1% net smelter returns royalty over production from the Madougou Project.

Purchase price consideration

The acquisition is being treated as an asset acquisition for accounting purposes as 2516232 Ontario Inc. does not meet the definition of a business, as defined in IFRS 3, Business Combinations.

	Fair Value
Exploration and evaluation asset	$ 2,261,000
	$ 2,261,000
Consideration:	
Share consideration	$ 2,261,100
	$ 2,261,100

6. RELATED PARTY TRANSACTONS

Related party transactions are in the normal course of business and are recorded at the amount agreed to between the parties.

a) Legal fees of $Nil (2016 - $Nil) were paid to a legal firm in which one of the partners is a former director of the Company. Unpaid legal fees of $Nil (2016 - $172,373) included in accounts payable and accrued liabilities.

b) Geological services were provided to the Company by one of its former director who charged $Nil (2016 - $Nil). Unpaid fees owing to the geologist of $Nil (2016 - $5,910) is included in accounts payable and accrued liabilities.

c) In accordance with IAS 24, key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

The remuneration of directors and key management of the Company was as follows for six months ended June 30:

	2017	2016
Remuneration	$ 1,053,944	$ 360,772
Share based payments	-	112,791
	$ 1,053,944	$ 473,563

6. RELATED PARTY TRANSACTONS - continued

On April 24, 2017 Mr. David Brown, Mr. A.J Nikiforuk, Dr. Anthony Harwood and Mr. Pierre Lalande stepped down from the board of directors. A total compensation of $1,433,657 was paid to management and directors for accrued fees, termination and change in control commitments.

d) The Company has entered into an arrangement with International Scout, whereby International Scout agreed to represent the Company with respect to the identification of a prospective joint venture partner or potential purchaser of the Company's Kobada, Mali Gold Project. The Company and International Scout clarified and confirmed the terms of this arrangement by entering into a letter agreement dated September 24, 2010 (the "**Letter Agreement**").

The Letter Agreement confirms International Scout's representation of the Company pursuant to the earlier arrangement and in consideration for such representation, International Scout shall be paid in the case of a sale of the Kobada, Mali Gold Project as an indirect consequence of the acquisition of all of the Company's issued and outstanding common shares by a third party (a "Share Transaction"), a fee equal to 1% of the enterprise value of such Share Transaction using the 5-day volume weighted average trading price of the Company's common shares on the TSX Venture Exchange during the 5 trading days immediately prior to the closing of the Share Transaction.

International Scout is controlled by Pierre Lalande, a former director of the Company. At the time of the original arrangement between the parties, Mr. Lalande was not a director, officer or an affiliate or associate of a director or officer of the Company.

7. SHARE CAPITAL AND RESERVE FOR SHARE BASED PAYMENTS

a) Shares Authorized

The Company is authorized to issue an unlimited number of common shares with no par value. The holders of common shares are entitled to receive dividends which are declared from time to time, and are entitled to one vote per share at meetings of the Company. All shares are ranked equally with regards to the Company's residual assets.

b) Transactions

On April 24, 2017, the Company closed a private placement of 74,827,188 units at a unit price of CDN$0.09 per unit for aggregate gross proceeds of CDN$6,734,447. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at a price of CDN$0.12 per share for a period of thirty-six months from the closing date. The Company paid a cash fee of CDN$302,268 and issued 3,406,666 compensation warrants for financial advisory services completed in connection with the offering. Each compensation warrant entitles the holder to acquire one unit at CDN$0.09 for a period of twenty-four months from the date of closing, with each unit being issued on the same terms as under the offering. Three officers and directors of the company purchased an aggregate of 24% of the securities issued pursuant to the offering.

On June 21, 2017, the Company acquired all of the issued and outstanding securities of 2516232 Ontario Inc. in exchange for an aggregate of 33,333,333 common share in the capital of the Company at a deemed price of CDN$0.09 per share for a total acquisition price of CDN$3,000,000. The Company and the private Company are at arm’s length to each other. No finder’s fees were paid in connection to the acquisition.

