AUDITED FINANCIAL STATEMENTS

For the period January 10, 2019 to December 31, 2019

ARTEMIS GOLD INC.

Independent auditor's report

To the Shareholders of Artemis Gold Inc.

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Artemis Gold Inc. (the Company) as at December 31, 2019, and its financial performance and its cash flows for the period from January 10, 2019 to December 31, 2019 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's financial statements comprise:

- the balance sheet as at December 31, 2019;
- the statement of income and comprehensive income for the period from January 10, 2019 to December 31, 2019;
- the statement of changes in equity for the period from January 10, 2019 to December 31, 2019;
- the statement of cash flows for the period from January 10, 2019 to December 31, 2019; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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 financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

PricewaterhouseCoopers LLP
PricewaterhouseCoopers Place, 250 Howe Street, Suite 1400, Vancouver, British Columbia, Canada V6C 3S7
T: +1 604 806 7000, F: +1 604 806 7806

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the 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 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 financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Responsibilities of management and those charged with governance for the financial statements

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

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Company'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 Company'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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 Company to express an opinion on the 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.

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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 Lana Kirk.

(signed) PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
March 31, 2020

ARTEMIS GOLD INC.

Balance Sheet
As at December 31, 2019
(Expressed in Canadian Dollars)

	Notes		2019
Current assets			
Cash and cash equivalents		$	**31,502,309**
Receivables and prepayments			**126,915**
Marketable securities			**304,300**
			31,933,524
Non-current assets			
Investment in VLC	*5*		**5,639,902**
Convertible debenture	*5*		**9,999,434**
Warrants	*5*		**2,351,844**
Mineral property	*6*		**222,354**
Right-of-use asset	*7*		**919,755**
TOTAL ASSETS		**$**	**51,066,813**
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		$	**237,070**
Due to related parties	*12*		**16,264**
Lease liability - current portion	*8*		**90,497**
			343,831
Lease liability - non current portion	*8*		**846,641**
Deferred income tax liability	*10*		**956,198**
TOTAL LIABILITIES		**$**	**2,146,670**
Shareholders' Equity			
Share capital	*11*	$	**41,647,399**
Contributed surplus	*11*		**942,447**
Accumulated other comprehensive income			**54,303**
Retained earnings			**6,275,994**
Total Shareholders' Equity			**48,920,143**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$**	**51,066,813**
Subsequent events	*15*		

Approved for Issuance by the Board of Directors:

"Robert Atkinson"	Director
"Steven Dean"	Director

The accompanying notes are an integral part of these financial statements

ARTEMIS GOLD INC.

Statement of Income and Comprehensive Income
For the period January 10, 2019 to December 31, 2019
(Expressed in Canadian Dollars)

		For the period January 10, 2019 to December 31, 2019
Operating Expenses		
Depreciation	$	39,989
Management fees and wages		349,878
Investor relations and corporate development		61,396
Office, Insurance and general		93,625
Professional fees		291,538
Share-based payments		818,447
Transfer agent and regulatory		49,325
Travel, meals and entertainment		19,527
Loss from operations	$	(1,723,725)
Other Income / (Expense)		
Accretion expense on lease liability	$	(14,284)
Convertible debenture interest expense		(148,591)
Equity loss from investment in associate		(208,002)
Gain on investment in associate		1,488,000
Gain on convertible debt		5,359,338
Gain (loss) on warrants		2,351,844
Interest income		172,309
Net income before income taxes		7,276,889
Deferred income tax expense		(1,000,895)
Net Income	$	6,275,994
Unrealized gain on marketable securities		54,303
Total Comprehensive income	$	6,330,297
Earnings per common share		
Basic	$	0.31
Diluted	$	0.26
Weighted average number of common shares outstanding		
Basic		20,326,239
Diluted		24,971,679

The accompanying notes are an integral part of these financial statements

ARTEMIS GOLD INC.

Statement of Changes in Equity

For the period January 10, 2019 to December 31, 2019

(Expressed in Canadian Dollars)

		Share capital					
	Notes	Number of shares	Amount	Contributed Surplus	Accumulated Other Comprehensive Income	Retained Earnings	Total Shareholders' equity
Balance - January 10, 2019		**1**	**$ 1**	**-**	**-**	**$ -**	**$ 1**
Share issuance - March 14, 2019	11	5,085,710	3,906,000	-	-	-	3,906,000
Share issuance - June 12, 2019	11	1	1,000	124,000	-	-	125,000
Shares issued on conversion of debt	9, 10	6,825,986	5,242,591	-	-	-	5,242,591
Private Placement - Aug 27, 2019	11	36,268,407	32,641,568	-	-	-	32,641,568
Share issue costs	11	-	(196,933)	-	-	-	(196,933)
Deferred income tax on share issue costs	10	-	53,172	-	-	-	53,172
Shared-based payments	11	-	-	818,447	-	-	818,447
Unrealized gain on marketable securities		-	-	-	54,303	-	54,303
Net income for the period		-	-	-	-	6,275,994	6,275,994
Balance - December 31, 2019		**48,180,105**	**$ 41,647,399**	**$ 942,447**	**$ 54,303**	**$ 6,275,994**	**$ 48,920,143**

The accompanying notes are an integral part of these financial statements

ARTEMIS GOLD INC.

