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

For the three and nine months ended September 30, 2020,
the three months ended September 30, 2019,
and the period from January 10, 2019 (inception) to September 30, 2019

Expressed in Canadian Dollars

ARTEMIS GOLD INC

# ARTEMIS GOLD INC.

Condensed Interim Consolidated Statements of Financial Position

*(Unaudited - Expressed in Canadian Dollars)*

| | Notes | As at September 30, 2020 | As at December 31, 2019 |
|---|---|---|---|
| | | $ | $ |
| **Assets** | | | |
| Current assets | | | |
| Cash and cash equivalents | | **58,087,795** | 31,502,309 |
| Receivables and prepayments | | **630,479** | 126,915 |
| Due from related parties | 9 | **8,877** | - |
| Marketable securities | | **3,172,260** | 304,300 |
| | | **61,899,411** | 31,933,524 |
| Non-current assets | | | |
| Restricted cash | 7 | **540,800** | - |
| Investment in associate | 4 | **7,328,419** | 5,639,902 |
| Convertible debenture | 4 | **10,149,012** | 9,999,434 |
| Warrants | 4 | **2,315,129** | 2,351,844 |
| Plant and equipment | 5 | **7,340,385** | 919,755 |
| Mineral property | 6 | **256,350,145** | 222,354 |
| **TOTAL ASSETS** | | **345,923,301** | 51,066,813 |
| **Liabilities** | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | | **1,146,615** | 237,070 |
| Consideration payable | 3 | **46,215,597** | - |
| Due to related parties | 9 | **-** | 16,264 |
| Lease liability - current portion | | **136,010** | 90,497 |
| | | **47,498,222** | 343,831 |
| Non-current liabilities | | | |
| Lease liability - non current portion | | **731,243** | 846,641 |
| Other variable consideration payable | 3 | **31,048,644** | - |
| Asset retirement obligation | 3, 7 | **8,626,352** | - |
| Deferred income tax liability | | **-** | 956,198 |
| **TOTAL LIABILITIES** | | **87,904,461** | 2,146,670 |
| **Shareholders' equity** | | | |
| Share capital | 8 | **250,330,031** | 41,647,399 |
| Contributed surplus | 8 | **2,301,040** | 942,447 |
| Accumulated other comprehensive income | | **2,090,978** | 54,303 |
| Retained earnings | | **3,296,791** | 6,275,994 |
| Total Shareholders' equity | | **258,018,840** | 48,920,143 |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | | **345,923,301** | 51,066,813 |

Subsequent events (Note 11)

Approved for Issuance by the Board of Directors:

*"Robert Atkinson"* 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) Income and Comprehensive (Loss) Income

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

| | Notes | **For the three months ended September 30, 2020** | For the three months ended September 30, 2019 | **For the nine months ended September 30, 2020** | For the period from January 10, 2019 to September 30, 2019 |
|---|---|---|---|---|---|
| | | **$** | $ | **$** | $ |
| **Operating expenses** | | | | | |
| Depreciation | | **41,871** | - | **125,613** | - |
| Management fees and wages | *9* | **1,031,262** | 67,940 | **1,633,912** | 67,940 |
| Investor relations and corporate development | | **93,583** | 2,770 | **367,975** | 2,770 |
| Office, Insurance and general | | **118,021** | 14,880 | **248,301** | 14,880 |
| Professional fees | | **143,360** | 16,179 | **269,679** | 135,413 |
| Share-based payments | *8, 9* | **503,451** | - | **1,284,569** | - |
| Transfer agent and regulatory | | **46,351** | 33,724 | **85,280** | 33,724 |
| Travel, meals and entertainment | | **1,251** | - | **10,384** | - |
| **Loss from operations** | | **(1,979,150)** | (135,493) | **(4,025,713)** | (254,727) |
| **Other income (expense)** | | | | | |
| Accretion expense on lease liability | | **(13,245)** | - | **(40,785)** | - |
| Accretion expense on consideration payable | *3* | **(344,037)** | - | **(344,037)** | - |
| Convertible debenture interest expense | | - | (21,227) | - | (148,591) |
| Equity loss from investment in associate | *4* | **(197,151)** | (117,018) | **(353,836)** | (185,741) |
| Gain on investment in associate | *4* | - | - | - | 1,488,000 |
| (Loss) gain on convertible debt | *4* | **(612,693)** | 1,274,574 | **366,073** | 5,262,077 |
| (Loss) gain on warrants | *4* | **(379,366)** | 548,442 | **(277,612)** | 2,436,322 |
| Interest income | | **170,828** | 34,477 | **422,646** | 34,477 |
| **Net (loss) income before income taxes** | | **(3,354,814)** | 1,583,755 | **(4,253,264)** | 8,631,817 |
| Deferred income tax recovery (expense) | | **1,117,667** | (195,777) | **1,274,061** | (1,147,531) |
| **Net (loss) income** | | **(2,237,147)** | 1,387,978 | **(2,979,203)** | 7,484,286 |
| Unrealized gain on marketable securities | | **794,052** | - | **2,036,675** | - |
| **Total (loss) income and comprehensive (loss) income** | | **(1,443,095)** | 1,387,978 | **(942,528)** | 7,484,286 |
| **(Loss) earnings per common share** | | | | | |
| Basic | | **(0.03)** | 0.06 | **(0.05)** | 0.71 |
| Diluted | | **(0.03)** | 0.06 | **(0.05)** | 0.50 |
| **Weighted average number of common shares outstanding** | | | | | |
| Basic | | **79,573,076** | 23,979,721 | **58,793,020** | **10,476,773** |
| Diluted | | **79,573,076** | 25,315,240 | **58,793,020** | **15,382,139** |

