

**CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS
(unaudited)**

For the three and nine months ended September 30, 2021 and 2020

Expressed in Canadian Dollars, unless otherwise noted



ARTEMIS GOLD INC.

Condensed Interim Consolidated Statements of Financial Position
(Unaudited - Expressed in Canadian Dollars)

	Notes	As at September 30, 2021 \$	As at December 31, 2020 \$
Assets			
Current assets			
Cash and cash equivalents		144,316,652	51,846,826
Receivables and prepayments		674,670	953,973
Marketable securities		1,069,170	3,997,280
		146,060,492	56,798,079
Non-current assets			
Restricted cash	8	766,800	540,800
Investment in Velocity	4	20,864,786	23,156,210
Mineral property, plant and equipment	5	305,203,922	-
Plant and equipment	5	-	7,100,302
Mineral property	6	-	265,077,974
TOTAL ASSETS		472,896,000	352,673,365
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		8,306,897	4,509,559
Consideration payable	7(a)	-	47,247,708
Lease liability - current portion		343,045	138,699
		8,649,942	51,895,966
Non-current liabilities			
Lease liability - non-current portion		952,366	707,943
Other variable consideration payable	7(b)	35,667,529	32,484,283
Asset retirement obligation	8	6,770,268	8,347,027
TOTAL LIABILITIES		52,040,105	93,435,219
Shareholders' equity			
Share capital	9(a)	416,735,528	250,411,031
Contributed surplus	9(b),(c)	7,959,961	3,567,530
Accumulated other comprehensive income		3,308,128	2,915,998
Retained (deficit) earnings		(7,147,722)	2,343,587
Total Shareholders' equity		420,855,895	259,238,146
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		472,896,000	352,673,365

Subsequent events (Note 12)

Approved for Issuance by the Board of Directors:

_____ "Elise Rees"	Director
_____ "Steven Dean"	Director

The accompanying notes are an integral part of the condensed interim consolidated financial statements

ARTEMIS GOLD INC.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Unaudited - Expressed in Canadian Dollars, except number of shares outstanding)

	Notes	For the three months ended September 30, 2021 \$	For the three months ended September 30, 2020 \$	For the nine months ended September 30, 2021 \$	For the nine months ended September 30, 2020 \$
Operating expenses					
Depreciation		92,622	41,871	247,427	125,613
Management fees and wages	10	706,187	1,031,262	2,176,963	1,633,912
Investor relations and corporate development		57,411	93,583	219,681	367,975
Office, Insurance and general		239,328	119,272	645,224	258,685
Professional fees		500,177	143,360	962,930	269,679
Share-based payments	9, 10	993,967	503,451	3,177,171	1,284,569
Transfer agent and regulatory		61,867	46,351	172,387	85,280
Loss from operations		(2,651,559)	(1,979,150)	(7,601,783)	(4,025,713)
Other (expense) income					
Accretion expense on lease liability		(20,117)	(13,245)	(62,669)	(40,785)
Accretion expense on consideration payable		-	(344,037)	-	(344,037)
Accretion expense on asset retirement obligation	8	(18,584)	-	(58,812)	-
Equity loss from investment in associate	4	(181,435)	(197,151)	(524,828)	(353,836)
Fair value adjustment on convertible debenture	4	-	(612,693)	(795,646)	366,073
Fair value adjustment on warrants	4	(77,835)	(379,366)	(970,950)	(277,612)
Interest income		244,097	170,828	523,379	422,646
Net loss before income taxes		(2,705,433)	(3,354,814)	(9,491,309)	(4,253,264)
Deferred income tax recovery		-	1,117,667	-	1,274,061
Net loss		(2,705,433)	(2,237,147)	(9,491,309)	(2,979,203)
Other comprehensive loss, net of tax					
<i>Items that will not be reclassified to net loss</i>					
Gains on marketable securities		557,719	794,052	392,130	2,036,675
Comprehensive loss		(2,147,714)	(1,443,095)	(9,099,179)	(942,528)
Loss per common share					
Basic		(0.02)	(0.03)	(0.07)	(0.05)
Diluted		(0.02)	(0.03)	(0.07)	(0.05)
Weighted average number of common shares outstanding					
Basic		153,497,256	79,573,076	138,337,275	58,793,020
Diluted		153,497,256	79,573,076	138,337,275	58,793,020

The accompanying notes are an integral part of the condensed interim consolidated financial statements

ARTEMIS GOLD INC.