(Expressed in U.S. Dollars)

7. SHARE CAPITAL AND RESERVE FOR SHARE BASED PAYMENTS - continued

	Number of shares	$
Balance as of December 31, 2016	251,276,600	51,165,490
Private placement	74,827,188	4,680,757
Acquisition of exploration asset	33,333,333	2,261,100
Exercise of options	145,550	6,488
Balance as of June 30, 2017	359,582,671	58,113,835

c) Stock Options

The Company has a Stock Option Plan (the "Plan") for its directors, officers, consultants and key employees under which the Company may grant options to acquire a maximum number of 35,958,267 (2016 - 25,057,660) common shares, representing approximately 10% of the total issued and outstanding common shares of the Company. These options are non-transferrable and are valid for a maximum of 5 years from the date of issue. Vesting terms and conditions are determined by the Board of Directors at the time of the grant. The exercise price of the options is fixed by the Board of Directors of the Company at the time of the grant at the market price of the common shares, subject to all regulatory requirements. Expected volatility has been determined using the share price of the Company for the period equivalent to the life of the options prior to grant date.

For options issued to employees, directors and officers, the fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option. The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

Options issued to non-employees are measured based on the fair value of the goods or services received, at the date of receiving those goods or services. If the fair value of the goods or services received cannot be estimated reliably, the options are measured by determining the fair value of the options granted, using a valuation model.

During the first quarter of 2016, AGG granted 5,800,000 stock options to directors, consultants and employees of the Company at an exercise price of CDN$0.06 for a period of 5 years from the date of issuance. The fair value attributed to the stock options granted was $212,285 using the Black-Scholes model for pricing options because the fair value of the services could not be determined by other methods. The following assumptions were used: dividend yield 0%, expected volatility of 94%, risk free rate of return of 0.62% and an expected life of 5 years.

During May 2017, 145,550 options were exercised and as at June 30, 2017, the Company had the following stock options outstanding:

Date of Grant	Stock Options (#)	Exercise Price (CDN$)	Expiry Date
February 5, 2013	3,200,000	0.20	February 20, 2018
October 22, 2013	1,700,000	0.12	October 22, 2018
April 29, 2014	1,000,000	0.15	April 29, 2019
July 17, 2014	3,400,000	0.15	July 17, 2019
February 6, 2015	1,500,000	0.075	February 6, 2020
February 29, 2016	5,354,450	0.06	February 28, 2021
	16,154,450		

(Expressed in U.S. Dollars)

7. SHARE CAPITAL AND RESERVE FOR SHARE BASED PAYMENTS - continued

c) Stock Options - continued

A summary of the Company's stock option activity during the year is as follows:

	Weighted Average Options	Weighted Average Exercise Price (CDN$)
Outstanding - December 31, 2015	12,925,000	0.15
Granted	5,800,000	0.06
Expired/ exercised	(2,425,000)	0.12
Outstanding - December 31, 2016	16,300,000	0.12
Expired/ exercised	(145,550)	0.06
Outstanding - June 30, 2017	16,154,450	0.12
Vested - June 30, 2017	15,954,450	0.12

No options were exercised during the six months ended June 30, 2016.

d) Warrants

The Company has warrants outstanding entitling the holder to purchase one common stock with each warrant exercisable per the terms below:

Date of Issuance	Warrants	Exercise Price (CDN$)		Expiry Date
Sept 4/13	10,714,428	$	0.12	Sept 4/17
Jan 14/15	16,582,503	$	0.10	Jan 14/18
Jan 22/15	3,525,000	$	0.10	Jan 22/18
Sept 3/15	24,623,428	$	0.06	Sept 3/18
Apr 25/17	74,827,188	$	0.12	Apr 25/20
Apr 25/17	3,406,666	$	0.09	Apr 25/19
Balance June 30, 2017	**133,679,213**			

No warrants were exercised during the six months ended June 30, 2017 while 99,000 common shares were issued on the exercising of certain warrants for cash consideration of $3,807 for the six months ended June 30, 2016.