# ARTEMIS GOLD INC.

Condensed Interim Consolidated Statements of Changes in Equity

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

| | | Share capital | | | | | |
|---|---|---|---|---|---|---|---|
| | *Notes* | Number of shares | Amount | Contributed surplus | Accumulated other comprehensive income | Retained earnings | Total shareholders' equity |
| | | # | $ | $ | $ | $ | $ |
| 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 | *8a,3* | 7,407,407 | 34,444,443 | - | - | - | 34,444,443 |
| Private placement - August 21, 2020 | *8a* | 64,825,925 | 175,029,998 | - | - | - | 175,029,998 |
| Exercise of share purchase warrants | *8c* | 3,453,499 | 3,729,779 | - | - | - | 3,729,779 |
| Exercise of stock options | *8a,8b* | 13,000 | 28,564 | (13,484) | - | - | 15,080 |
| Private placement - September 2, 2020 | *8a* | 250,000 | 1,362,500 | - | - | - | 1,362,500 |
| Share issue costs | *8a* | - | (5,912,652) | - | - | - | (5,912,652) |
| Shared-based payments | *8b,9* | - | - | 1,372,077 | - | - | 1,372,077 |
| Unrealized gain on marketable securities | | - | - | - | 2,036,675 | - | 2,036,675 |
| Net loss for the period | | - | - | - | - | (2,979,203) | (2,979,203) |
| **Balance - September 30, 2020** | | **124,129,936** | **250,330,031** | **2,301,040** | **2,090,978** | **3,296,791** | **258,018,840** |

| | | 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 | *8a* | 5,085,710 | 3,906,000 | - | - | - | 3,906,000 |
| Share issuance - June 12, 2019 | *8a* | 1 | 125,000 | - | - | - | 125,000 |
| Shares issued on conversion of debenture | *8a* | 6,825,986 | 5,242,591 | - | - | - | 5,242,591 |
| Private placement - August 27, 2019 | *8a* | 36,268,407 | 32,641,566 | - | - | - | 32,641,566 |
| Share issue costs | *8a* | - | (143,759) | - | - | - | (143,759) |
| Net income for the period | | - | - | - | - | 7,484,286 | 7,484,286 |
| **Balance - September 30, 2019** | | **48,180,105** | **41,771,399** | - | - | **7,484,286** | **49,255,685** |