Condensed Interim Consolidated Statements of Changes in Equity

(Unaudited - Expressed in Canadian Dollars, except number of shares)

	Notes	Share capital		Contributed surplus	Accumulated other comprehensive income	Retained (deficit) earnings	Total shareholders' equity
		Number of shares	Amount				
		#	\$				
Balance - January 1, 2021		124,204,936	250,411,031	3,567,530	2,915,998	2,343,587	259,238,146
Exercise of share purchase warrants	9(b)	1,246,666	1,346,399	-	-	-	1,346,399
Exercise of stock options	9(b)	7,000	15,381	(7,261)	-	-	8,120
Bought Deal Offering - May 19, 2021	9(a)	18,853,100	115,003,910	-	-	-	115,003,910
Non-Brokered Offering - May 25, 2021	9(a)	9,200,000	56,120,000	-	-	-	56,120,000
Share issue costs	9(a)	-	(6,161,193)	-	-	-	(6,161,193)
Shared-based payments		-	-	4,399,692	-	-	4,399,692
Gain on marketable securities		-	-	-	392,130	-	392,130
Net loss		-	-	-	-	(9,491,309)	(9,491,309)
Balance - September 30, 2021		153,511,702	416,735,528	7,959,961	3,308,128	(7,147,722)	420,855,895

	Notes	Share capital		Contributed surplus	Accumulated other comprehensive income	Retained earnings	Total shareholders' equity
		Number of shares	Amount				
		#	\$				
Balance - January 1, 2020		48,180,105	41,647,399	942,447	54,303	6,275,994	48,920,143
Consideration Shares, issued to the Vendor		7,407,407	34,444,443	-	-	-	34,444,443
Private placement - August 21, 2020		64,825,925	175,029,998	-	-	-	175,029,998
Exercise of share purchase warrants		3,453,499	3,729,779	-	-	-	3,729,779
Exercise of stock options		13,000	28,564	(13,484)	-	-	15,080
Private placement - September 2, 2020		250,000	1,362,500	-	-	-	1,362,500
Share issue costs		-	(5,912,653)	-	-	-	(5,912,653)
Shared-based payments		-	-	1,372,077	-	-	1,372,077
Unrealized gain on marketable securities		-	-	-	2,036,675	-	2,036,675
Net loss		-	-	-	-	(2,979,203)	(2,979,203)
Balance - September 30, 2020		124,129,936	250,330,030	2,301,040	2,090,978	3,296,791	258,018,839

The accompanying notes are an integral part of the condensed interim consolidated financial statements

ARTEMIS GOLD INC.

Condensed Interim Consolidated Statements of Cash Flows

(Unaudited - Expressed in Canadian Dollars)

