# MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended December 31, 2020

# ARTEMIS GOLD INC.

Dated March 30, 2021

## 1. GENERAL

This management's discussion and analysis ("**MD&A**") is management's interpretation of the results and financial condition of Artemis Gold Inc. ("**Artemis**" or the "**Company**") for the year ended December 31, 2020 and includes events up to the date of this MD&A. This discussion should be read in conjunction with the annual audited financial statements for the year ended December 31, 2020 and the related notes thereto of the Company (the "**Annual Financial Statements**") and other corporate filings of the Company, including its most recently filed Annual Information Form ("**AIF**"), all of which are available under the Company's profile on SEDAR at www.sedar.com. Unless otherwise specified, all financial information has been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board. All dollar figures stated herein are expressed in Canadian dollars, unless otherwise specified. This MD&A contains forward-looking information. Please see the section, "Note Regarding Forward-Looking Information" for a discussion of the risks, uncertainties and assumptions used to develop the Company's forward-looking information.

## 2. TECHNICAL INFORMATION

All scientific and technical information herein related to the Blackwater Gold Project located in central British Columbia (the "**Blackwater Project**" or "**Blackwater**") has been reviewed and approved by Mr. Jeremy Langford, FAusIMM., who is a qualified person for the purposes of National Instrument 43-101 *Standards of Disclosure for Mineral Projects* ("**NI 43-101**"). For additional information regarding the Blackwater Project, please see the Company's news release dated August 26, 2020, as well as the Company's technical report entitled "Blackwater Gold Project British Columbia NI 43-101 Technical Report" dated September 18, 2020 (with an effective date of August 26, 2020) (the "**2020 PFS**"), both available on the Company's profile at www.sedar.com. Further details regarding the qualified person's data verification procedures are included in the Company's news releases dated December 7, 2020 and March 1, 2021, respectively, available on the Company's profile at www.sedar.com.

All scientific and technical information herein related to Velocity Minerals Ltd. ("**Velocity**" or "**VLC**") has been reviewed, approved and prepared by Mr. Stuart Mills, a qualified person for the purposes of NI 43-101. For additional information regarding the Rozino Pre-Feasibility Study, including its quality assurance and quality control procedures, please see the technical report dated effective October 14, 2020 on VLC's profile on SEDAR at www.sedar.com.

## 3. BACKGROUND

Artemis was incorporated on January 10, 2019 pursuant to the *Business Corporations Act* (British Columbia) under the name 1193490 B.C. Ltd. Artemis was incorporated as a wholly-owned subsidiary of Atlantic Gold Corporation ("**Atlantic**") for the purpose of acquiring gold mineral exploration 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 effective date. The Arrangement closed on July 19, 2019.

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

On October 2, 2019, Artemis' common shares commenced trading on the TSX Venture Exchange (the "**TSXV**").

On August 21, 2020, the Company completed the acquisition of the Blackwater Project from New Gold Inc. ("**New Gold**").

The Company also holds a 32% equity interest in Velocity (22% as at December 31, 2020). VLC is in the business of acquiring, exploring, and evaluating mineral resource properties in Bulgaria and its flagship project is the Rozino Project. Velocity's common shares are traded on the TSXV under the symbol "VLC".

## 4. HIGHLIGHTS AND KEY BUSINESS DEVELOPMENTS

**Corporate highlights since the prior quarter**

- The Company continued its work towards de-risking the Blackwater Project by:
  - Executing a 33,216-metre grade control drill program, the results of which will inform mine planning for the initial years of mining;
  - Publishing the results of an Economic Impact Study, demonstrating the potential to be a new economic engine contributing to the local, provincial and national economy for more than 25 years;
  - Continuing metallurgical test work to complement the findings of the 2020 PFS, returning average recoveries in excess of the 93% recovery rate stated in the 2020 PFS;
  - Executing site investigation work, including geotechnical drilling at the proposed tailings storage facility (the "**TSF**") and plant site;
  - Continuing negotiations with indigenous nations;
  - Submitting an application to the government of British Columbia for permits for early construction works, as well as documents required to amend Blackwater's Schedule 2 of the Metal and Diamond Mining Effluent Regulations ("**MDMER**") for mine waste disposal; and
  - Executing a memorandum of understanding ("**MOU**") with Ausenco Engineering Canada Inc. ("**Ausenco**") based on a guaranteed maximum price ("**GMP**") for a fixed-price Engineering, Procurement and Construction ("**EPC**") contract to construct a 5.5 million tonne per annum processing facility and associated infrastructure.

- The Company strengthened its management team through the appointment of Mr. Jeremy Langford as Chief Operating Officer, Ms. Candice Alderson as Senior Vice President Corporate Affairs and Mr. Gerrie van der Westhuizen as Vice President Finance.

- On March 25, 2021, the Company converted its convertible debenture in VLC (in the amount of $5,302,784, including accrued interest) at a conversion price of $0.25/share for a total of 21,211,136 additional common shares of VLC. This brought the Company's position to 32% of VLC's issued and outstanding common shares (up from 22% as of December 31, 2020).

## 5. DEVELOPMENT OF BLACKWATER

### Key milestones achieved

Since October 1, 2020, the Company has completed the following activities to reduce the project execution risk associated with Blackwater:

i) Conducted an Economic Impact Study

The Company engaged KPMG to produce an Economic Impact Study (the "**Study**") to be used to measure the updated economic benefits of the staged approach to the development of the Blackwater Project. The Study focused on job creation, fiscal revenues, and overall economic wealth creation for the regions within and surrounding the Blackwater Project, the Province and for Canada. The statistics produced in the Study were based on the base case scenario of the three-phase development of Blackwater, as reported in the Company's 2020 PFS, over a minimum 23-year life of mine ("**LOM**").