# ARTEMIS GOLD INC.

Condensed Interim Consolidated Statements of Cash Flows

*(Unaudited - Expressed in Canadian Dollars)*

| | **For the three months ended September 30, 2020** | For the three months ended September 30, 2019 | **For the nine months ended September 30, 2020** | For the period from January 10, 2019 to September 30, 2019 |
|---|---|---|---|---|
| | **$** | $ | **$** | $ |
| **Operating activities** | | | | |
| Net (loss) income for the period | **(2,237,147)** | 1,387,978 | **(2,979,203)** | 7,484,286 |
| Items not involving cash: | | | | |
| Accretion expense on consideration payable | **344,037** | - | **344,037** | - |
| Accretion expense on lease liability | **13,245** | - | **40,785** | - |
| Convertible debenture interest expense | **-** | 21,227 | **-** | 148,591 |
| Deferred income tax (recovery) expense | **(1,117,667)** | 195,777 | **(1,274,061)** | 1,147,531 |
| Depreciation | **41,871** | - | **125,613** | - |
| Equity loss from investment in associate | **197,151** | 117,018 | **353,836** | 185,741 |
| Gain on investment in associate | **-** | - | **-** | (1,488,000) |
| Loss (gain) on convertible debt | **612,693** | (1,274,574) | **(366,073)** | (5,262,077) |
| Loss (gain) on warrants | **379,366** | (548,442) | **277,612** | (2,436,322) |
| Interest income | **(170,828)** | (34,477) | **(422,646)** | (34,477) |
| Share-based payments | **503,451** | - | **1,284,569** | - |
| Net changes in non-cash working capital: | | | | |
| Accounts payable and accrued liabilities | **120,031** | 181,501 | **3,495** | 181,501 |
| Due to related parties | **(26,173)** | (60,392) | **113** | 58,841 |
| Receivables and prepayments | **(413,285)** | (19,994) | **(400,456)** | (19,994) |
| Net cash used in operating activities | **(1,753,255)** | (34,378) | **(3,012,379)** | (34,379) |
| **Investing activities** | | | | |
| Interest received | **68,478** | 34,477 | **237,122** | 34,477 |
| Investment in marketable securities | **-** | - | **(513,422)** | - |
| Investment in associate | **-** | - | **(1,825,858)** | (3,906,000) |
| Investment in convertible debtenture | **-** | - | **-** | (5,094,000) |
| Investment in warrants | **-** | - | **(240,897)** | - |
| Mineral property | **(261,712)** | - | **(446,952)** | (125,000) |
| Purchase of equipment | **-** | - | **(37,630)** | - |
| Acquisition of Mineral Property - Blackwater | **(134,689,082)** | - | **(134,689,082)** | - |
| Acquisition of PPE - Blackwater | **(6,508,613)** | - | **(6,508,613)** | - |
| Restricted cash | **(540,800)** | - | **(540,800)** | - |
| Net cash (used in) provided by investing activities | **(141,931,729)** | 34,477 | **(144,566,132)** | (9,090,523) |
| **Financing activities** | | | | |
| Convertible debenture proceeds | **-** | - | **-** | 5,094,000 |
| Exercise of stock options | **15,080** | - | **15,080** | - |
| Exercise of share purchase warrants | **2,908,499** | - | **3,729,779** | - |
| Lease payments | **(36,890)** | - | **(110,670)** | - |
| Share issuance proceeds | **176,392,498** | 32,641,566 | **176,392,498** | 36,672,566 |
| Share issuance costs | **(5,807,690)** | (131,215) | **(5,862,690)** | (131,214) |
| Net cash provided by financing activities | **173,471,497** | 32,510,351 | **174,163,997** | 41,635,352 |
| Change in cash during the period | **29,786,513** | 32,510,450 | **26,585,486** | 32,510,450 |
| Cash, beginning of period | **28,301,282** | - | **31,502,309** | - |
| **Cash, end of period** | **58,087,795** | 32,510,450 | **58,087,795** | 32,510,450 |
| Restricted cash, end of period | 540,800 | - | 540,800 | - |
| **Total cash and restricted cash, end of period** | **58,628,595** | **32,510,450** | **58,628,595** | **32,510,450** |

## 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 an exploration-stage company focused on acquiring exploration and/or development stage mineral properties for the purpose of further exploration and development. The Company's common shares are traded on the Toronto Venture Exchange ("TSXV") under the symbol "ARTG".

On August 21, 2020, the Company acquired the Blackwater Gold Project ("Blackwater" or the "Blackwater Project") in central British Columbia from New Gold Inc (the "Vendor") (see Note 3). The Company's other interests are its investment in Velocity Minerals Ltd. ("VLC") and its option to acquire a 100% interest in the GK project located in the Telegraph Creek area of British Columbia (the "GK Project"). VLC is in the business of acquiring, exploring, and evaluating mineral resource properties in Bulgaria.

The Company operates in one reportable segment, being the exploration and development of the Blackwater Project, in British Columbia, Canada.

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

### Statement of compliance

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 ("IASB") 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 period from January 10, 2019 to December 31, 2019 (the "Annual Financial Statements"). Except as described in Note 2(a) and 2(b), the accounting policies applied in the preparation of these Interim Financial Statements are consistent with those applied and disclosed in the Annual Financial Statements.

### Basis of preparation and measurement

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.

These Interim Financial Statements were approved by the board of directors on November 27, 2020.

## 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. All inter-company balances, transactions, revenues and expenses have been eliminated.

**Significant accounting policies adopted in the period**

(a) Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of plant and equipment includes the acquisition cost or construction cost, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use, an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and for qualifying assets, the associated borrowing costs. Where the cost of an item of plant and equipment includes variable payments based on future performance of the asset, the Company records variable consideration as an increase to the cost of the asset, which will subsequently be expensed as depletion during periods of commercial production.

Where an item of plant and equipment is comprised of major components with different useful lives, the components are accounted for as separate items of plant and equipment. Costs incurred for major overhaul of existing equipment and sustaining capital are capitalized as plant and equipment and are subject to depreciation once they are available for use.

Major overhauls include improvement programs that increase the productivity or extend the useful life of an asset beyond that initially envisaged. The costs of routine maintenance and repairs that do not constitute improvement programs are accounted for as an expense in the statements of (loss) income and comprehensive (loss) income.