Statement of Cash Flows
For the period January 10, 2019 to December 31, 2019
(Expressed in Canadian Dollars)

		For the period January 10, 2019 to December 31,2019
Operating activities		
Net income for the period	$	6,275,994
Items not involving cash:		
Amortization		39,989
Accretion expense on lease liability		14,284
Deferred tax expense		1,000,895
Convertible debenture interest expense		148,591
Equity loss from investment in associate		208,002
Gain on investment in associate		(1,488,000)
Gain on convertible debt		(5,359,338)
Gain on warrants		(2,351,843)
Share-based payments		818,447
Interest income		(172,309)
Net changes in non-cash working capital:		
Accounts payable and accrued liabilities		135,936
Due to related parties		16,264
Receivables and prepayments		(71,328)
Net cash used in operating activities	$	(784,416)
Investing activities		
Interest received	$	121,448
Investment in marketable securities		(241,522)
Investment in associate		(3,906,000)
Investment in convertible debt		(5,094,000)
Mineral property		(125,945)
Net cash used in investing activities	$	(9,246,019)
Financing activities		
Lease payments	$	(36,890)
Convertible debenture proceeds		5,094,000
Share issuance proceeds		36,672,568
Share issue costs		(196,933)
Net cash provided by financing activities	$	41,532,745
Change in cash during the period	$	31,502,310
Cash, beginning of period		-
Cash, end of period	$	31,502,310

Non cash investing and financing activities		
ROU asset additions	$	959,745
Settlement of convertible debt and related interest		5,242,591
Additions to investment in associate		236,068
Deferred tax on share issue costs		53,172

The accompanying notes are an integral part of these financial statements

1. NATURE OF OPERATIONS

Artemis Gold Inc. ("Artemis" or the "Company") (formerly 1193490 B.C. Ltd.) is an exploration stage company currently focused on its investment in Velocity Minerals Ltd. ("VLC"), its option to acquire a 100% interest in GK project located in the Telegraph Creek area of British Columbia (the "GK Project"), as well as acquiring exploration and/or development stage mineral properties for the purposes of further exploration and development. VLC is in the business of acquiring, exploring, and evaluating mineral resource properties in Bulgaria. Artemis was incorporated under the Business Corporations Act (British Columbia) on January 10, 2019. The Company maintains its head office at 595 Burrard Street, Suite 3083, Vancouver, B.C. Canada. The Company's registered and records office is located at 595 Burrard Street, Suite 2600, Vancouver, B.C., Canada. Up until July 19, 2019, the Company was privately held and was a wholly owned subsidiary of Atlantic Gold Corporation ("Atlantic"). Artemis operates in a single operating segment being the acquisition and development of mineral properties.

On May 14, 2019, Atlantic announced that it had entered into an arrangement agreement with St. Barbara Limited ("St. Barbara") pursuant to which St Barbara would acquire 100% of all issued and outstanding shares of Atlantic (the "Arrangement"). As part of the Arrangement, Atlantic agreed to distribute 100% of the common shares of Artemis to Atlantic shareholders on the closing date of the Arrangement, which was July 19, 2019. On October 2, 2019 the Company commenced trading on the TSX Venture Exchange under the trading symbol of ARTG.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These financial statements have been prepared on a historical cost basis, except for certain financial instruments which have been measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. These financial statements are presented in Canadian dollars, which is the Company's functional currency.

The Company has adopted IFRS from the date of incorporation. These IFRS financial statements have been prepared in accordance with the requirements of IFRS, including IFRS 1 First Time Adoption of IFRS. The Company did not apply any optional elections on first time adoption. There was no opening balance sheet impact of adoption and, therefore, no opening balance sheet or reconciliation has been provided.

These financial statements were approved by the board of directors on March 31, 2020.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, term deposits, and highly liquid instruments with a maturity of three months or less at the time of issuance which are readily convertible to known amounts of cash at any time without penalty.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Investment in Associates

An associate is an entity over which the Company has significant influence and which is neither a subsidiary nor a joint arrangement.

The Company has significant influence over an entity when it has the power to participate in the financial and operating policy decisions of the associate but does not have control or joint control.