The base case assumed:

- Initial development capital of $592 million to build a 5.5 million tonne per annum ("**Mtpa**") mine (years 1-5)
- $426 million in capital costs to expand to 12Mtpa (years 6-10)
- $398 million in capital costs to expand to 20Mtpa (years 11-23)

The selected B.C. regions within the Study included the Bulkley-Nechako, Fraser-Fort George and Cariboo. With a total capital investment of $1.4 billion (initial and expansion capital), Blackwater would be one of the largest capital investments for the region in the last ten years. The tables below provide a summary of the expected economic impact on the province:

**Table 1: Summary of expected total economic impact (direct, indirect and induced) on British Columbia stemming from construction and operating activities of the Blackwater Mining Project**[1]
*Over the LOM, in M$ and person-years, total and annual average*

| British Columbia | Total | Annual Average[2] |
|---|---|---|
| *Overall construction activities are expected to last 5 years (2 years initial phase followed by 2 expansion phases (15-18 months each)<br>Operating phase is expected to last for 23 years* | | |
| **Value added (in millions of dollars)** | 13,234 | - |
| Construction[2] | 810 | 162<br>*(over 5 years)* |
| Operations | 12,424 | 540<br>*(over 23 years)* |

Note: Due to rounding, the sum of items may not add up to the total.
Source: Simulations of B.C. Stat based on data from Artemis, KPMG analysis

[1] Total impact includes direct, indirect and induced effects.
[2] For construction, Artemis assumed that the overall project, including initial phase and the 2 expansion phases, would take 60 months or 5 years, therefore, results may vary depending on the exact length of each phase. Also includes closure costs.

**Table 2: Expected value-added and jobs stemming from the construction[1] and operation of the Blackwater Project in British Columbia**

| British Columbia | Direct Effects | Indirect Effects | Induced Effects | Total |
|---|---|---|---|---|
| **In millions of dollars** | | | | |
| Total value added during construction[1] | 485 | 221 | 104 | **810** |
| Value added per year during operations | 419 | 100 | 21 | **540** |
| **In Full Time Equivalent** | | | | |
| Jobs per year over 5 years of construction[1] | 825 | 453 | 222 | **1,499** |
| Jobs per year during operations | 457 | 698 | 211 | **1,366** |

Note: Due to rounding, the sum of items may not add up to the total.
Source: Simulations of B.C. Stat based on data from Artemis; KPMG analysis

The Blackwater Project is expected to generate a total of $73 million of municipal government revenue, $2.3 billion of provincial government revenue and $1.5 billion of federal government revenue over the LOM.

ii) Filing of applications for early construction works

The Company submitted applications to the B.C. government to undertake an early works construction program, which is designed to focus on clearing of key infrastructure areas including haul roads, the stage 1 tailing storage facility and camp areas. In addition, construction of the mine access road and plant-site bulk earthworks are expected to be fast-tracked to facilitate early mobilization of an EPC contractor to site upon receipt of major works permits.

iii) Award of GMP

Following a competitive bidding process involving a number of GMP proposals from engineering firms, the Company entered into an MOU with Ausenco. This was based on Ausenco's proposal to engineer and construct the processing facility and associated infrastructure for a GMP of $236 million, subject to any technical or commercial changes that may be requested by Artemis. Ausenco has already undertaken a significant amount of detailed engineering work and will progress work towards concluding a fixed-price EPC contract on an "open-book" basis, which is expected to mitigate the potential for capital cost and schedule overruns. The GMP for the processing facility covers a number of construction packages, including site development, the process plant and ore crushing circuit, on-site infrastructure, as well as engineering and project management. A fixed price EPC contract on the processing facility and associated infrastructure represents by far the largest single component of the capital cost of Blackwater at approximately 40% of the 2020 PFS estimate.

The Company is also conducting a competitive bidding process for a GMP proposal in connection with a fixed-price EPC contract for the construction of the electricity transmission line and associated offsite infrastructure for Blackwater, which is expected to be awarded in Q2 2021.

[1] For construction, Artemis assumed that the overall project, including initial phase and the 2 expansion phases, would take 60 months or 5 years, therefore, results may vary depending on the exact length of each phase. Also includes closure costs.

Ultimately, Artemis is targeting approximately 60% of the initial development capital for Blackwater to be insulated from capital cost and schedule overruns once final EPC fixed-price contracts have been executed.

The Company expects to file a definitive feasibility study ("**DFS**"), reflecting the work undertaken as part of the GMP work streams, by mid-2021.

iv) Commenced federal Schedule 2 amendment regulatory process

The Company submitted documents as required to commence the federal Schedule 2 regulatory process under the MDMER in respect of Blackwater. As part of the permitting process for Blackwater, a listing on Schedule 2 of the MDMER by way of a regulatory amendment is required for the deposition of mine waste into natural water bodies.

The Company has completed an objective and rigorous Assessment of Alternatives for mine waste disposal, as well as a fish habitat compensation plan, which are the two key elements required to commence the regulatory amendment process. Given the extensive consultation and study undertaken as part of the Environmental Assessment approval (which concluded in 2019), Artemis believes that Blackwater is eligible for a streamlined Schedule 2 amendment process. The abbreviated streamlined process does not diminish environmental protection but provides a more efficient regulatory system that aims to shorten the approval process from a period of 8-12 months down to 5-6 months.