	For the three months ended September 30, 2021 \$	For the three months ended September 30, 2020 \$	For the nine months ended September 30, 2021 \$	For the nine months ended September 30, 2020 \$
Operating activities				
Net loss	(2,705,433)	(2,237,147)	(9,491,309)	(2,979,203)
Items not involving cash:				
Depreciation	92,622	41,871	247,427	125,613
Share-based payments	993,967	503,451	3,177,171	1,284,569
Accretion expense on lease liability	20,117	13,245	62,669	40,785
Accretion expense on consideration payable	-	344,037	-	344,037
Accretion expense on asset retirement obligation	18,584	-	58,812	-
Equity loss from investment in associate	181,435	197,151	524,828	353,836
Fair value adjustment on convertible debenture	-	612,693	795,646	(366,073)
Fair value adjustment on warrants	77,835	379,366	970,950	277,612
Interest income	(244,097)	(170,828)	(523,379)	(422,646)
Deferred income tax recovery	-	(1,117,667)	-	(1,274,061)
Net changes in non-cash working capital:				
Accounts payable and accrued liabilities	655,650	120,030	1,183,064	3,495
Due to related parties	(4,838)	(26,173)	(23,818)	113
Receivables and prepayments	(51,866)	(413,285)	152,337	(400,456)
Net cash used in operating activities	(966,024)	(1,753,256)	(2,865,602)	(3,012,379)
Investing activities				
Interest received	290,912	68,478	752,545	237,122
Proceeds from (investment in) marketable securities	3,025,849	-	3,320,240	(513,422)
Investment in associate	-	-	-	(1,825,858)
Investment in warrants	-	-	-	(240,897)
Mineral property, plant and equipment	(8,785,404)	-	(24,604,547)	-
Mineral property - Exploration and Evaluation Asset	-	(261,712)	-	(446,952)
Purchase of plant and equipment	-	-	-	(37,630)
Acquisition of mineral property - Blackwater	(50,000,000)	(134,689,082)	(50,000,000)	(134,689,082)
Acquisition of PPE - Blackwater	-	(6,508,613)	-	(6,508,613)
Restricted cash	(196,000)	(540,800)	(226,000)	(540,800)
Net cash used in investing activities	(55,664,643)	(141,931,729)	(70,757,762)	(144,566,132)
Financing activities				
Exercise of stock options	8,120	15,080	8,120	15,080
Exercise of share purchase warrants	10,800	2,908,499	1,346,399	3,729,779
Lease payments	(88,650)	(36,890)	(224,046)	(110,670)
Share issuance proceeds	-	176,392,498	171,123,910	176,392,498
Share issuance costs	(173,605)	(5,807,690)	(6,161,193)	(5,862,690)
Net cash (used in) provided by financing activities	(243,335)	173,471,497	166,093,190	174,163,997
Change in cash and cash equivalents	(56,874,002)	29,786,512	92,469,826	26,585,486
Cash and cash equivalents, beginning	201,190,654	28,301,283	51,846,826	31,502,309
Cash and cash equivalents, ending	144,316,652	58,087,795	144,316,652	58,087,795
Restricted cash, ending	766,800	540,800	766,800	540,800
Total cash, cash equivalents and restricted cash, ending	145,083,452	58,628,595	145,083,452	58,628,595

The accompanying notes are an integral part of the condensed interim consolidated financial statements

ARTEMIS GOLD INC.

Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2021 and 2020
(Unaudited - Expressed in Canadian Dollars, unless otherwise noted)

1. NATURE OF OPERATIONS

Artemis Gold Inc. ("**Artemis**" or the "**Company**") was incorporated under the Business Corporations Act (British Columbia) on January 10, 2019. The Company is a development-stage company focused on the development of the Blackwater Gold Project ("**Blackwater**" or the "**Blackwater Project**") in central British Columbia. The Company's common shares are traded on the Toronto Venture Exchange under the symbol "ARTG".

The Company acquired Blackwater from New Gold Inc. ("**New Gold**") on August 21, 2020 (Note 6). The Company also has a significant investment in Velocity Minerals Ltd. ("**VLC**") which is in the business of acquiring, exploring, and evaluating mineral resource properties in Bulgaria.

The Company operates a single reportable segment, being the exploration and development of mineral properties.

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.

2. BASIS OF PREPARATION

Basis of preparation and measurement

These unaudited condensed interim consolidated financial statements ("**Interim Financial Statements**") have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board applicable to the preparation of interim financial statements including International Accounting Standard 34 - *Interim Financial Reporting* and do not include the information required for full annual financial statements. Accordingly, they should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2020 and the period from January 10, 2019 to December 31, 2019 (the "**Annual Financial Statements**"). The accounting policies applied in the preparation of these Interim Financial Statements are consistent with those applied and disclosed in the Annual Financial Statements. Certain prior period amounts have been reclassified to conform to the presentation in the current period.

These Interim 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 Interim Financial Statements have been prepared using the accrual basis of accounting, except for cash flow information. These Interim Financial Statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiary. References to "US\$" are to United States Dollars. Certain comparative period information has been restated to conform to the current period presentation.

These Interim Financial Statements were approved by the board of directors on November 23, 2021.

ARTEMIS GOLD INC.

Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2021 and 2020
(Unaudited - Expressed in Canadian Dollars, unless otherwise noted)

2. BASIS OF PREPARATION (continued)

Basis of consolidation

These Interim Financial Statements include the accounts of the Company and its wholly-owned subsidiary, BW Gold Ltd. Both entities are domiciled in Canada. All inter-company balances, transactions, revenues and expenses have been eliminated upon consolidation.

3. USE OF ESTIMATES AND JUDGMENTS

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, and contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable in the circumstances. Uncertainty about these judgments, estimates and assumptions could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The Company's interim results are not necessarily indicative of its results for a full year. The significant judgments and estimates applied in the preparation of these Interim Financial Statements are consistent with those applied and disclosed in Note 4 of the Annual Financial Statements.