The Company's investment in the common shares of VLC (Note 5) has been treated as an investment in associates and has been accounted for using the equity method.

Under the equity method, the Company's investment in the common shares of the associate is initially recognized at cost and subsequently increased or decreased to recognize the Company's share of net income and losses of the associate, after any adjustments necessary to give effect to uniform accounting policies, any other movement in the associate's reserves, and for impairment losses after the initial recognition date. The Company's share of income and losses of the associate is recognized in net income during the period.

Dividends and repayment of capital received from an associate are accounted for as a reduction in the carrying amount of the Company's investment. Intercompany balances and interest expense and income arising on loans and borrowings between the Company and its associates are not eliminated.

At the end of each reporting period, the Company assesses whether there is any objective evidence that an investment in an associate is impaired. Objective evidence includes observable data indicating there is a measurable decrease in the estimated future cash flows of the investee's operations. When there is objective evidence that an investment is impaired, the carrying amount of such investment is compared to its recoverable amount, being the higher of its fair value less costs of disposal ("FVLCD") and value-in-use ("VIU"). If the recoverable amount of an investment is less than its carrying amount, the carrying amount is reduced to its recoverable amount and an impairment loss, being the excess of carrying amount over the recoverable amount, is recognized in the period in which the relevant circumstances are identified. When an impairment loss reverses in a subsequent period, the carrying amount of the investment is increased to the revised estimate of recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had an impairment loss not been previously recognized. A reversal of an impairment loss is recognized in net income in the period in which the reversal occurs.

c) Earnings per common share

The basic earnings per share is computed by dividing the earnings by the weighted average number of common shares outstanding during the period. The diluted earnings per share reflects the potential dilution of common share equivalents, such as convertible debentures, outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the year, if exercised. For this purpose, the treasury stock method is used whereby the assumed proceeds upon the exercise of stock options and warrants are used to purchase common shares at the average market price during the period.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and the expense is recognized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received.

The amount recognized as an expense is adjusted to reflect the number of awards expected to vest. The offset to the recorded cost is to contributed surplus.

Consideration received on the exercise of stock options is recorded as share capital and the related share-based payments reserve is transferred to share capital. Charges for options that are forfeited before vesting are reversed from contributed surplus and share-based payment expense.

e) Mineral properties

Mineral properties consist of exploration and mining concessions or options and contracts related to such concessions. Acquisition and exploration costs are capitalized and deferred to exploration and evaluation assets until such time as the technical feasibility and commercial viability of extracting a mineral reserve for a particular property are demonstrable or the property is disposed of, either through sale or abandonment, or becomes impaired. Once the technical feasibility and commercial viability of extracting a mineral reserve for a particular property are demonstrable, the capitalized amounts are first tested from impairment and then transferred to property, plant and equipment. If a property is put into production, the cost of acquisition will be depleted over the life of the property based on estimated economic reserves. Proceeds received from the sale of any interest in a property will be credited against the carrying value of the property. If a property is abandoned, the acquisition costs will be written off to net income. Recorded costs of mineral properties are not intended to reflect present or future values of the properties. The recorded costs are subject to measurement uncertainty and it is reasonably possible, based on existing knowledge, that changes in future conditions could require a material change in the recognized amounts. Although the Company has taken steps that it considers adequate to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title.

Once the rights to explore an area have been secured, expenditures on exploration and evaluation activities are capitalized to exploration and evaluation assets and classified as a component of mineral properties.

Exploration expenditures relate to the initial search for deposits with economic potential and to detailed assessments of deposits or other projects that have been identified as having economic potential.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Impairment of mineral properties

Mineral properties are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Evaluating for recoverability during the exploration and evaluation phase requires judgment in determining whether future economic benefits from future exploitation, sale or otherwise are likely. Evaluations may be more complex where activities have not reached a stage which permits a reasonable assessment of the existence of reserves or resources. Management must make certain estimates and assumptions about future events or circumstances including, but not limited to, the interpretation of geological, geophysical and seismic data, the Company's intention to continue exploration and evaluation activities, the impact of government legislation and political stability in the region, and the impact of current and expected future prices on potential reserves.

g) Current and deferred income taxes

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the country where the Company operates and generates taxable income.

Deferred income tax assets and liabilities are determined based on the differences between the tax basis of assets and liabilities and the amounts reported in the financial statements. The deferred tax assets or liabilities are calculated using the tax rates enacted or substantially enacted for the periods in which the differences are expected to be settled. Deferred tax assets are recognized to the extent that they are considered more likely than not to be realized.

h) Financial Instruments

IFRS 9 – Financial Instruments establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The Company determines the classification of the financial assets at initial recognition. The basis of classification depends on the Company's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. A financial asset that is a debt instrument is measured at amortised cost if it meets both of the following conditions and is not designated at Fair Value through Profit or Loss ("FVPL"):

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

i. Financial Instruments (continued)

Investments in equity instruments are required to be measured by default at fair value through profit or loss. However, on the day of acquisition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as Fair Value Through Other Comprehensive Income ("FVOCI").