**Ongoing Development Activities**

i) Grade control drilling program

In November 2020, the Company commenced a reverse circulation ("**RC**") drill program targeting mineralization planned to be mined during the first year of production within Phase 1 of the Blackwater development plan as set out in the 2020 PFS (the "**GC Program**"). The primary objectives of the Program are to:

- Optimize grade selectivity and mine schedule for managing the tonnes and grade of mineralized material to be processed in the first year of operations;
- Increase data density by up to 16 times over current diamond drilling data;
- More accurately delineate ore and waste boundaries to mitigate ore dilution;
- Improve drill and blast designs;
- De-risk uncertainty regarding ore mined and milled during ramp-up from a project financing perspective; and
- Provide a larger sample size to reduce the grade variability of mineralization

The Company completed 33,216 metres of grade control drilling (covering 566 holes) ahead of schedule, with a total of 11,500 samples collected, prepared and dispatched for analysis to SGS Canada Inc. in Burnaby, B.C.

Initial test work at the laboratory focused on comparing conventional assay methods (Fire Assay and 4- Acid digestion) with the LeachWELL™ assaying method. Results to date have exhibited excellent repeatability between those assay methods. A total of 5,850 assay results have been received to date.

The practice of dedicated RC grade control drilling significantly de-risks mine performance, particularly in the initial years of production. A grade control drilling program will be part of normal mining operations once in production, with drilling typically staying ahead of ore mining by 6-12 months.

ii) Geotechnical site investigation

The Company commenced a geotechnical drilling program on site in order to support detailed design of the TSF and the freshwater reservoir for Blackwater. This program included downhole seismic surveys and was expanded in January 2021 to incorporate additional drilling within the proposed plant-site area. The expanded program totaled 28 holes, including five holes drilled at the plant site, for a total of 1,395m and was completed during Q1 2021.

iii) Metallurgical test work

In the 2020 PFS, various recommendations were made for complementary metallurgical test work to support the DFS. The 2020 PFS was largely based on a comprehensive, integrated metallurgical test work program carried out by the previous owner of the Blackwater Project during 2019.

As recommended, and in conjunction with the GC Program, the Company is performing metallurgical test work on the RC material sampled as part of the GC Program, to assess variability of gold and silver recoveries. Samples are subjected to the LeachWELL™ assay process with the grade of the residual tails being fire-assayed and compared with whole-material fire-assay results in order to estimate net recoverable gold and silver. To date, the LeachWELL™ test work has returned an average gold recovery of 96.6% with an average silver recovery of 73.8%, which further supports the life of mine estimates for gold recovery of 93% and silver recovery of 65% estimated in the 2020 PFS.

*Leach Extraction*

The 2019 test work, utilizing composite samples representing the first five years of mining, were used to further optimize the process parameters. In all, some 32 tests were carried out establishing optimal leach duration and recovery at a grind size of 150µm. Combined with gravity concentration, it was shown that, at the optimized conditions, leach + gravity recovery of >93% could be obtained, with average recovery being 94.6%. As a result, the flowsheet designed for the 2020 PFS included a gravity concentrate plant to treat a significant percentage of the ball mill discharge and an extended leach residence time with a pre-aeration step and carbon-in-pulp circuit.

An additional 48 samples from throughout the deposit were also tested to investigate recovery variability using the standard 2020 PFS flowsheet (gravity concentration + gravity tailings leaching for 48 hours). The average value for gold recovery was 92.6%, with the average recovery adversely impacted by six samples. Excluding the aforementioned six samples, the average recovery of the remaining 42 samples was 94.9%. Five of the six samples had sufficient material to be re-tested using the same gravity concentration followed by an extended 48-hour leach, and a higher initial cyanide concentration was used in some cases with lead nitrate added to three of the tests (as this can increase leach recovery). Under these conditions, three of the samples showed significantly increased recoveries and two remained essentially the same. Using the results of the repeat tests added to the 43 other tests gave an overall recovery for the 48 samples of 93.1%, therefore confirming the LOM recovery rate of 93% in the 2020 PFS. Automatic cyanide control will ensure adequate cyanide is maintained in operation to ensure optimal recoveries.

*Cyanide Consumption*

The cyanide consumption recorded in the 2019 process optimization test work gave higher cyanide consumptions than anticipated. Upon review by Artemis, the test method used did not allow precise control of pH and in many cases pH values of less than 10.5 were recorded during the course of the leach tests. At a pH level below 10.5 cyanide can be lost due to the associated volatilization (evaporation) of Hydrogen Cyanide.

Tests carried out on the one remaining composite sample, with a focus on pH control, resulted in cyanide consumption of 0.59 kg/t with a gold recovery of 94.5% gold and 60.2% silver. This is consistent with the 0.60 kg/t cyanide consumption used in the 2020 PFS.

*Recovery Rates for Low Grade Ore*

Large composites of low grade (<0.4 g/t) materials are being treated through the standard flow sheet to confirm the recoveries to be expected from low grade ore which will be stockpiled and processed in Phase 4 of the mine life. Tests on lower grade samples so far have exhibited recoveries in excess of 93%.

iv) B.C. Hydro System Impact Study

A system impact study has been initiated with B.C. Hydro to determine the scope and cost of interconnection requirements for Blackwater. The preliminary results of the study are expected in April 2021 with a final study targeted for release in May 2021.

**Environment, Social and Governance initiatives**

Artemis is committed to the responsible development of the Blackwater Project. The Company has engaged a specialized Environment, Social and Governance ("**ESG**") consulting firm to assist the Company in developing and formalizing its ESG strategy and to provide the requisite ESG training within the organization.