4. INVESTMENT IN VLC

The Company's investment in VLC as at September 30, 2021 was comprised of:

	Investment in associate \$	Convertible debenture \$	Warrants \$	Total \$
Balance, January 1, 2020	5,639,902	9,999,434	2,351,844	17,991,180
Investment	3,825,858	-	240,897	4,066,755
Fair value change for the year	-	1,410,550	106,721	1,517,271
Shares received in settlement of interest	432,990	(432,990)	-	-
Equity loss on investment in associate	(418,996)	-	-	(418,996)
Balance, December 31, 2020	9,479,754	10,976,994	2,699,462	23,156,210
Conversion of debenture	10,181,348	(10,181,348)	-	-
Fair value change in the period	-	(795,646)	(970,950)	(1,766,596)
Equity loss on investment in associate	(524,828)	-	-	(524,828)
Balance, September 30, 2021	19,136,274	-	1,728,512	20,864,786

On March 25, 2021, the Company exercised its conversion option on the convertible debenture which had a face value of \$5,094,000 plus accrued interest of \$208,784, in exchange for 21,211,136 common shares of VLC. This brought the Company's interest in the common shares of VLC to 50,701,138 (or 32% of VLC's issued and outstanding common shares at) which as at September 30, 2021 had a fair market value of \$21,801,489 (December 31, 2020 - 29,490,002 VLC shares at a fair value of \$14,745,001).

ARTEMIS GOLD INC.

Notes to the Condensed Interim Consolidated Financial Statements
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(Unaudited - Expressed in Canadian Dollars, unless otherwise noted)

4. INVESTMENT IN VLC (continued)

On August 12, 2021, 2,583,443 of the Company's share purchase warrants in VLC expired unexercised as the exercise price of the share purchase warrants (\$0.55 per share purchase warrant) remained in excess of the prevailing share price of VLC.

As at September 30, 2021, the Company held 9,300,000 share purchase warrants which are exercisable at \$0.25 per warrant until March 14, 2022.

The Company applies equity accounting to the investment in the common shares of VLC as the Company has significant influence over VLC due to the Company's share ownership and representation on VLC's Board of Directors. As a result, the common shares were recognized at cost, with the carrying amount of the investment increasing or decreasing at each reporting period to recognize the Company's share of the profit or loss of VLC for the particular period.

The warrants are measured at fair value through profit and loss, with the loss recorded in the interim consolidated statements of loss and comprehensive loss. The Company used the Black-Scholes option pricing model to calculate the fair value of the warrants held in VLC. The Company used the following weighted average assumptions to fair value the warrants:

	September 30, 2021	December 31, 2020
Share price	\$0.43	\$0.50
Volatility	61%	61%
Expected life in years	0.38	1.07
Dividend rate	0.00%	0.00%
Risk-free rate	0.52%	0.25%

The assets and liabilities of VLC are summarized in the following table and incorporates VLC's most recently available financial information at the time of preparation of these Interim Financial Statements, which was as at June 30, 2021.

	June 30, 2021
	\$
Current assets	7,284,237
Non-current assets	21,890,053
	29,174,290
Current liabilities	685,269
Non-current liabilities	57,019
	742,288
Net assets	28,432,002
Company's equity share of net assets	9,111,785
Loss and comprehensive loss attributable to VLC shareholders for the nine months ended June 30, 2021	(1,789,925)

ARTEMIS GOLD INC.

Notes to the Condensed Interim Consolidated Financial Statements
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(Unaudited - Expressed in Canadian Dollars, unless otherwise noted)