All financial assets not classified as measured at amortised cost or FVOCI are measured at FVPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVPL as FVOCI, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVPL, transaction costs that are directly attributed to its acquisition.

Financial liabilities are classified as measured at amortised cost, unless they are classified as measured at FVPL. In cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income (loss) rather than in net earnings.

The Company's convertible debenture and warrants issued by Velocity Minerals Ltd. (Note 5) have been classified as FVPL. The Company has elected to account for its marketable securities as FVOCI. Cash, receivables, accounts payable, and amounts due to a related party are classified at amortised cost.

i) Leases and right of use assets

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- The contract involves the use of an identified asset;
- The Company has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and
- The Company has the right to direct the use of the asset.

As a lessee, the Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Leases and right of use assets (continued)

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is measured at amortized cost using the effective interest method.

We have elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of twelve months or less and leases of low-value assets. Payments associated with short-term leases and all leases of low-value assets are recognized as an expense in profit or loss.

k) Unit offerings

From time to time, warrants are issued as part of a unit which is made up of a common share and a full or partial warrant. The warrant allows the holder to acquire common shares of the Company. The Company uses the residual value method in assigning the value to the warrant which is included in contributed surplus.

l) Statement of cash flows

The Company's previous parent company (Atlantic) undertook cash transactions on the Company's behalf during the period, principally to acquire the investments in Velocity using the proceeds from the convertible debt and share issuance by the Company to Atlantic. Accordingly, these cash transactions were recognised in the Company's cash flow statement on the basis that the Atlantic was acting as its agent in this respect.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements requires management to use judgment in applying its accounting policies and estimates and assumptions about the future. Estimates and other judgments are regularly evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. The following discusses the most significant accounting judgments and estimates that the Company has made in the preparation of the financial statements that could result in a material effect in the next financial year on the carrying amounts of assets and liabilities.

(Expressed in Canadian Dollars)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

Fair Value of VLC convertible debt and warrants

The Company applied judgment and estimates when determining the fair value of its convertible debenture investment and warrants held in VLC, as described in Note 5.

Impairment of investment of associate

At the end of each financial reporting period, the carrying amount of the investment in associate is reviewed to determine whether there is any indication of an impairment loss has incurred. Where such an indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment, if any. With respect to its investment in associate, the Company is required to make estimates and judgments about future events and circumstances and whether the carrying amount of the asset exceeds its recoverable amount. Recoverability depends on various factors, including the discovery of economically recoverable reserves at VLC's exploration properties, the ability of VLC to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition of the VLC shares themselves. Additionally, there are numerous geological, economic, environmental and regulatory factors and uncertainties that could impact VLC's assessment as to the overall viability of its properties or its ability to generate future cash flows necessary to cover or exceed the carrying value of the Company's investment in VLC.

5. INVESTMENT IN VLC

The investment in VLC is comprised of:

	Convertible debenture	Investment in associate	Warrants	Total
Initial investment	$ 5,094,000	$ 3,906,000	$ -	$ 9,000,000
Gain at inception	-	1,488,000	1,230,531	2,718,531
Fair value change in the period	5,359,338	-	1,121,313	6,480,651
Equity share of investment of associate	-	(208,002)	-	(208,002)
Shares received in settlement of interest	(236,068)	236,068	-	-
Other	(217,836)	217,836	-	-
	$ 9,999,434	$ 5,639,902	$ 2,351,844	$ 17,991,180

On March 14, 2019, the Company completed an investment in VLC for a total consideration of $9,000,000. Included in the investment was a $5,094,000 secured convertible debenture in VLC, plus an equity component comprising 18,600,000 Units of VLC for cash consideration of $3,906,000. Further, as part of the investment agreement, the Company has the right to designate one individual to be nominated, and if elected, to serve as a director of VLC provided the Company holds at least 15% of the issued and outstanding common shares of VLC, with the number of nominees increasing to two directors if the Company holds 30% or more of the issued and outstanding common shares of VLC. In February 2020, the Company exercised this right and nominated (and VLC subsequently appointed) an individual to the board of directors of VLC.

(Expressed in Canadian Dollars)

5. INVESTMENT IN VLC (continued)

The convertible debenture earns interest at an annual rate of 8.5% payable semi-annually, over a five-year term. The interest can be paid in cash or common shares of VLC, at the discretion of VLC. The principal amount of the convertible debentures is convertible into common shares of VLC at the election of the Company at a conversion price of $0.25. The convertible debentures are secured with a first ranking charge at any time by way of general security agreement and guarantee from the material subsidiary of VLC.