*Depreciation of plant and equipment*

The carrying amounts of plant and equipment are depreciated to their estimated residual value over the estimated useful lives of the specific assets concerned, or the estimated life-of-mine ("LOM"), if shorter. Depreciation starts on the date when the asset is available for its intended use. The major categories of plant and equipment are depreciated on a straight-line basis using the estimated lives indicated below:

| | |
|---|---|
| Vehicles | 5 - 7 years |
| Camp | LOM |
| Equipment | 17 years |
| Furniture | 5 years |
| Buildings | LOM |

## 2. BASIS OF PREPARATION (continued)

(b) Reclamation and closure cost obligations

The Company's mining and exploration activities are subject to various governmental laws and regulations relating to the protection of the environment. The Company intends, in the future, to make expenditures to comply with such laws and regulations. The Company has recorded a liability and corresponding asset for the estimated future cost of reclamation and closure, including site rehabilitation and long-term treatment and monitoring costs. These costs represent management's best estimates which incorporate assumptions on the effects of inflation and other specific risks associated with the related liabilities. The costs are discounted to net present value using the risk-free rate applicable to the future cash outflows. Such estimates are, however, subject to changes in laws and regulations or changes to market inputs to the decommissioning model.

The present value of estimated costs is recorded in the period in which the asset is installed or the environment is disturbed and a reasonable estimate of future costs and discount rates can be made.

After the initial measurement, the obligation is adjusted to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized in finance costs, whereas increases and decreases due to changes in the estimated future cash flows are capitalized and depreciated over the life of the related asset unless the amount deducted from the cost exceeds the carrying value of the asset, in which case the excess is recorded in net earnings. Actual costs incurred upon settlement of the site restoration obligation are charged against the provision to the extent the provision was established for those costs. Upon settlement of the liability, a gain or loss may be recorded in net earnings.

**Use of estimates and judgements and COVID-19**

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 judgements and estimates applied in the preparation of these Interim Financial Statements are consistent with those applied and disclosed in Note 3 of the Annual Financial Statements, except for the below:

**Critical judgments in the application of accounting policies**

*Acquisition accounting*

The Company accounted for the Acquisition of Blackwater as an asset acquisition. Significant judgment and estimates were required to determine that the application of this accounting treatment was appropriate for the transaction. These included, among others, the determination that Blackwater was not considered a business under IFRS 3 - *Business combinations* ("IFRS 3") as Blackwater did not have the significant inputs, processes and output, that together constitute a business.

## 2. BASIS OF PREPARATION (continued)

*Blackwater stream agreement*

The Company has applied significant judgment in determining the appropriate accounting for the Blackwater stream agreement which formed part of the overall consideration in the Acquisition of Blackwater (Note 3).This involved an evaluation of the terms and conditions of the stream as well as the substance of the overall arrangement related to the Acquisition. Judgement was also required to assess whether the arrangement included embedded derivatives exist, which required separate accounting. Based on this evaluation, the Company considers the 65% discount given to the Vendor on a percentage of future gold sales under the stream agreement to be in substance a royalty retained by the Vendor on a portion of the property, and accounted for this as variable consideration in exchange for the acquisition of a group of assets.

*COVID-19*

The Company has assessed the economic impacts of the novel coronavirus (“COVID-19”) pandemic on its Interim Financial Statements, including the valuation of the Company’s investment in VLC. As at September 30, 2020, management has determined that its general operation of business and the value of the Company’s assets are not materially impacted. In making this judgment, management has assessed various criteria including, but not limited to, existing laws, regulations, orders, disruptions and potential disruptions in commodity prices and capital markets.

While the Company has not experienced any significant negative impact to date, the extent to which COVID-19 impacts future business activity or financial results, and the duration of any such negative impact, will depend on future developments, which are highly uncertain and unknown at this time.

**Key sources of estimation uncertainty in the application of accounting policies**

*Reclamation and closure cost obligations*

The Company’s provision for reclamation and closure cost obligations represents management’s best estimate of the present value of the future cash outflows required to settle the liability which reflects estimates of future costs, inflation, and assumptions of risks associated with the future cash outflows, and the applicable risk-free interest rates for discounting the future cash outflows. Changes in the above factors can result in a change to the provision recognized by the Company.

## 3. ACQUISITION OF BLACKWATER

On August 21, 2020 (the “Closing”), the Company completed the acquisition of the Blackwater Project from the Vendor (the “Acquisition”). Pursuant to the Acquisition, Artemis acquired all the property, assets and rights related to the Blackwater Project. Consideration for the Acquisition was comprised of:

**3. ACQUISITION OF BLACKWATER (continued)**

- a $140,000,000 initial payment (the "Cash Consideration") paid on Closing by the Company;
- 7,407,407 common shares (the "Consideration Shares") of the Company issued on Closing with a $34,444,443 fair value based on a $4.65 market price per share on Closing;
- a $50,000,000 cash payment due one year from Closing (the "Consideration Note") with a $45,871,560 fair value after applying a 9% discount rate;
- $234,785 of sales tax and $1,228,479 transaction costs which the Company incurred relating to the Acquisition; and
- a LOM gold stream (the "Gold Stream") with the following attributes:
    - The Vendor 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 the Vendor, then 4% thereafter for the LOM.
    - The Vendor will pay a purchase price equal to 35% of the 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.
    - There exists 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 feasibility study) for a period of 60 days prior to each of the 7th, 8th, and 9th anniversary dates of Closing, then there will be a penalty payment owed by the Company to the Vendor for $28,000,000 (the "Penalty Payment") per annual deadline missed for a maximum $84,000,000 total potential penalty. 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 amount to be paid to the Vendor over time, 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 other consideration payable upon the acquisition of Blackwater valued at the present value of the Penalty Payments discounted at a rate of 12.50%.

The Vendor will also have a first ranking security interest over Blackwater until the Consideration Note is paid, and will thereafter maintain a security interest over the Blackwater in connection with the Gold Stream subject to certain provisions.

*(Unaudited - Expressed in Canadian Dollars, unless otherwise noted)*

## 3. ACQUISITION OF BLACKWATER (continued)

The Acquisition was accounted for as an asset acquisition. The total consideration was allocated to the assets acquired based on their fair value with the balance of consideration less the identified assets recorded to mineral properties:

| | $ |
|---|---|
| **Consideration paid** | |
| Cash Consideration | 140,000,000 |
| Sales tax | 234,785 |
| Consideration Shares | 34,444,443 |
| Final cash acquisition payment | 45,871,560 |
| Other variable consideration payable | 31,048,644 |
| Asset retirement obligation | 8,626,352 |
| Transaction costs | 1,228,479 |
| **Total consideration & liabilities assumed** | 261,454,263 |
| | |
| **Allocation of consideration paid** | |
| Plant and equipment | 6,401,413 |
| Land and buildings | 107,200 |
| Asset retirement obligation asset | 8,626,352 |
| Mineral property | 246,319,298 |
| **Total assets acquired** | 261,454,263 |

During the three and nine months ended September 30, 2020 the Company recognized accretion expense on the Consideration Note in the amount of $344,037 (2019 - $nil), in the statements of (loss) income and comprehensive (loss) income.

## 4. 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 | 1,825,858 | - | 240,897 | 2,066,755 |
| Fair value change in the period | - | 366,073 | (277,612) | 88,461 |
| Shares received in settlement of interest | 216,495 | (216,495) | - | - |
| Equity loss on investment in associate | (353,836) | - | - | (353,836) |
| **Balance, September 30, 2020** | **7,328,419** | **10,149,012** | **2,315,129** | **19,792,560** |

*(Unaudited - Expressed in Canadian Dollars, unless otherwise noted)*

**4. INVESTMENT IN VLC (continued)**

On March 14, 2019, concurrent with a convertible debenture issued to Atlantic Gold Corporation ("Atlantic"), the Company completed an investment in VLC whereby it received 18,600,000 units of VLC (each a "VLC Unit") for cash consideration of $3,906,000 and a secured convertible debenture (the "Convertible Debenture") in VLC with a face value of $5,094,000. Each VLC Unit comprised one VLC common share ("VLC Share") and one-half share purchase warrant. Each whole share purchase warrant entitles the holder to purchase one additional VLC Share at a price of $0.25 per share, with an expiry date of March 14, 2022. As part of the investment, the Company nominated one appointee to the board of directors of VLC.

The Convertible Debenture earns interest at an annual rate of 8.5% payable semi-annually, over a five-year term. The interest can be settled in cash or VLC Shares. The principal amount is convertible to VLC Shares at the election of the Company at a conversion price of $0.25.

The Convertible Debenture investment is measured at fair value through profit and loss ("FVTPL"). At inception, the Convertible Debenture was recorded at the amount of cash consideration paid. The Company uses the Black-Scholes option pricing model to calculate the fair value of the Convertible Debenture held in VLC. The Company used the following assumptions to fair value the Convertible Debenture:

| | **September 30, 2020** | December 31, 2019 |
|---|---|---|
| Share price | **$0.45** | $0.46 |
| Volatility | **50%** | 40% |
| Expected life in years | **3.45** | 4.21 |
| Dividend rate | **0.00%** | 0.00% |
| Risk-free rate | **0.23%** | 1.64% |

During April 2020, VLC settled $216,495 of interest owed on the Convertible Debenture by issuing 742,184 of its common shares to the Company. In October 2019, VLC settled $236,068 of interest owed on the Convertible Debenture by issuing 495,516 common shares to the Company. As at September 30, 2020, the Company holds 25,004,587 VLC Shares or 21.73% of the issued common shares of VLC (including 5,166,887 additional shares acquired in February 2020, as per below) with a fair market value of $11,377,087.

