

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

For the three and six months ended June 30, 2023 and 2022

Expressed in Canadian Dollars, unless otherwise noted



ARTEMIS GOLD INC.

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

	Notes	As at June 30, 2023 \$	As at December 31, 2022 \$
Assets			
Current assets			
Cash and cash equivalents		63,523,402	194,089,372
Receivables and prepayments		9,624,106	2,968,341
		73,147,508	197,057,713
Non-current assets			
Restricted cash	8	10,671,571	4,734,100
Investment in Velocity	4	7,844,861	8,176,317
Capitalized contract costs	10	1,955,775	-
Deferred financing costs	9	16,826,942	11,071,355
Mineral property, plant and equipment	5	639,059,814	435,711,939
TOTAL ASSETS		749,506,471	656,751,424
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		37,441,941	24,608,609
Current portion of lease liabilities	11	785,667	679,992
		38,227,608	25,288,601
Non-current liabilities			
Deferred revenue	12	60,521,568	-
Construction holdback liability		1,648,171	-
Lease liabilities	11	11,026,687	1,032,572
Variable consideration payable	6	44,376,647	41,709,665
Asset retirement obligation	7	14,006,603	11,292,855
TOTAL LIABILITIES		169,807,284	79,323,693
Shareholders' equity			
Share capital	13	594,040,786	589,253,146
Contributed surplus	13	19,997,839	17,549,291
Accumulated other comprehensive income		3,622,371	3,622,371
Retained deficit		(37,961,809)	(32,997,077)
Total Shareholders' equity		579,699,187	577,427,731
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		749,506,471	656,751,424

Subsequent event (Note 16)

Approved for Issuance by the Board of Directors:

<u>"Elise Rees"</u>	Director
<u>"Steven Dean"</u>	Director

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

ARTEMIS GOLD INC.

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

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

	Notes	For the three months ended June 30, 2023 \$	For the three months ended June 30, 2022 \$	For the six months ended June 30, 2023 \$	For the six months ended June 30, 2022 \$
Operating expenses					
Depreciation		171,469	98,391	337,945	193,144
Management fees and wages	14	1,308,781	953,927	2,812,553	2,161,337
Investor relations and corporate development		110,385	77,823	253,849	169,798
Office, insurance and general		559,957	280,290	1,131,714	538,809
Professional fees		262,809	137,801	603,957	307,436
Share-based payments	13, 14	1,214,990	1,433,673	1,959,975	2,905,081
Loss from operations		(3,628,391)	(2,981,905)	(7,099,993)	(6,275,605)
Other (expense) income					
Accretion expense on lease liability	11	(28,912)	(17,195)	(60,440)	(35,472)
Accretion expense on asset retirement obligation	7	(81,887)	(16,060)	(111,975)	(35,628)
Equity loss from investment in associate	4	(146,478)	(207,794)	(331,456)	(444,670)
Fair value adjustment on warrants	4	-	-	-	(644,119)
Interest income		734,023	383,863	2,639,132	602,335
Net loss		(3,151,645)	(2,839,091)	(4,964,732)	(6,833,159)
Other comprehensive loss, net of tax					
<i>Items that will not be reclassified to net loss</i>					
Gains on marketable securities		-	-	-	262,316
Comprehensive loss		(3,151,645)	(2,839,091)	(4,964,732)	(6,570,843)
Loss per common share					
Basic and diluted		(0.02)	(0.02)	(0.03)	(0.04)
Weighted average number of common shares outstanding					
Basic and diluted		196,677,668	154,098,459	194,965,745	154,045,043

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

ARTEMIS GOLD INC.

Condensed Consolidated Interim Statements of Changes in Equity
(Unaudited - Expressed in Canadian Dollars, except number of shares)

	Notes	Share capital		Contributed surplus	Accumulated other comprehensive income	Retained deficit	Total shareholders' equity
		Number of shares	Amount				
		#	\$				
Balance - January 1, 2023		193,211,701	589,253,146	17,549,291	3,622,371	(32,997,077)	577,427,731
Exercise of share purchase warrants	13	4,433,000	4,787,640	-	-	-	4,787,640
Shared-based payments	13	-	-	2,448,548	-	-	2,448,548
Net loss		-	-	-	-	(4,964,732)	(4,964,732)
Balance - June 30, 2023		197,644,701	594,040,786	19,997,839	3,622,371	(37,961,809)	579,699,187

	Notes	Share capital		Contributed surplus	Accumulated other comprehensive income	Retained deficit	Total shareholders' equity
		Number of shares	Amount				
		#	\$				
Balance - January 1, 2022		153,971,145	417,276,031	10,058,314	3,360,055	(11,367,165)	419,327,235
Exercise of share purchase warrants	13	200,556	216,600	-	-	-	216,600
Shared-based payments	13	-	-	4,203,376	-	-	4,203,376
Gain on marketable securities		-	-	-	262,316	-	262,316
Net loss		-	-	-	-	(6,833,159)	(6,833,159)
Balance - June 30, 2022		154,171,701	417,492,631	14,261,690	3,622,371	(18,200,324)	417,176,368

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

ARTEMIS GOLD INC.