5. MINERAL PROPERTY, PLANT AND EQUIPMENT

	Mineral property \$	Right-of- use asset \$	Camp \$	Equipment \$	Vehicles \$	Other ⁽¹⁾ \$	Total \$
COST							
Balance, January 1, 2020	-	959,744	-	-	-	-	959,744
Additions	-	-	-	-	-	37,632	37,632
Acquisition of Blackwater	-	-	4,817,845	1,457,107	126,461	107,200	6,508,613
Balance, December 31, 2020	-	959,744	4,817,845	1,457,107	126,461	144,832	7,505,989
Additions (dispositions)	-	610,144	(15,000)	204,222	(12,320)	384,617	1,171,663
Transfer from mineral property – exploration and evaluation asset (Note 6)	297,627,717	-	-	-	-	-	297,627,717
Balance, September 30, 2021	297,627,717	1,569,888	4,802,845	1,661,329	114,141	529,449	306,305,369
ACCUMULATED DEPRECIATION							
Balance, January 1, 2020	-	(39,989)	-	-	-	-	(39,989)
Depreciation	-	(159,958)	(160,595)	(28,571)	(8,431)	(8,143)	(365,698)
Balance, December 31, 2020	-	(199,947)	(160,595)	(28,571)	(8,431)	(8,143)	(405,687)
Depreciation	-	(216,307)	(360,463)	(67,717)	(18,764)	(32,509)	(695,760)
Balance, September 30, 2021	-	(416,254)	(521,058)	(96,288)	(27,195)	(40,652)	(1,101,447)
NET BOOK VALUE							
Balance, December 31, 2020	-	759,797	4,657,250	1,428,536	118,030	136,689	7,100,302
Balance, September 30, 2021	297,627,717	1,153,634	4,281,787	1,565,041	86,946	488,798	305,203,922

(1) Included in “Other” are furniture, leasehold improvements, buildings and land.

Total depreciation recognized during the three months and nine months ended September 30, 2021 was \$243,704 and \$695,760 (for the three and nine months ended September 30, 2020 – \$41,871 and \$125,613), respectively, of which \$92,622 and \$247,427 was expensed in the interim consolidated statements of loss and comprehensive loss (for the three and nine months ended September 30, 2020 - \$41,871 and \$125,613), respectively. The remaining balances were capitalized to mineral property.

During the three months ended September 30, 2021, the Company finalized the feasibility study associated with the Blackwater Project, which demonstrated its technical and economic viability as defined in IFRS 6 – Exploration and Evaluation of Mineral Resources (“IFRS 6”). As such, the carrying value of the mineral property associated with the Blackwater Project was transferred from mineral property (exploration and evaluation asset under IFRS 6) to mineral property, plant and equipment (under IAS 16 – Property, Plant and Equipment).

At the time of transition from IFRS 6 to IAS 16, the Company completed an impairment assessment as required under IFRS 6, and no impairment was identified.

ARTEMIS GOLD INC.

Notes to the Condensed Interim Consolidated Financial Statements
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6. MINERAL PROPERTY – EXPLORATION AND EVALUATION ASSET

	Total \$
Balance, January 1, 2020	222,354
Acquisition of Blackwater	246,319,298
Asset retirement asset recognized upon acquisition of Blackwater	8,626,352
Additions	10,212,278
Change in asset retirement obligation estimate (Note 8)	(302,308)
Balance, December 31, 2020	265,077,974
Additions	34,183,314
Change in asset retirement obligation estimate (Note 8)	(1,635,571)
Transfer to mineral property, plant and equipment (Note 5)	(297,627,717)
Balance, September 30, 2021	-

On August 21, 2020, the Company acquired the Blackwater Project from New Gold for total consideration of \$246,319,298 (the “**Acquisition**”) including:

- A \$50,000,000 cash payment, which was due one year from closing (the “**Consideration Payable**”) (Note 7(a); and
- A life of mine gold stream (the “**Gold Stream**”) as described in Note 7(b).

The Company’s 100% interest in the Blackwater Project is subject to a number of net smelter royalty (“**NSR**”) arrangements. The majority of these NSRs do not affect the proposed mining operation; the only NSR that affect the proposed open pit operations are the Dave option (1.5% NSR) and the Jarrit option (1.0% NSR).

During the nine months ended September 30, 2021, the additions to mineral property of \$34,184,314 included, among other things, \$11,262,000 in engineering, \$10,922,000 associated with environment and permitting, \$5,936,000 of accretion of Consideration Payable (Note 7(a), (b)), as well as \$2,958,000 associated with the Company’s 2021 grade control drilling program.

ARTEMIS GOLD INC.