On February 12, 2020, the Company invested an additional $2,066,755 in VLC by subscribing to a non-brokered private placement. The Company acquired 5,166,887 VLC units at a unit price of $0.40. These additional units consist of one VLC Share and one half of a share purchase warrant, with each whole warrant entitling the holder to purchase one additional VLC Share at a price of $0.55 per share for a period of 18 months following closing of the private placement. The fair value of $240,897 attributed to the warrants on inception was determined using the Black-Scholes option pricing model based on a share price of $0.42, volatility of 65%, an expected life of 1.50 years, a dividend rate of nil and a risk free-rate of 1.51%.

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 board representation on VLC's board of directors. As a result, at inception of the investment, 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 have been measured at FVTPL with the loss recorded within the loss on warrants in the interim consolidated statements of (loss) income and comprehensive (loss) income. 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:

*(Unaudited - Expressed in Canadian Dollars, unless otherwise noted)*

## 4. INVESTMENT IN VLC (continued)

| | **September 30, 2020** | December 31, 2019 |
|---|---|---|
| Share price | **$0.45** | $0.46 |
| Volatility | **61%** | 60% |
| Expected life in years | **1.32** | 2.20 |
| Dividend rate | **0.00%** | 0.00% |
| Risk-free rate | **0.23%** | 1.66% |

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 June 30, 2020.

| | **June 30, 2020** |
|---|---|
| | $ |
| Current assets | 5,039,827 |
| Non-current assets | 14,760,622 |
| | 19,800,449 |
| Current liabilities | 636,294 |
| Non-current liabilities | 4,149,661 |
| | 4,785,955 |
| Net assets | 15,014,494 |
| Company's equity share of net assets | 3,263,354 |
| Loss and comprehensive loss for the six months ended June 30, 2020 | (907,078) |

*(Unaudited - Expressed in Canadian Dollars, unless otherwise noted)*

## 5. PLANT AND EQUIPMENT

| | Right-of-use asset | Camp | Equipment | Vehicles | Other(1) | Total |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ |
| **COST** | | | | | | |
| Balance, January 10, 2019 | - | - | - | - | - | - |
| Additions | 959,744 | - | - | - | - | 959,744 |
| Balance, December 31, 2019 | 959,744 | - | - | - | - | 959,744 |
| Additions | - | - | - | - | 37,630 | 37,630 |
| Acquisition of Blackwater(2) | - | 4,817,845 | 126,461 | 1,457,107 | 107,200 | 6,508,613 |
| **Balance, September 30, 2020** | **959,744** | **4,817,845** | **126,461** | **1,457,107** | **144,830** | **7,505,987** |
| | | | | | | |
| **ACCUMULATED DEPRECIATION** | | | | | | |
| Balance, January 10, 2019 | - | - | - | - | - | - |
| Depreciation | (39,989) | - | - | - | - | (39,989) |
| Balance, December 31, 2019 | (39,989) | - | - | - | - | (39,989) |
| Depreciation | (119,969) | - | - | - | (5,644) | (125,613) |
| **Balance, September 30, 2020** | **(159,958)** | **-** | **-** | **-** | **(5,644)** | **(165,602)** |
| | | | | | | |
| **NET BOOK VALUE** | | | | | | |
| Balance, December 31, 2019 | 919,755 | - | - | - | - | 919,755 |
| **Balance, September 30, 2020** | **799,786** | **4,817,845** | **126,461** | **1,457,107** | **139,186** | **7,340,385** |

(1) Included in “Other” are furniture, buildings and land.
(2) Pursuant to the Acquisition, Artemis acquired all the property, assets and rights related to the Blackwater Project (Note 3).

Total depreciation recognized during the three and nine months ended September 30, 2020 was $41,871 and $125,613, respectively, (three months ended September 30, 2019 and period from January 10, 2019 to September 30, 2019 – $nil, and $nil, respectively) which was expensed in the interim consolidated statements of (loss) income and comprehensive (loss) income.

## 6. MINERAL PROPERTY

| | Blackwater | GK Project | Total |
|---|---|---|---|
| | $ | $ | $ |
| Balance, January 10, 2019 | - | - | - |
| Option payments | - | 125,000 | 125,000 |
| Expenditures | - | 97,354 | 97,354 |
| Balance, December 31, 2019 | - | 222,354 | 222,354 |
| Option payments | - | 49,672 | 49,672 |
| Acquisition of Blackwater (Note 3) | 246,319,298 | - | 246,319,298 |
| Asset retirement asset recognized (Note 7) | 8,626,352 | - | 8,626,352 |
| Expenditures | 1,132,469 | - | 1,132,469 |
| **Balance, September 30, 2020** | **256,078,119** | **272,026** | **256,350,145** |

*(Unaudited - Expressed in Canadian Dollars, unless otherwise noted)*

## 6. MINERAL PROPERTY (continued)

Blackwater

On August 21, 2020, the Company acquired the Blackwater Project from the Vendor. The terms of the Acquisition are described in Note 3.