The convertible debenture investment is recognised as FVPL. At inception, the convertible debenture was recorded at the equivalent of cash consideration paid. The Company used the Black-Scholes option pricing model to calculate the fair value of the convertible debenture held in VLC. The gain is recorded within the gain on convertible debt in the statement of income and comprehensive income. The Company used the following assumptions:

	December 31, 2019	March 14, 2019
Share Price	$ 0.46	$ 0.29
Volatility	40%	40%
Expected Life in Years	4.21	5.00
Dividend Rate	0.00%	0.00%
Risk-free-rate	1.64%	1.60%

The debenture is adjusted to eliminate the Company's equity share of the VLC's equity component on the convertible debt resulting in a $217,836 reduction in the carrying value of the debt with an offsetting increase in the investment in associate.

The equity component of the investment in VLC comprised 18,600,000 Units of VLC, with each Unit consisting of one common share and 1/2 warrant. The warrants are exercisable into common shares of VLC at an exercise price of $0.25, with an expiry date of March 14, 2022.

The attributed cost of the common shares at the date of inception was $5,394,000 and was determined using the traded stock price of VLC on March 14, 2019 which was $0.29 per common share multiplied by the number of common shares held. At inception, the attributed cost of the warrants was determined using the Black-Scholes option pricing model and was $1,230,531. The attributed costs were higher than the cash outlay, resulting in a gain at inception which is recorded within the gain on investment in associate as well as gain on warrants in the statement of income and comprehensive income.

The Company applies equity accounting over the investment in the common shares of VLC as the Company has significant influence over VLC due to its share ownership in the Company and its ability to have board representation. As a result, at inception of the investment, the common shares were recognized at attributed cost, with the carrying amount of the investment increasing or decreasing to recognise the Company's share of the profit or loss of VLC at each reporting period.

In October, 2019 VLC settled interest owed on the convertible debentures of $236,068 for the period March 14, 2019 to September 30, 2019 by issuing 495,516 common shares to the Company bringing the Company's holding to 19,095,516, or 19.63%. As at December 31, 2019 the fair market value of the Company's investment in common shares of the associate was $8,688,460, based on the quoted market price.

The warrants have been accounted for as FVPL. The Company used the Black-Scholes option pricing model to calculate the fair value of the warrants held in VLC.

(Expressed in Canadian Dollars)

5. INVESTMENT IN VLC (continued)

The Company used the following assumptions:

	December 31, 2019	March 14, 2019
Share Price	$ 0.46	$ 0.29
Volatility	60%	60%
Expected Life in Years	2.20	3.00
Dividend Rate	0.00%	0.00%
Risk-free-rate	1.66%	1.60%

At inception, the fair value of the warrants was $1,230,531. As at December 31, 2019, the fair value of the warrants increased to $2,351,843, resulting in an additional gain on investment of $1,121,313 for the period of January 10, 2019 to December 31, 2019. The gain is recorded within the gain on warrants in the statement of income and comprehensive income.

The assets and liabilities of VLC are summarized in the following table and are taken from VLC's most recently available financial statements as at September 30, 2019.

		September 30, 2019
Current assets	$	5,770,955
Non-current assets		7,680,252
		13,451,207
Current liabilities		554,660
Non-current liabilities		4,074,881
		4,629,541
Net assets	**$**	**8,821,666**
Company's equity share of net assets	**$**	**1,731,346**
Loss and comprehensive loss for the nine months ended September 30,2019	**$**	**(2,028,776)**

6. MINERAL PROPERTY

On May 31, 2019, the Company entered into an option agreement ("Option Agreement") whereby the Company has the right to acquire a 100% interest, subject to certain royalty payments, in the GK project, located in British Columbia, Canada.

In order for the Company to exercise its option under the Option Agreement, the Company must pay:

(i) $125,000 in cash upon execution of the Option Agreement (paid on June 12, 2019);

(ii) On or before 12 months after the effective date of the Option Agreement, $50,000 in cash and incur certain expenditures of not less than $100,000; (As a December 31, 2019, the Company has incurred $ 97,354);

(iii) On or before 24 months after the effective date of the Option Agreement, $100,000 in cash and incur certain expenditures of not less than $500,000;

(Expressed in Canadian Dollars)

6. MINERAL PROPERTY (continued)

(iv) On or before 36 months after the effective date of the Option Agreement, $500,000 in cash and incur certain expenditures of not less than $1,300,000;

(v) On or before 48 months after the effective date of the Option Agreement, $750,000 in cash and incur certain expenditures of not less than $2,000,000; and

(vi) On or before 60 months after the effective date of the Option Agreement, $1,000,000 in cash and incur certain expenditures of not less than $3,000,000.