Condensed Consolidated Interim Statements of Cash Flows

(Unaudited - Expressed in Canadian Dollars)

Notes	For the three months ended June 30, 2023 \$	For the three months ended June 30, 2022 \$	For the six months ended June 30, 2023 \$	For the six months ended June 30, 2022 \$
Operating activities				
Net loss	(3,151,645)	(2,839,091)	(4,964,732)	(6,833,159)
Items not involving cash:				
Depreciation	171,469	98,391	337,945	193,144
Share-based payments	13, 14 1,214,990	1,433,673	1,959,975	2,905,081
Accretion expense on lease liability	11 28,912	17,195	60,440	35,472
Accretion expense on asset retirement obligation	7 81,887	16,060	111,975	35,628
Equity loss from investment in associate	4 146,478	207,794	331,456	444,670
Fair value adjustment on warrants	4 -	-	-	644,119
Interest income	(734,023)	(383,863)	(2,639,132)	(602,335)
Net changes in non-cash working capital:				
Accounts payable and accrued liabilities	472,919	516,076	(938,921)	844,339
Receivables and prepayments	789,479	83,640	804,584	(2,254)
Net cash used in operating activities	(979,534)	(850,125)	(4,936,410)	(2,335,295)
Investing activities				
Interest received	609,187	335,761	2,639,132	518,108
Proceeds from marketable securities	-	-	-	1,383,413
Purchases of mineral property, plant and Restricted cash	(105,033,463) (1,648,171)	(15,666,097) (61,200)	(175,840,609) (5,937,471)	(23,001,021) (61,200)
Net cash used in investing activities	(106,072,447)	(15,391,536)	(179,138,948)	(21,160,700)
Financing activities				
Deferred financing costs	(258,743)	(366,815)	(10,597,875)	(4,633,556)
Exercise of share purchase warrants	4,752,000	130,200	4,787,640	216,600
Lease payments	11 (384,168)	(90,354)	(553,636)	(180,207)
Capitalized contract costs	10 (338,025)	(180,207)	(338,025)	(180,207)
Proceeds from streaming arrangements	12 60,211,284	-	60,211,284	-
Net cash provided by (used in) financing activities	63,982,348	(507,176)	53,509,388	(4,777,370)
Change in cash and cash equivalents	(43,069,633)	(16,748,837)	(130,565,970)	(28,273,365)
Cash and cash equivalents, beginning	106,593,035	119,834,588	194,089,372	131,359,116
Cash and cash equivalents, ending	63,523,402	103,085,751	63,523,402	103,085,751

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

ARTEMIS GOLD INC.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2023 and 2022

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

1. NATURE OF OPERATIONS

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

The Company also has an equity investment in Velocity Minerals Ltd. ("**VLC**"), which is in the business of acquiring, exploring, and evaluating mineral resource properties in Bulgaria.

The Company operates as a single reportable segment, being the exploration and development of mineral properties. All of the Company's non-current assets are located in 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

Basis of preparation and measurement

These unaudited condensed consolidated interim financial statements ("**Interim Financial Statements**") have been prepared in accordance with IAS 34, *Interim Financial Reporting* ("**IAS 34**"). They do not include all of the information and footnotes required by International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**") for full annual financial statements and should be read in conjunction with the Company's audited annual consolidated financial statements as at and for the years ended December 31, 2022 and 2021 (the "**Annual Financial Statements**"). The accounting policies applied in the preparation of these Interim Financial Statements are consistent with those applied and disclosed in the Annual Financial Statements, except as described below.

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 subsidiaries. References to "**US\$**" are for United States Dollars. Certain prior period amounts have been reclassified to conform to the presentation in the current period.

These Interim Financial Statements were approved by the board of directors on August 15, 2023.

Basis of consolidation

These Interim Financial Statements include the accounts of the Company and its wholly-owned subsidiaries, BW Gold Ltd. and 1337890 BC Ltd. The Company and its subsidiaries are domiciled in Canada. All inter-company balances, transactions, revenues and expenses have been eliminated upon consolidation.