**Next steps**

Over the next 12 to 18 months, the Company will be focused on the following activities:

- Progression and achievement of final permitting required to commence construction;
- Negotiating and awarding of lump-sum fixed price EPC contracts in respect of key components of construction of the Blackwater Project;
- Awarding a mandate in respect of project financing, finalizing commercial terms associated with the requisite debt and arranging equity financing to support development activities;
- Continuing engagement and consultation with Indigenous groups who may be impacted by the Blackwater Project; and
- Continuing work on a DFS based on the revised development approach with detailed engineering of the Blackwater Project.

## 6. DISCUSSION OF OPERATIONS AND SELECTED ANNUAL INFORMATION

During the year ended December 31, 2020 ("**FY2020**") and the period from January 10, 2019 to December 31, 2019 (the "**FY2019**") the Company incurred a net loss of $3,932,407 and generated net income of $6,275,994, respectively.

The following information has been derived from the Annual Financial Statements and should be read in conjunction with the Company's Annual Financial Statements. The information for the three months ended December 31, 2020 was derived in conjunction with the Unaudited Condensed Interim Financial Statements for the three months ended September 30, 2020 and period January 10, 2019 to September 30, 2019 which are available on www.sedar.com.

Since the Company incorporated on January 10, 2019, there are no comparative figures to present for 2018.

| | **Q4 2020**<br>**$** | Q4 2019<br>$ | **FY2020**<br>**$** | FY2019<br>$ |
|---|---|---|---|---|
| **Operating expenses** | | | | |
| Depreciation | **41,870** | 39,989 | **167,483** | 39,989 |
| Management fees and wages | **549,496** | 281,938 | **2,183,408** | 349,878 |
| Investor relations and corporate development | **54,731** | 58,626 | **422,706** | 61,396 |
| Office, Insurance and general | **165,659** | 98,272 | **424,344** | 113,152 |
| Professional fees | **488,878** | 156,125 | **758,557** | 291,538 |
| Share-based payments | **1,086,694** | 818,447 | **2,371,263** | 818,447 |
| Transfer agent and regulatory | **94,670** | 15,601 | **179,950** | 49,325 |
| **Loss from operations** | **(2,481,998)** | (1,468,998) | **(6,507,711)** | (1,723,725) |
| | | | | |
| **Other income (expense)** | | | | |
| Accretion expense on lease liability | **(12,990)** | (14,284) | **(53,775)** | (14,284) |
| Accretion expense on consideration payable | **344,037** | - | **-** | - |
| Accretion expense on asset retirement obligation | **(22,983)** | - | **(22,983)** | - |
| Interest expense on convertible debenture | **-** | - | **-** | (148,591) |
| Equity loss from investment in associate | **(65,160)** | (22,261) | **(418,996)** | (208,002) |
| Gain on investment in associate | **-** | - | **-** | 1,488,000 |
| Fair value adjustment on convertible debt | **1,044,477** | 97,261 | **1,410,550** | 5,359,338 |
| Fair value adjustment on warrants | **384,333** | (84,478) | **106,721** | 2,351,844 |
| Interest income | **132,017** | 137,832 | **554,663** | 172,309 |
| Other expenses | **(274,937)** | - | **(274,937)** | - |
| **Net (loss) income before income taxes** | **(953,204)** | (1,354,928) | **(5,206,468)** | 7,276,889 |
| Deferred income tax recovery (expense) | **-** | 146,636 | **1,274,061** | (1,000,895) |
| **Net (loss) income** | **(953,204)** | (1,208,292) | **(3,932,407)** | 6,275,994 |
| | | | | |
| Unrealized gain on marketable securities | **825,020** | - | **2,861,695** | 54,303 |
| **Total (loss) income and comprehensive (loss) income** | **(128,184)** | (1,208,292) | **(1,070,712)** | 6,330,297 |
| | | | | |
| **(Loss) earnings per common share** | | | | |
| Basic | **(0.01)** | (0.06) | **(0.05)** | 0.31 |
| Diluted | **(0.01)** | (0.06) | **(0.05)** | 0.26 |

The following includes an analysis of significant factors that impacted period-to-period variations:

**Management fees and wages**

Management fees and wages for Q4 2020 were $267,558 higher than during Q4 2019. The increase was predominantly due to additional hires following the completion of the acquisition of Blackwater in Q3 2020, as well as accruals raised associated with the Company's short-term incentive program. The Company continued to strengthen the management team in early 2021 as the Company positioned itself to execute on the development plan for Blackwater.

Management fees and wages for FY2020 were $1,833,530 higher than FY2019. This is partly due to the growth in the Company's management team since FY2019, but also reflected payments made (during Q3 2020) and accruals raised (Q4 2020) associated with the Company's short-term incentive program. The cost recognized in FY2019 associated with incentive compensation was $nil.

**Investor relations and corporate development**

Though the cost of investor relations and corporate development for Q4 2020 was comparable to Q4 2019, the $320,246 increase in expenditure for FY2020 relative to FY2019 was associated with the cost of evaluating a number of potential projects prior to the acquisition of Blackwater.

**Office, Insurance and general**

Office, Insurance and general expenses were $67,385 and $311,191 higher for Q4 2020 and FY2020, respectively, when compared to the comparative periods. This reflected the costs of setting up and operating the corporate head office in Vancouver as the scope of the Company's focus expanded.