7. RIGHT-OF-USE ASSET

The Company's right-of-use asset related to its office lease is as follows:

		Right of Use Assets
Opening Balance	**$**	**-**
Additions		**959,745**
Accumulated Depreciation		**(39,989)**
Net book value - December 31,2019	**$**	**919,755**

The depreciation method applied is straight line over 6 years, which is the term of the lease.

8. LEASE LIABILITIES

On October 1, 2019 the Company signed an office lease which runs for 6 years. The discount rate applied to the lease is 6%. As a result, on October 1, 2019, the Company recorded a lease liability of $959,745 and a right-of-use assets of $959,745 (see note 7). The right-of-use asset was measured at an amount equal to the lease liability.

In addition to the lease payments, the landlord estimates that the Company may pay approximately $83,229 annually related to operating costs and realty taxes of the leased office space. These variable amounts are reassessed annually based on actual costs incurred and have not been included in the measurement of the lease obligation.

Lease Liabilities		
Lease obligation assumed in the period	$	959,745
Accretion expense		14,284
Payments		(36,890)
Lease liability		937,138
Less current portion		(90,497)
Long-term lease liability, December 31, 2019	**$**	**846,641**

(Expressed in Canadian Dollars)

8. LEASE LIABILITIES

Minimum lease payments in respect of the above lease liabilities are as follows:

	Up to 1 year	2 - 5 years	Total
Minimum lease payments	$ 144,272	$ 978,751	$ 1,123,023

9. CONVERTIBLE DEBENTURE LIABILITY

On March 14, 2019, the Company issued convertible debentures (the “Debentures”) of $5,094,000 to Atlantic. The Debentures carried an interest rate of 8.4% (due semi-annually in March and September). The principal amount of the Debentures was due and payable on demand. At any time, the subscriber could, at its option, convert the debenture into common shares of the Company at a conversion price of $0.7680 per share.

For accounting purposes, the Debentures were separated into their liability and equity components by first valuing the liability component. Because the Debentures were payable on demand, the fair value of the liability component at the time of issue was calculated as the principal amount owing on the convertible debenture liability, being $5,094,000. This resulted in no residual value being attributed to the equity component of the financial instrument.

On July 18, 2019, pursuant to the Arrangement, Atlantic converted the Debentures ($5,094,000 in principal and $148,591 in interest) into 6,825,986 common shares of Artemis at $0.7680 of debt per share. As part of the Arrangement, Atlantic distributed 100% of the common shares of Artemis to Atlantic shareholders on the closing date of the Arrangement, being July 19, 2019.

Interest and accretion expense for the period January 10, 2019 to December 31, 2019 was $148,591 and has been expensed to the statement of income and comprehensive income.

10. DEFERRED INCOME TAX LIABILITY

Income tax expense differs from the amount that would result from applying the Canadian and federal and provincial income tax rates to earnings before income taxes. These differences result from the following items:

		December 31, 2019
Income (loss) before income taxes	$	7,276,889
Combined federal and provincial income tax rates		27.00%
Expected income tax recovery		1,964,760
Increase (decrease) due to:		
Non-taxable portion of unrealized gains		(1,183,442)
Non-deductible expenses		219,577
Deferred Income tax expense	**$**	**1,000,895**

(Expressed in Canadian Dollars)

10. DEFERRED INCOME TAX LIABILITY (continued)

The components of deferred tax liability are as follows:

		December 31, 2019
Convertible debenture	$	662,234
Investment in VLC		210,683
Warrants		317,499
Losses		(214,002)
Right of use asset		248,334
Lease liability		(253,027)
Share issue costs		(42,538)
Mineral Property		27,016
	$	**956,198**

The change for the year in the Company's net deferred tax position was as follows:

Opening Balance, January 10, 2019	$	-
Deferred tax expense		1,000,895
Deferred tax charged against equity		(44,697)
Ending balance, December 31, 2019	$	956,198

11. EQUITY

a) Authorized share capital

Unlimited number of common shares without par value.

On July 18, 2019, the Company's common shares were split on the basis of approximately 1.302 post subdivided share for every pre subdivided share. All common share, and per share amounts in these financial statements have been retrospectively restated to present post subdivision amounts.

On March 14, 2019 the Company issued 5,085,710 shares for cash proceeds of $3,906,000.

On June 12, 2019 the Company issued 1 share for cash proceeds of $125,000.

On July 18, 2019 Atlantic converted the convertible debt to common shares, see Note 9.