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

## 7. ASSET RETIREMENT OBLIGATION

Changes to the asset retirement obligation are as follows:

| | Carrying amount |
|---|---|
| | $ |
| Balance, January 10, 2019 and December 31, 2019 | - |
| Assumed on acquisition of Blackwater (Note 3) | 8,626,352 |
| **Balance, September 30, 2020** | **8,626,352** |

As a result of the Acquisition, the Company assumed a provision for asset retirement obligations (Note 3). Each period management reviews cost estimates and other assumptions used in the valuation of the obligations at Blackwater to reflect events, changes in circumstances and new information available. Changes in these cost estimates and assumptions have a corresponding impact on the value of the obligations. The obligations are measured by discounting the expected cash flows using a discount factor that reflects the risk-free rate of interest. The Blackwater Project prepares estimates of the timing and amount of expected cash flows when an obligation is incurred. Expected cash flows are updated to reflect changes in facts and circumstances. The principal factors that can cause expected cash flows to change are: the construction of new processing facilities; obligations realized through additional ore bodies mined; changes in the quantities of material in reserves and a corresponding change in the LOM plan; changing ore characteristics that impact required environmental protection measures and related costs; changes in water quality that impact the extent of water treatment required; and changes in laws and regulations governing the protection of the environment.

The majority of the expenditures are expected to occur after 2040. At the time of the Acquisition, the discount rate used in estimating the asset retirement obligation was 1.07% and the inflation rate used was 2.02%.

As at September 30, 2020, the Company recorded $540,800 of restricted cash on the statements of financial position with respect to cash collateral posted to support a $2,700,000 surety bond attributed to the asset retirement obligation.

## 8. EQUITY

a) Authorized share capital

Unlimited number of common shares without par value.

**8. EQUITY (continued)**

During the nine months ended September 30, 2020, the Company had the following share transactions:

(i) On July 7, 2020, the Company completed brokered and non-brokered offerings for an aggregate of 64,825,925 subscription receipts (the "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 of the Company for no additional consideration upon satisfaction of certain escrow conditions. On August 21, 2020, pursuant to the closing of the Acquisition all escrow conditions were satisfied, and all Subscription Receipts were exchanged into 64,825,925 common shares. The Company incurred $5,912,652 in share issue costs related to the offerings.

(ii) Pursuant to the Acquisition, the Company issued 7,407,407 common shares with a fair value of $34,444,443 to the Vendor (Note 3).

(iii) On September 3, 2020, the Company completed a non-brokered private placement financing for gross proceeds of $1,362,500. Pursuant to the private placement the Company issued 250,000 common shares. The shares are subject to a four-month and one day hold period.

(iv) In various tranches, the Company issued 3,453,499 common shares pursuant to warrant exercises for gross proceeds of $3,729,779.

(v) The Company issued 13,000 common shares pursuant to stock option exercises for gross proceeds $15,080. The associated fair value of $13,484 was reclassified from contributed surplus to share capital.

During the period from January 10, 2019 to December 31, 2019, the Company had the following share transactions:

(i) 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 Interim Financial Statements have been retrospectively restated to present post subdivision amounts.

(ii) On March 14, 2019, the Company issued 5,085,710 common shares for gross proceeds of $3,906,000.

(iii) On June 12, 2019, the Company issued 1 common share for gross proceeds of $125,000.

(iv) On March 14, 2019, concurrent to the investment in VLC (Note 4), the Company issued convertible debentures of $5,094,000 to its former parent, Atlantic Gold Corporation, carrying interest of 8.4% payable semi-annually convertible into shares of the Company at a conversion price of $0.25. On July 18, 2019, the convertible debentures comprising $5,094,000 of principal and $148,591 of interest payable were fully converted into 6,825,986 common shares of the Company.

(v) 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 assigned to the warrants.

*(Unaudited - Expressed in Canadian Dollars, unless otherwise noted)*

**8. EQUITY (continued)**

Certain directors and officers of Artemis subscribed to 17,889,155 common shares of the Private Placement which are subject to an escrow agreement. Pursuant to the escrow agreement, 10% of the common shares were released from escrow on September 30, 2019 and 15% have been released from escrow every six months starting March 31, 2020 and will continue until September 30, 2022. At September 30, 2020, 10,733,492 shares remained in escrow.

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, 2020, the Company had the following stock options outstanding and exercisable:

| | Number of stock options | Weighted-average exercise price |
|---|---|---|
| | # | $ |
| Outstanding – January 10, 2019 | - | - |
| Granted | 1,520,000 | 1.16 |
| Outstanding – December 31, 2019 | 1,520,000 | 1.16 |
| Granted | 3,275,000 | 5.00 |
| Exercised | (13,000) | 1.16 |
| **Outstanding – September 30, 2020** | **4,782,000** | **3.79** |
| **Exercisable – September 30, 2020** | **1,133,671** | **1.18** |

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.