**Professional fees**

Professional fees increased by $332,753 and $467,019 for Q4 2020 and FY2020, respectively, compared to the comparative periods. The increase related predominantly to residual regulatory compliance costs associated with Blackwater acquisition, as well as fees associated with the initial preparation of the Company's base shelf prospectus. The variance also reflects that the Company only listed on the TSXV in October 2019 and therefore incurred lower costs associated with regulatory compliance in FY2019.

**Share-based payments**

Stock-based compensation increased by $268,247 and $1,552,816 for Q4 2020 and FY2020, respectively. The increase for Q4 2020 relates to (i) new hires who joined the Company concurrent with the completion of the Blackwater acquisition and (ii) the fact that options vest over three years (with the first grant only occurring in Q4 2019; share-based compensation is therefore expected to continue to increase for the next twelve months until such time as the initial grants of stock options have fully vested). In addition to the factors noted for the Q4 2020 increase, the increase in share-based compensation for FY2020 also reflects the timing of granting of stock options as FY2019 only included three months of share-based compensation expense, compared to twelve months in FY2020.

**Changes associated with investment in VLC**

The investment in VLC is comprised of:

| | Investment in associate $ | Convertible debenture $ | Warrants $ | Total $ |
|---|---|---|---|---|
| Initial investment | 3,906,000 | 5,094,000 | - | 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 loss on investment in associate | (208,002) | - | - | (208,002) |
| Shares received in settlement of interest | 236,068 | (236,068) | - | - |
| Other | 217,836 | (217,836) | - | - |
| Balance, December 31, 2019 | 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** |

*Equity loss on investment in associate*

The Company applies equity accounting over its 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 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 recognize the Company's proportionate share of the profit or loss of VLC at each reporting period. During the year, the Company's equity interest (on an undiluted basis) increased from 19.63% to 22% (as at December 31, 2020), while VLC's most recently reported net loss for the three and twelve months prior to December 31, 2020 (most recently reported information was as at September 30, 2020) totaled $557,489 and $1,971,817, respectively (three and twelve months ended September 30, 2019: $409,402 and $2,028,776, respectively).

As at December 31, 2020, the Company held 29,490,002 VLC Shares or 22% of the issued common shares of VLC with a fair market value of $14,745,001. Subsequent to year-end, the Company converted its convertible debenture in VLC, adding 21,211,136 VLC common shares to its position for a 32% undiluted shareholding in VLC.

*Fair value adjustment on convertible debenture*

During the three months ended December 31, 2020 the fair value gain on the convertible debenture of $1,044,477 is mainly reflective of the increase in the VLC share price from $0.45 on September 30, 2020 to $0.50 on December 31, 2020.

*Fair value adjustment on warrants*

The Company's warrants in VLC have been measured at FVTPL which resulted in a gain of $384,333 for the three months ended December 31, 2020. The Company used the Black-Scholes option pricing model to calculate the fair value of the warrants held in VLC and the gain for the three months ended December 31, 2020 resulted primarily from the increase in VLC's share price during the quarter.

**Deferred Income Tax**

As at December 31, 2020, the Company's temporary differences (between carrying values and tax bases of assets and liabilities) were in a net deductible position. However, since the Company has not yet determined whether the deductible temporary differences are more-likely-than-not to be realized, no deferred tax asset was recognized. Instead, the Company reduced the previously recognized deferred tax liability (as at December 31, 2019) of $956,198 to $nil. As a result, the Company recorded a deferred tax recovery of $1,274,061 during FY2020 as part of net income and a deferred tax expense of $317,863 as part of other comprehensive income.

## 7. SUMMARY OF QUARTERLY RESULTS

The following information is derived from the Company's Interim Financial Statements prepared in accordance with IFRS applicable to interim financial reporting including IAS 34 – *Interim Financial Reporting*. For quarterly periods other than those ended December 31, the information below should be read in conjunction with the Company's Interim Financial Statements for each of the past quarters. The Company's first interim statements as a reporting issuer were prepared for the period from January 10, 2019 to September 30, 2019, therefore periods before September 30, 2019 are not presented.

Consistent with the preparation and presentation of the financial statements, these unaudited quarterly results are presented in Canadian dollars.

| | Q4 2020<br>$ | Q3 2020<br>$ | Q2 2020<br>$ | Q1 2020<br>$ | Q4 2019<br>$ | Q3 2019<br>$ |
|---|---|---|---|---|---|---|
| Revenue | - | - | - | - | - | - |
| Net (loss) income | (953,204) | (2,237,147) | 3,882,635 | (4,624,691) | (1,208,292) | 1,387,978 |
| Basic (loss) income per share | (0.01) | (0.03) | 0.08 | (0.10) | (0.06) | 0.06 |
| Diluted (loss) income per share | (0.01) | (0.03) | 0.06 | (0.10) | (0.06) | 0.06 |
| Cash dividend declared per share | nil | nil | nil | nil | nil | nil |

The Company is focused on the development of the Blackwater project and does not yet generate any revenue. It is the Company's policy to capitalize all exploration and evaluation expenses incurred and as such the changes in net income from one period to another depend largely on corporate and administrative expenditure, non-cash fair value adjustments and equity accounting associated with the Company's interest in VLC, as well as non-cash deferred income tax expenses and recoveries.

The Company's common shares commenced trading on the TSXV on October 2, 2019. Since Q3 2019, corporate and administrative expenditure remained relatively consistent until the acquisition of Blackwater in Q3 2020. Concurrent with the acquisition of Blackwater, the Company commenced with building up of human resources, resulting in increased wages and share-based compensation from Q3 2020 onwards.