On August 27, 2019, Artemis completed a non-brokered private placement financing for gross proceeds of $32,641,566 (the "Private Placement"). The Private Placement resulted in Artemis issuing 36,268,407 units (the "Artemis Units") at a price of $0.90 per Artemis Unit. Each Artemis Unit consists of one Artemis common share and one common share purchase warrant, with each whole warrant entitling the holder to purchase one additional Artemis common share at a price of $1.08 per share for a period of 60 months following closing of the Private Placement. There was no residual value to assign to the warrants.

Certain directors and officers of Artemis subscribed to 17,889,155 common shares of the Private Placement which are subject to an escrow agreement. Ten percent of the common shares were released from escrow on September 30, 2019 and 15% will be released from escrow every six months starting March 31, 2020 until September 30, 2022. At December 31, 2019 16,100,240 shares remained in escrow.

(Expressed in Canadian Dollars)

11. EQUITY (continued)

b) Stock options

The Company has established a stock option plan (the "Plan") for its directors, executive officers, employees and consultants under which the Company may grant options to acquire a maximum number of common shares equal to 10% of the total issued and outstanding common shares of the Company exercisable for a period of up to 10 years from the date of grant.

As at December 31, 2019, the Company had the following stock options outstanding:

	Number of Options		Weighted-average exercise price
Options outstanding - January 10, 2019	-		-
Granted	**1,520,000**	**$**	**1.16**
Options outstanding - December 31, 2019	**1,520,000**	**$**	**1.16**
Options exercisable - December 31, 2019	**506,667**	**$**	**1.16**

On October 24, 2019, the Company granted 1,520,000 stock options with a fair value of $1,576,587 to directors and employees of the Company with an exercise price of $1.16, expiring on October 24, 2029. The Company uses the Black Scholes option pricing model to determine the fair value of stock options granted. The vesting period for options is 1/3 immediately, 1/3 six months after the grant date and 1/3 twelve months after the grant date.

During the year ended December 31, 2019, the Company recognized share-based payments expense of $818,447 which was expensed in the statement of income and comprehensive income.

As at December 31, 2019, all outstanding stock options had an exercise price of $1.16 with a weighted average remaining life of 9.82 years.

The following assumptions were used in the valuation of the stock options granted in the period ended December 31, 2019:

Risk free interest rate	1.45%
Expected life	10 years
Annualized volatility	100%
Dividend rate	0.00%
Forfeiture rate	0.00%

The risk-free rate for periods within the contractual term of the option is based on the Bank of Canada administered interest rates in effect at the time of the grant. The expected life of the options granted represents the period of time that the options granted are expected to be outstanding.

Expected volatilities are based on historical volatilities of stock prices of comparable companies given the limited life of the Company as an exploration and development company. Expected forfeiture rates have been assumed to be nil as to date, most employees and directors involved are key personnel.

(Expressed in Canadian Dollars)

12. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

a) Key Management Compensation

Key management includes the Company's directors, Chief Executive Officer and Chief Financial Officer. Compensation awarded to key management for the period ended December 31, 2019 comprised the following:

		December 31,2019
Salaries and benefits	$	**98,202**
Consulting fees		**116,667**
Director fees		**75,000**
Share-based payments		**780,755**
	$	**1,070,624**

b) Payable to related parties

As at December 31, 2019, the Company owed $7,500 in directors' fees to certain directors of the Company.

As at December 31, 2019, the Company owed $8,764 to Oceanic Iron Ore Corp., a company with common management, relating to payments owing for overhead and service costs.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's financial instruments consist of cash and cash equivalents, interest receivables and deposits, an investment in a convertible debenture issued by VLC and an investment in VLC warrants, both of which are designated as FVPL. The Company's marketable securities are designated as FVOCI. The Company's financial instruments also include amounts due to a related party and accounts payable, which are measured at amortised cost.

Financial instrument risk exposure

The Company is exposed in varying degrees to a variety of financial instrument related risks. The board approves and monitors the risk management processes.

<u>Interest rate risk</u>

Interest rate risk is the risk that the future cash flows from a financial instrument will fluctuate due to changes in market interest rates. The Company holds its cash in bank accounts that earn variable interest rates. Based on cash balances at December 31, 2019, a 1% variation in interest rates would have a $315,023 impact on the statement of income and comprehensive income.

(Expressed in Canadian Dollars)

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Credit risk

Credit risk arises from the potential for non-performance by counterparties of contractual financial obligations. As at December 31, 2019, the Company has cash on deposit with a large Canadian bank. Credit risk is concentrated as a significant amount of the Company's cash and cash equivalents is held at one financial institution. Management believes the risk of loss to be remote. Although the Company's exposure to both the convertible debenture investment, including interest receivable, and warrants are convertible into common shares of VLC at the discretion of the Company, there is no certainty the common shares can be sold in an efficient manner.