Notes to the Condensed Interim Consolidated Financial Statements
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7. CONSIDERATION PAYABLE

a) Consideration Payable – acquisition

As part of the consideration associated with the Acquisition, the Company agreed to pay \$50,000,000 cash to New Gold by August 23, 2021 (Note 6). The financial liability was initially recognized at fair value of \$45,871,560. Changes to the amortized cost of the financial liability were as follows:

	Carrying amount \$
Balance January 1, 2020	-
Recognized upon Acquisition	45,871,560
Accretion expense capitalized to mineral property	1,376,148
Balance, December 31, 2020	47,247,708
Accretion expense capitalized to mineral property	2,752,292
Settlement of consideration payable to New Gold	(50,000,000)
Balance, September 30, 2021	-

b) Variable consideration payable – Gold Stream

As part of the consideration associated with the Acquisition, the Company agreed to a Gold Stream with New Gold with the following attributes:

- New Gold will receive a percentage of gold production from the Blackwater Project as follows: 8% until 279,908 refined gold ounces are delivered to and purchased by New Gold, then 4% thereafter for the remaining life of mine;
- New Gold will pay a purchase price equal to 35% of the US\$ spot price for the gold ounces received. The 65% discount given will be recorded as an increase to the cost of the asset when incurred as variable consideration for the Acquisition; and
- The Gold Stream includes a delayed construction/production penalty clause (the “**Delay Penalty Clause**”) whereby, in the event the Blackwater mineral processing facility has not achieved an average of at least 80% of nameplate capacity (as per the definition in the 2021 feasibility study (see Note 4 and 5 in the Management Discussion and Analysis for the three and nine months ended September 30, 2021 and 2020) for a period of 60 days prior to each of August 21, 2027, 2028 and 2029, the Company will be required to make penalty payments to New Gold in the amount of \$28,000,000 (the “**Penalty Payment**”) per annual deadline missed, up to a maximum of \$84,000,000. Although the Company does not control all of the events which may result in payment of the Penalty Payments, it is likely that the minimum benefit to New Gold, either as a result of the Delay Penalty Clause or through future sales at a discount to the spot price, will be the sum of the Penalty Payments. Accordingly, the Company has recorded a liability for variable consideration payable upon the acquisition of Blackwater.

ARTEMIS GOLD INC.

Notes to the Condensed Interim Consolidated Financial Statements
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7. CONSIDERATION PAYABLE (continued)

b.) Variable consideration payable – Gold Stream (continued)

The initial fair value of the financial liability was determined using a discount rate of 12.5% and subsequent changes to the amortized cost were as follows:

	Carrying amount \$
Balance, January 1, 2020	-
Recognized upon Acquisition	31,048,644
Accretion expense capitalized to mineral property	1,435,639
Balance, December 31, 2020	32,484,283
Accretion expense capitalized to mineral property	3,183,246
Balance, September 30, 2021	35,667,529

8. ASSET RETIREMENT OBLIGATION

Changes to the asset retirement obligation are as follows:

	Carrying amount \$
Balance, January 1, 2020	-
Assumed on acquisition of Blackwater	8,626,352
Accretion expense	22,983
Change in obligation estimate	(302,308)
Balance, December 31, 2020	8,347,027
Accretion expense	58,812
Change in obligation estimate	(1,635,571)
Balance, September 30, 2021	6,770,268

The majority of the expenditures are expected to occur after 2047. As at September 30, 2021, the assumptions applied in estimating the asset retirement obligation related to the inflation rate and discount rate were 2.02% and 1.98% per annum (as at December 31, 2020 2.02% and 1.07% per annum), respectively.

As at September 30, 2021, the Company recorded \$766,800 of restricted cash on the statements of financial position with respect to cash collateral posted to support surety bonds in the amount of \$3,684,000 attributed to the asset retirement obligation and early works permit (\$540,800 of restricted cash for a \$2,704,000 surety bond attributed to the asset retirement obligation and \$196,000 of restricted cash for a \$980,000 surety bond related to the early works permit). The remainder of the Company's restricted cash balance relates to collateral provided in regard to general corporate accounts.

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9. EQUITY

a) Authorized share capital

Unlimited number of common shares without par value.

On May 19, 2021, the Company completed a brokered offering with a syndicate of underwriters to issue 18,853,100 common shares on a bought deal basis at a price of \$6.10 per common share (the "Bought Deal Offering"). The Company also completed a non-brokered offering for 9,200,000 common shares at a price of \$6.10 per common share (the "Non-Brokered Offering") on May 25, 2021, for combined gross proceeds of \$171,123,910. The Company incurred share issuance costs in the amount of \$6,161,193 in connection with the Bought Deal Offering and Non-Brokered Offering combined.