In addition to the foregoing, the predominant reason for fluctuations in net (loss) income from one quarter to another was the following changes in fair value adjustments to the Company's convertible debt and warrants held in VLC:

| | Q4 2020<br>$ | Q3 2020<br>$ | Q2 2020<br>$ | Q1 2020<br>$ | Q4 2019<br>$ | Q3 2019<br>$ |
|---|---|---|---|---|---|---|
| Fair value adjustment on convertible debt | 1,044,477 | (612,693) | 3,605,547 | (2,626,781) | 97,261 | (21,227) |
| Fair value adjustment on warrants | 384,333 | (379,366) | 1,732,688 | (1,630,934) | (84,478) | - |

## 8. LIQUIDITY, CAPITAL RESOURCES, CASH FLOWS AND SELECTED ANNUAL INFORMATION

### Liquidity

As a development-stage company, Artemis does not have revenues and is expected to incur operating losses. As at December 31, 2020, the Company's net assets and working capital position were as follows:

| | **As at December 31, 2020**<br>**$** | As at December 31, 2019<br>$ |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | **51,846,826** | 31,502,309 |
| Other current assets | **4,951,253** | 431,215 |
| Current assets | **56,798,079** | 31,933,524 |
| Restricted cash | **540,800** | - |
| Other non-current assets | **295,334,486** | 19,133,289 |
| **TOTAL ASSETS** | **352,673,365** | 51,066,813 |
| | | |
| Consideration payable | **47,247,708** | - |
| Other current liabilities | **4,648,258** | 343,831 |
| Current liabilities | **51,895,966** | 343,831 |
| Non-current liabilities | **41,539,253** | 1,802,839 |
| **TOTAL LIABILITIES** | **93,435,219** | 2,146,670 |
| | | |
| **NET ASSETS** | **259,238,146** | 48,920,143 |
| | | |
| **WORKING CAPITAL** | **4,902,113** | 31,589,693 |

During the period from January 10, 2019 to December 31, 2019, the Company received net proceeds of $36,475,635 related to the issue of common shares and $5,094,000 related to the issue of convertible debt which has since been converted to common shares of the Company.

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, pursuant to the Arrangement, Atlantic converted the debenture ($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.

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 common share and one common share purchase warrant, with each whole warrant entitling the holder to purchase one additional common share at a price of $1.08 per share for a period of 60 months following closing of the Private Placement. Certain directors and officers of Artemis subscribed to 17,889,155 common shares which are subject to an escrow agreement. Ten percent of the common shares were released from escrow on September 30, 2019, and 15% have been released from escrow every six months starting March 30, 2020. As at December 31, 2020, there were 4,472,289 common shares in escrow, all of which were released from escrow on March 30, 2021.
During the year ended December 31, 2020, the exercise of share purchase warrants and stock options provided the Company with additional liquidity. A total of 3,528,499 share purchase warrants were exercised for gross proceeds of $3,810,779 and a total of 13,000 stock options were exercised for gross proceeds of $15,080.

On July 7, 2020, Artemis completed an offering for an aggregate of 64,825,925 subscription receipts at a price of $2.70 per subscription receipt for gross proceeds of $175,029,998. Each subscription receipt entitled the holder to receive one common share in the capital of the Company for no additional consideration upon satisfaction of certain escrow conditions. On closing, the subscription receipts were exchanged for 64,825,925 common shares. The proceeds from the offering were used to fund the initial payment for the acquisition with the remaining balance to be used for general corporate purposes.

The Company also issued another 7,407,407 common shares to New Gold in connection with the Blackwater acquisition.

On September 2, 2020, the Company completed a non-brokered private placement financing for gross proceeds of $1,362,500 upon the issuance of 250,000 common shares.

During FY2020, the Company funded additional cash investments in VLC in the amount of $4,066,755 and, as at December 31, 2020, the Company's undiluted ownership in VLC was 22% (see *Subsequent Events*). The Company also invested $513,422 in marketable securities, bringing the Company's cost base in marketable securities to $754,943, with a fair value of $3,997,280.

As of December 31, 2020, the Company had entered into the following obligations:

| | < 1 year<br>$ | 1 - 3 years<br>$ | 4 - 5 years<br>$ | > 5 years<br>$ | Total<br>$ |
|---|---|---|---|---|---|
| Accounts payable and accrued liabilites | 4,502,059 | - | - | - | **4,502,059** |
| Lease liability | 185,447 | 416,598 | 376,706 | - | **978,751** |
| Consideration payable | 50,000,000 | - | - | - | **50,000,000** |
| Variable consideration payable | - | - | - | 84,000,000 | **84,000,000** |
| Asset retirement obligation | - | - | - | 11,637,000 | **11,637,000** |

As at the date of this report, the Company has sufficient liquid assets to meet its contractual obligations for the ensuing 12 months. Having said this, in order for the Company to meet such obligations and undertake its discretionary spending related to further development of the Blackwater Project, it will need to (and the

Company intends to) fund such planned expenditures by obtaining financing from the exercise of warrants, through additional equity financing, or through debt financing. Management is confident financing will be available at terms agreeable to the Company, however there can be no assurance that the Company will secure the funding required for such elective initiatives.

The Company has not paid any dividends and management does not expect that this will change in the near future.

Working capital is held almost entirely in cash, significantly reducing any liquidity risk of financial instruments held by Artemis.