On January 6, 2020, the Company granted 200,000 stock options with a fair value of $232,287 to employees of the Company with an exercise price of $1.30, expiring on January 6, 2030.

On August 27, 2020, the Company granted 2,900,000 stock options with a fair value of $6,917,043 to directors and employees of the Company with an exercise price of $5.19, expiring on August 27, 2025.

On September 9, 2020, the Company granted 175,000 stock options with a fair value of $487,378 to an employee of the Company with an exercise price of $6.06, expiring on September 9, 2025.

Total share-based payments recognized during the three and nine months ended September 30, 2020 was $590,959 and $1,372,077, respectively (three months ended September 30, 2019 and the period from January 10, 2019 to September 30, 2019 – $nil and $nil, respectively), of which $87,508 and $87,508, respectively, was capitalized in mineral properties and $503,451 and $1,284,569, respectively, was expensed in the interim consolidated statements of (loss) income and comprehensive (loss) income.

As at September 30, 2020, outstanding stock options had a weighted average remaining life of 6.4 years (December 31, 2019 – 9.8 years).

*(Unaudited - Expressed in Canadian Dollars, unless otherwise noted)*

## 8. EQUITY (continued)

The following assumptions were used in the valuation of the stock options granted in the nine months ended September 30, 2020 and the period ended December 31, 2019:

| | **2020** | 2019 |
|---|---|---|
| Annualized volatility | **58% - 100%** | 100% |
| Expected life in years | **5 – 10** | 10 |
| Dividend rate | **0.00%** | 0.00% |
| Risk-free rate | **0.41% - 1.31%** | 1.45% |
| 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, as most employees and directors involved are key personnel.

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 10, 2019 | - | - |
| Granted | 36,268,407 | 1.08 |
| Outstanding – December 31, 2019 | 36,268,407 | 1.08 |
| Exercised | (3,453,499) | 1.08 |
| **Outstanding – September 30, 2020** | **32,814,908** | **1.08** |

As at September 30, 2020, outstanding share purchase warrants had a weighted average remaining life of 3.9 years (December 31, 2019 – 4.7 years).

*(Unaudited - Expressed in Canadian Dollars, unless otherwise noted)*

## 9. 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 three and nine months ended September 30, 2020, the three months ended September 30, 2019, and the period from January 10, 2019 to September 30, 2019 comprises the following:

| | **For the three months ended September 30, 2020** | For the three months ended September 30, 2019 | **For the nine months ended September 30, 2020** | For the period from January 10, 2019 to September 30, 2019 |
|---|---|---|---|---|
| | **$** | $ | **$** | $ |
| Salaries and benefits | **226,419** | - | **357,319** | - |
| Consulting fees | **506,250** | - | **681,250** | - |
| Director fees | **57,083** | - | **139,583** | - |
| Share-based payments | **439,983** | **-** | **1,004,318** | - |
| | **1,229,735** | - | **2,182,470** | - |

### *b) Amounts payable to related parties*

As at September 30, 2020, the Company owed $7,500 in directors' fees to certain directors of the Company (December 31, 2019 - $7,500).

The Company charges office lease and administrative expenditures to Oceanic Iron Ore Corp. ("Oceanic"), a company with a common officer and director. During the three and nine months ended September 30, 2020, office lease and overhead and service costs billed to Oceanic amounted to $5,450 and $16,377 respectively (three months ended September 30, 2019 and the period from January 10, 2019 to September 30, 2019 – $nil). As at September 30, 2020, the Company was due $16,377 from Oceanic (December 31, 2019 – payable of $8,764).

## 10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

<u>Fair value measurements</u>

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 marketable securities are measured using Level 1 inputs, their quoted price in active markets. The Company's investment in the VLC Convertible Debenture, the investment in VLC warrants, the consideration payable and the other variable consideration payable are measured using Level 3 inputs in the fair value hierarchy, as observable market data for these investments is not available. The carrying values of the cash, receivables, accounts payable and due to related party balance approximate the fair value as at September 30, 2020 because of their short-term nature.

## 11. SUBSEQUENT EVENTS

Subsequent to September 30, 2020, a total of 75,000 share purchase warrants were exercised for gross proceeds of $81,000.

On October 5, 2020, VLC settled interest owed on the Convertible Debenture of $216,495 for the period of April 1, 2020 to September 30, 2020 by issuing 484,415 VLC Shares to the Company.

Effective November 4, 2020, the Company graduated from Tier 2 to Tier 1 status on the TSXV. Pursuant to the escrow agreement 6,261,204 shares were released from escrow and the remaining 4,472,289 shares in escrow will be released on March 30, 2021.

On November 24, 2020, the Company acquired an additional 4,000,000 VLC Shares at a price of $0.50 per share.