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.

The Company uses the Black Scholes option pricing model to determine the fair value of stock options granted. As at September 30, 2021, the Company had the following stock options outstanding and exercisable:

	Number of stock options #	Weighted-average exercise price \$
Outstanding – January 1, 2020	1,520,000	1.16
Granted	3,275,000	5.00
Exercised	(13,000)	1.16
Outstanding – December 31, 2020	4,782,000	3.79
Granted	991,500	6.15
Exercised	(7,000)	1.16
Forfeited	(13,333)	5.19
Outstanding – September 30, 2021	5,753,167	4.20
Exercisable – September 30, 2021	2,725,000	2.70

Total share-based payments recognized during the three and nine months ended September 30, 2021 was \$1,383,678 and \$4,399,692 (three and nine months ended September 30, 2020 – \$590,959 and \$1,372,077), respectively, of which \$389,711 and \$1,222,521 was capitalized to mineral properties (three and nine months ended September 30, 2020 - \$87,508), respectively, while \$993,967 and \$3,177,171 was expensed in the interim consolidated statements of loss and comprehensive loss (three and nine months ended September 30, 2020 - \$503,451 and \$1,284,569), respectively.

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9. EQUITY (continued)

b) Stock options (continued)

As at September 30, 2021, outstanding stock options had a weighted average remaining life of 5.2 years (December 31, 2020 – 6.4 years).

The following weighted-average assumptions were used in the valuation of the stock options granted during the nine months ended September 30, 2021 and 2020:

	For the nine months ended September 30, 2021	For the nine months ended September 30, 2020
Annualized volatility	54%	100%
Expected life in years	5	10
Dividend rate	0.00%	0.00%
Risk-free rate	0.53%	1.31%
Forfeiture rate	0.00%	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 Company has assumed that any granted stock options will not be exercised until the expiry date.

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 to date.

c) Share purchase warrants

All share purchase warrants expire on August 27, 2024. A summary of the changes in share purchase warrants is as follows:

	Number of warrants #	Weighted-average exercise price \$
Outstanding – January 1, 2020	36,268,407	1.08
Exercised	(3,528,499)	1.08
Outstanding – December 31, 2020	32,739,908	1.08
Exercised	(1,246,666)	1.08
Outstanding – September 30, 2021	31,493,242	1.08

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10. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

Key management compensation

Key management includes the Company's directors, Chief Executive Officer, Chief Financial Officer and Chief Operating Officer. Compensation awarded to key management for the three and nine months ended September 30, 2021 and 2020 comprised the following:

	For the three months ended September 30, 2021 \$	For the three months ended September 30, 2020 \$	For the nine months ended September 30, 2021 \$	For the nine months ended September 30, 2020 \$
Salaries and benefits	190,438	226,419	674,629	357,319
Consulting fees	143,750	506,250	431,250	681,250
Directors' fees	73,125	57,083	261,458	139,583
Share-based payments	875,179	439,983	2,864,269	1,004,318
	1,282,492	1,229,735	4,231,606	2,182,470

11. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, interest receivables and deposits, and the investment in VLC warrants which are classified as fair value through profit and loss. The Company's marketable securities are designated as fair value through other comprehensive income and loss. The Company's financial instruments also include accounts payable and consideration payable, which are measured at amortised cost.

Fair value measurements

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); and
- Level 3 – Inputs for the asset or liability that are not based on observable market data.

As at September 30, 2021, the carrying value of the Company's cash and cash equivalents, receivables, as well as accounts payable approximate their fair values due to their short-term nature, while the Company's investments in marketable securities and warrants in VLC are carried at fair value. The carrying value of other variable consideration payable is considered to approximate its fair value. The fair value of the Company's equity investment in VLC is disclosed in Note 4.

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 fair value of the Company's investment in the VLC warrants and other variable consideration payable, are categorized as Level 3 in the fair value hierarchy as observable market data for these instruments are not available. Marketable securities are categorized as Level 1.

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12. SUBSEQUENT EVENTS

- a) On October 8, 2021 2,905,000 incentive stock options were granted. The options are exercisable at a price of \$5.39 per share, expiring on October 8, 2026.
- b) Subsequent to September 30, 2021 the Company issued 392,777 common shares in various tranches pursuant to warrant exercises for gross proceeds of \$424,200.