**Cash flows**

| | **Q4 2020** | Q4 2019 | **FY2020** | FY2019 |
|---|---|---|---|---|
| | **$** | $ | **$** | $ |
| Net cash used in operating activities | **(1,121,600)** | (750,038) | **(4,133,980)** | (784,417) |
| Net cash used in investing activities | **(5,116,803)** | (155,496) | **(149,682,935)** | (9,246,019) |
| Net cash (used in) provided by financing activities | **(2,565)** | (102,607) | **174,161,432** | 41,532,745 |
| Change in cash during the period | **(6,240,968)** | (1,008,141) | **20,344,517** | 31,502,309 |
| Cash, beginning of period | **58,087,795** | - | **31,502,309** | - |
| **Cash, end of period** | **51,846,827** | (1,008,141) | **51,846,826** | 31,502,309 |
| Restricted cash, end of period | - | - | 540,800 | - |
| **Total cash and restricted cash, end of period** | **51,846,827** | **(1,008,141)** | **52,387,626** | **31,502,309** |

*Cash flows from operating activities*

Cash used in operating activities increased by $371,562 in Q4 2020, compared to Q4 2019. This was predominantly the result of the increased scope of the Company's development activities as the Company commenced expanding its management team in conjunction with the Blackwater acquisition and also incurred residual regulatory compliance costs associated with Blackwater acquisition.

Similarly, these factors also contributed to the $3,349,563 increase in cash used in operating activities when comparing FY2020 to FY2019. In addition, the higher amount of cash used in operating activities in FY2020 reflects the cost associated with evaluating a number of corporate development prospects prior to the Blackwater acquisition, the initial incentive compensation paid in Q3 2020, as well as the fact that the Company's operations were at a much smaller scale in 2019 prior to its initial listing on the TSXV.

*Cash flows from investing activities*

Cash used in investing activities increased by $4,961,307 in Q4 2020 compared to Q4 2019. This was predominantly the result of $3,165,730 spent on development activities at Blackwater (which was acquired in Q3 2020). The cost incurred related permitting activities and environmental engineering, engagement with stakeholders, site investigation, as well as the commencement of the grade control drilling program. In addition, the Company invested a further $2,000,000 in VLC during Q4 2020. These factors were partly offset by interest received.

The increase in cash used in investing activities in FY2020 relative to FY2019 included the $140,000,000 initial cash consideration paid as part of the Blackwater acquisition, the subsequent cost incurred on development activities at Blackwater, $4,066,755 of investments in VLC, as well as $513,422 invested in marketable securities.

*Cash flows from financing activities*

Cash used in financing activities decreased by $100,042 in Q4 2020 relative to Q4 2019. This was mainly due to the exercise of $81,000 in warrants during Q4 2020 (Q4 2019: $nil), while share issuance costs were also lower in Q4 2020.

Cash provided by financing activities in FY2020 were $132,628,687 higher than FY2019. This included $170,479,845 in net proceeds related to the various private placement placements described in this section (FY2019: $36,475,635), as well as $3,810,779 in proceeds from the exercise of warrants (FY2019: $nil).

**Use of Proceeds**

The following table includes a comparison of actual use of proceeds to previous disclosures made by the Company during the year ended December 31, 2020:

| Private placements completed on July 7, 2020 and September 2, 2020: | Intended use of proceeds $ | Actual use of proceeds $ |
|---|---|---|
| Acquisition of Blackwater | 140,000,000 | 140,000,000 |
| Advancing development of Blackwater and general working capital | 30,479,845 | 6,934,301 |
| Remaining in treasury | - | 23,545,544 |
| Total net proceeds | 170,479,845 | 170,479,845 |

## 9. TRANSACTIONS BETWEEN RELATED PARTIES

Key management included the Company's directors, Chief Executive Officer and Chief Financial Officer. Compensation awarded to key management for the year ended December 31, 2020, and the period from January 10, 2019 to December 31, 2019 comprised the following:

| | **For the year ended December 31, 2020 $** | For the period from January 10, 2019 to September 30, 2019 $ |
|---|---|---|
| Salaries and benefits | **431,180** | 98,202 |
| Consulting fees | **836,657** | 116,667 |
| Director fees | **205,833** | 75,000 |
| Share-based payments | **1,886,756** | 780,755 |
| | **3,360,426** | 1,070,624 |

## 10. OFF-BALANCE SHEET ARRANGEMENTS

The Company had no off-balance sheet arrangements as at December 31, 2020 or as at the date hereof.

## 11. SUBSEQUENT EVENTS

a) Subsequent to year-end, the Company granted 825,000 additional stock options, exercisable at a weighted average price of $6.14 per share.

b) Subsequent to year-end, a total of 76,666 warrants were exercised for proceeds of $0.1 million.

c) On March 25, 2021, the Company converted its convertible debenture in VLC (in the amount of $5.3 million, including accrued interest) at a conversion price of $0.25/share for a total of 21,211,136 additional common shares of VLC. This brought the Company's position to 32% of VLC's issued and outstanding common shares.

## 12. OUTSTANDING SHARE DATA

The authorized capital of Artemis consists of an unlimited number of common shares. As of the date of this report, there were 124,281,602 common shares outstanding and 32,663,242 warrants. Each whole warrant entitles the holder to purchase one additional common share of the Company at a price of $1.08 per until August 27, 2024.

## 13. 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. In order for the Company to meet its obligations and undertake its intended discretionary spending related to further development of the Blackwater Project, it may choose to fund such expenditures by obtaining financing through additional equity financing, or through debt financing or a combination thereof.

## 14. FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

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 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.

<u>Fair value measurements</u>

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.

As at December 31, 2020, the carrying value of the Company's cash and cash equivalents, receivables, amounts receivable from (due to) related parties, as well as accounts payable approximate their fair values, while the Company's investments in marketable securities, convertible debenture and warrants in VLC are carried at fair value. The carrying value of consideration payable and other variable consideration payable are considered to approximate their fair value. The fair value of the Company's equity investment in VLC is disclosed in note 6.