Liquidity Risk

Liquidity risk is the risk that the Company cannot meet its obligations as they fall due. The Company's cash and cash equivalents are invested in business accounts which are available on demand.

Contractual undiscounted cash flow requirements for financial liabilities as at December 31, 2019 are presented below:

	Less than 1 year	1 - 3 years	4 - 5 years	Total
Accounts payable and accrued liabilities	$ 237,070	$ -	$ -	$ 237,070
Lease liability	144,272	602,045	376,706	1,123,023
Due to related parties	16,264	-	-	16,264

Market risk

Market risk is the risk that the fair market value of the Company's financial instruments will significantly fluctuate due to changes in market prices. The value of the financial instruments can be affected by changes in interest rates, and equity and commodity prices. The fair value of the Company's convertible debenture receivable is affected by changes in the share price of VLC. A $0.01 change in the share price of VLC would result in a change of approximately $81,000 change in the value of the convertible debt. The $81,000 increases as the price increases beyond $0.01 and decreases as the price decreases beyond $0.01. The fair value of the Company's investment in warrants of VLC is affected by changes in the share price of VLC. A $0.01 change in the share price of VLC would result in a change of approximately $180,000 in the value of the convertible debt. The $180,000 increases as the price increases beyond $0.01 and decreases as the price decreases beyond $0.01.

Currency risk

The functional currency of the Company is the Canadian dollar. Currency transaction risk and currency translation risk is the risk that fluctuations of the Canadian dollar in relation to other currencies may impact the fair value of financial assets, liabilities and operating results. As of December 31, 2019, the Company had no financial assets or liabilities that were subject to currency translation risk.

(Expressed in Canadian Dollars)

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Fair value

A three-level hierarchy for fair value measurements exists based upon the significance of inputs used in making fair value measurements:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 – Inputs for the asset or liability that are not based on observable market data.

The fair value of the Company's financial instruments as at December 31, 2019 are summarized as follows:

	December 31, 2019	
	Carrying amount	Fair value
Financial assets		
Cash and cash equivalents	$ 31,502,309	$ 31,502,309
Receivables	126,915	126,915
Investment on marketable securities	304,300	304,300
VLC - convertible debentures	9,999,434	9,999,434
VLC - warrants	2,351,844	2,351,844
Financial liabilities		
Accounts payable and accrued liabilities	$ 237,070	$ 237,070
Lease liability	937,138	937,138
Due to related parties	16,264	16,264

Fair value is based on available public market information or, when such information is not available, estimated using present value techniques and assumptions concerning the amount and timing of future cash flows and discount rates which factor in the appropriate credit risk. The Company's investment in the VLC convertible debentures, and the investment in VLC warrants are categorized as Level 3 in the fair value hierarchy as observable market data for these investments are not available. All other financial instruments are categorized as Level 1.

14. CAPITAL MANAGEMENT

Capital includes all components of shareholders' equity. The Company's objective in managing capital is to safeguard the Company's ability to continue as a going concern, to maintain a flexible capital structure which optimizes cost of capital at acceptable risk, and to provide reasonable returns to shareholders. The Company manages the capital structure and makes adjustments in light of changes in economic conditions, foreign exchange rates and the risk characteristics of the Company's assets. In order to maintain or adjust the capital structure, the Company may issue new shares, or sell assets to improve working capital. The Company has no other externally imposed capital requirements.

15. SUBSEQUENT EVENTS

a) On January 6, 2020, the Company granted 200,000 incentive stock options pursuant to the Company's Stock Option Plan which are exercisable at $1.30 per share and expire on January 6, 2030.

b) On February 6, 2020, the Company invested $2,066,755 in VLC by subscribing to a non-brokered private placement. The Company acquired 5,166,887 VLC units at a price of $0.40. Each VLC unit consists of one VLC common share and one half of a share purchase warrant, with each whole warrant entitling the holder to purchase one additional VLC common share at a price of $0.55 per share for a period of 18 months following closing of the private placement. This increased the Company's ownership in VLC to 21.6%

c) During March 2020, several measures have been implemented in Canada and the rest of the world in response to the increased impact from novel coronavirus (COVID-19). We continue to operate our business at this time. While the impact of COVID-19 is expected to be temporary, the current circumstances are dynamic and the impacts of COVID-19 on our business operations cannot be reasonably estimated at this time and we anticipate this could have an adverse impact on our business, results of operations, financial position and cash flows in 2020. In particular, the valuation of our investment in VLC may be impacted during Q1 2020 or beyond.

   As required by IFRS, we have not reflected these subsequent conditions in the measurement of our investment in VLC at December 31, 2019.