On May 21, 2017, 10,002,604 warrants expired.

8. CONTINGENCIES AND COMMITMENTS

Management Commitments

The Company is party to certain management contracts. These contracts require payments of approximately CDN$1,487,000 to be made upon the occurrence of a change of control to the officers of the Company. The Company is also committed to payments upon termination of approximately CDN$1,228,000 pursuant to the terms of these contracts. As a triggering event has not taken place, these amounts have not been recorded in these consolidated financial statements.

9. CAPITAL MANAGEMENT

AGG manages its shareholders' equity as capital, making adjustments based on available funds, to support the acquisition, exploration and development 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 properties to which the Company currently has an interest are in the exploration stage and as such, the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration as well as satisfy administrative costs, the Company will spend its existing working capital and raise additional funds as needed. AGG will continue to assess new properties should sufficient geological or economic potential be demonstrated and if the Company has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach is reasonable given the current size of the Company. There were no changes to its capital management approach during the period ended June 30, 2017. Neither AGG nor its subsidiaries are subject to externally imposed capital requirements.

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern. The Company has no external debt and is dependent on the capital markets to finance exploration and development activities.

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company is exposed through its operations to the following financial risks:

- Market Risk
- Liquidity Risk
- Credit Risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these consolidated financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous years unless otherwise stated in the note.

General Objectives, Policies and Processes:

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT- continued

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices are comprised of three types of risk: foreign currency risk, interest rate risk and commodity price risk.

Foreign Currency Risk

Given the global nature of the Company's business, the Company's operating businesses, financial reporting results and cash flows are exposed to risks associated with foreign currency fluctuations.

Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company does not have any borrowings. Interest rate risk is limited to potential decreases on the interest rate offered on cash and cash equivalents held with chartered Canadian financial institutions. Sensitivity to a plus or minus 1% change in the interest rates could impact any renewals or extensions of term deposits which would have no significant impact on the net loss due to the immateriality of the interest earned.

Commodity Price Risk

The ability of the Company to develop its mineral properties and the future profitability of the Company is directly related to the market price of precious metals. The Company closely monitors commodity prices to determine the appropriate course of action to be taken. Based on management's knowledge and expertise of the financial markets, the Company believes that commodity price risk is remote as the Company is not a producing entity.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The key to success in managing liquidity is the degree of certainty in the cash flow projections. If future cash flows are fairly uncertain, the liquidity risk increases.

At June 30, 2017, AGG had a cash balance of $2,827,851 and current liabilities of $1,129,766. As outlined in Note 2, the Company may be required to obtain additional financing for working capital and continued exploration and development of its properties.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or a counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk in its cash and cash equivalents, and receivables. The maximum credit risk represented by the Company's financial assets is represented by their carrying amounts. Concentration of credit risk exists with respect to the Company's cash and cash equivalents as substantially the entire amount is held at two major Canadian financial institutions. Credit risk on cash and cash equivalents is minimized by depositing with only reputable financial institutions. Management has reviewed the receivable balances and determined that the balances are collectible; accordingly there has been no allowance for doubtful accounts recorded.

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT- continued

Determination of Fair Value

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The consolidated statements of financial position carrying amounts for cash and cash equivalents, receivables, and accounts payable and accrued liabilities approximate fair value due to their short-term nature. Due to the use of subjective judgments and uncertainties in the determination of fair values these values should not be interpreted as being realizable in an immediate settlement of the financial instruments.

11. SUBSEQUENT EVENTS

On August 10, 2017, the Company granted a total of 12,275,000 stock options to certain officers, directors and consultants of the company pursuant to the company’s stock option plan. The stock options vest immediately and may be exercised at a price of CAD$0.06 per option for a period of five years from the date of grant. This grant of options is subject to the approval of the TSX Venture Exchange.

12. RECLASIFICATION OF PRIOR YEARS PRESENTATION

Certain prior year amounts have been reclassified for consistency with the current periods presentation.