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 values of the Company's investment in the VLC convertible debenture and warrants, as well as consideration payable 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.

## 15. CHANGES IN ACCOUNTING POLICIES

a) Accounting standards adopted January 1, 2020

There were no new standards effective January 1, 2020 that had an impact on the consolidated Annual Financial Statements or are expected to have a material effect in the future.

b) Accounting standards and amendments issued but not yet adopted

The following standards and interpretations, which may be applicable to the Company, have been issued but are not yet effective as of December 31, 2020: Amendment to IAS 16 On May 14, 2020, the IASB amended *IAS 16 - Property, Plant and Equipment* to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. The amendments are effective for annual periods beginning on or after January 1, 2022 with early adoption permitted. The new pronouncement does not have any impact on the Company's historical financial statements, but management will consider the impact of the new pronouncement as it advances the development activities associated with the Blackwater Project.

## 16. RISK FACTORS

The Company's business, operations and future prospects are subject to significant risks. For details of these risks, refer to the risk factors set forth in the Company's most recently filed AIF, which can be found under the Company's corporate profile on SEDAR at www.sedar.com. Management is not aware of any significant changes to the risks identified in the Company's most recently filed AIF nor has the Company's mitigation of those risks changed significantly during the year ended December 31, 2020. These risks, and the risk factors disclosed below, could materially affect the Company's business, operations, prospects and share price and could cause actual events to differ materially from those described in forward-looking statements relating to the Company. Additional risks and uncertainties not presently known to the Company or that the Company currently considers immaterial may also impair the business, operations, prospects and share price of the Company. If any of the risks actually occur, the business of the Company may be harmed, and its financial condition and results of operations may suffer significantly.

The operations of the Company are speculative due to the high-risk nature of its business which is the exploration of mineral properties. For details of these risks, refer to the risk factors set forth in the Company's most recently filed AIF, which can be found under the Company's corporate profile on SEDAR at www.sedar.com.

Management is not aware of any significant changes to the risks identified in the Company's most recently filed AIF nor has the Company's mitigation of those risks changed significantly during the year ended December 31, 2020. The risks refer to herein are not the only risks and uncertainties that Artemis faces. Additional risks and uncertainties not presently known to the Company or that the Company currently considers immaterial may also impair its business operations. These risk factors could materially affect the Company's future operating results and could cause actual events to differ materially from those described in forward-looking statements relating to the Company.

## 17. ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

Additional disclosure concerning Artemis' general and administrative expenses and exploration and evaluation expenses is provided in the Company's statement of income and comprehensive income contained in its Annual Financial Statements and Interim Financial Statements, which are all available on Artemis' website and its profile on SEDAR at www.sedar.com.

## 18. NOTE REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains "forward-looking statements" (also referred to as "forward-looking information") within the meaning of applicable Canadian securities legislation. All statements, other than statements of historical facts, included in this MD&A that address activities, events or developments that Artemis expects or anticipates will or may occur in the future, including, without limitation, statements about the future exploration activities; sources, and proposed uses, of funds; capital and operating cost estimates, including general and administrative expenses; expectations regarding the ability to raise capital for future activities; and other such matters are forward-looking statements. When used in this MD&A, the words "estimate", "plan", "anticipate", "expect", "intend", "believe" and similar expressions are intended to identify forward-looking statements.

Forward-looking information and statements are based on the then current expectations, beliefs, assumptions, estimates and forecasts about Artemis' business and the industry and markets in which it operates. Forward-looking information and statements are made based upon certain assumptions and other important factors that could cause the actual results, performances or achievements of Artemis to be materially different from future results, performances or achievements expressed or implied by such information or statements. Such information and statements are based on numerous assumptions including, among others, the accuracy of the economic benefits as forecasted by the Study, the expected economic impact on British Columbia stemming from construction and operating activities of the Blackwater Project, the expected value-added and jobs stemming from the construction and operation of the Blackwater Project, the ability to fast-track certain construction initiatives at the Blackwater Project, the Company's ability to file a DFS reflecting the work undertaken as part of the GMP work streams, the timing of awarding of the EPC contract, and the results of metallurgical test work to support the DFS, that the results of planned exploration activities are as anticipated, the price of gold, the anticipated cost of planned exploration activities, that general business and economic conditions will not change in a material adverse manner, that financing will be available if and when needed on reasonable terms and that third party contractors, equipment, supplies and governmental and other approvals required to conduct Artemis' planned exploration activities will be available on reasonable terms and in a timely manner.

Forward-looking information and statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Artemis to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, risks related to the negative operating cash flow and dependence on third party financing; the uncertainty of additional financing; the limited operating history of Artemis; the lack of known mineral resources or reserves; the influence of a large shareholder; alternate sources of energy; aboriginal title and consultation issues; risks related to exploration activities generally; reliance upon key management and other personnel; title to properties; uninsurable risks; conflicts of interest; permits and licences; environmental and other regulatory requirements; political regulatory risks; competition; and the volatility of share prices, all as more particularly described in the "Risk Factors" above.

Although Artemis has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

## 19. APPROVAL

The Audit Committee and the Board of Artemis have approved the disclosure contained in this MD&A on March 30, 2021. A copy of this MD&A will be provided to anyone who requests it and can be located, along with additional information, on the Company's profile SEDAR website at www.sedar.com or by contacting the registered and records office, located at 2600-595 Burrard Street Vancouver, BC.