Additional accounting policies

The Company applied the following accounting policies as a result of material transactions entered into during the three months ended June 30, 2023, which were not previously disclosed in the Annual Financial Statements:

ARTEMIS GOLD INC.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2023 and 2022

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

2. BASIS OF PREPARATION (continued)

a) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency at exchange rates on the dates of transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate on the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at historic rates. Foreign currency differences arising on translation are recognized in net income.

b) Deferred revenue

Upfront cash deposits received for streaming arrangements have been accounted for as contract liabilities (deferred revenue) in accordance with IFRS 15, *Revenue from contracts with customers* ("IFRS 15"). Deferred revenue represent payments received by the Company in consideration for future commitments to deliver gold and silver produced at Blackwater. As gold and silver deliveries are made to the streamer, control of the gold and silver metal is passed from the Company to the streamer, and the Company recognizes a portion of the deferred revenue as revenue. The amount of deferred revenue that is recognized as revenue is calculated on a per unit basis using the total number of gold and silver ounces expected to be delivered over the life of the mine. The current portion of deferred revenue is based on deliveries anticipated over the next twelve months.

A financing charge on deferred revenue is recognized when the Company identifies a significant financing component related to its streaming arrangements, associated with the difference in the timing of the upfront consideration received and delivery of the gold and silver metal. The accretion rate is determined based on the rate implicit in each streaming arrangement at the date of initial recognition. Financing costs (accretion) that are attributable to qualifying assets are capitalized and included in the carrying amounts of mineral property, plant and equipment during the development period until the qualifying assets are ready for their intended use, in accordance with the Company's accounting policy.

The incremental costs of obtaining the streaming arrangement contracts are recognized as an asset (capitalized contract costs) when the Company expects to recover those costs and are amortized on a per unit basis using the total number of gold and silver deliveries expected to be delivered over the contract period.

Adoption of new accounting standards

The Company adopted the accounting standards and amendments that were disclosed in note 3 of the Annual Financial Statements, as required on January 1, 2023. The amendments to IAS 1, *Presentation of Financial Statements* ("IAS 1"), IFRS Practice Statement 2 and IAS 12, *Income Taxes* ("IAS 12") had no material impact to the Interim Financial Statements and its disclosures.

ARTEMIS GOLD INC.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2023 and 2022

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

3. USE OF ESTIMATES AND JUDGMENTS

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and 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 accounting policy judgments and areas of estimation uncertainty that applied in the preparation of these Interim Financial Statements are consistent with those applied and disclosed in Note 4 of the Annual Financial Statements, except as discussed below:

a) Deferred revenue – variable consideration

The consideration received from payments for deliveries made under streaming arrangements are considered variable, subject to changes in the total estimated gold and silver ounces to be delivered and gold and silver prices. Changes to variable consideration are accounted for prospectively and will be recorded in revenue in the consolidated statements of income (loss).

In order to determine the amount of deferred revenue that is to be recognized as revenue each time that the Company makes deliveries to the streamer, the Company will make estimates with respect to future production of the life of mine and mineral reserves. These estimates are subject to variability and may have an impact on the timing and amount of revenue recognized once Blackwater is operating.

The Gold Stream Amendment (as defined in these Interim Financial Statements) is treated as a separate agreement from the Gold Stream (as defined in these Interim Financial Statements) as the Gold Stream formed part of the consideration associated with the original acquisition of Blackwater, whilst the Gold Stream Amendment was entered into for the purposes of funding the development of the Blackwater Project.

b) Own Use Exemption - Hedging

Under the requirements of the Company's Project Loan Facility (the "PLF"), a hedging program (the "**Mandatory Hedge Program**") is required to be put in place prior to the utilization of the PLF. The extent of the Mandatory Hedge Program may range from 185,000 gold ounces to 300,000 gold ounces, between 2025 and 2027. The Company initiated the Mandatory Hedge Program and entered into forward gold sale contracts for 100,000 gold ounces as at June 30, 2023 (see Note 15).

Contracts to buy or sell a non-financial item, such as a commodity, that can be settled net in cash or another financial instrument fall under the scope of IFRS 9, *Financial Instruments* ("**IFRS 9**") and are generally accounted for as derivatives and marked to fair value through the consolidated statements of loss and comprehensive loss. However, certain criteria exist whereby a contract may fall under an 'own use' exemption and be exempt from the requirements of IFRS 9. An 'own use' contract is a contract that was entered into and continues to be held for the purpose of the delivery of a non-financial item in accordance with the Company's expected purchase, sale or usage requirements. Judgment was used to determine whether the forward gold sale contracts meet the 'own use' requirements. Management considered the Company's intent and ability to satisfy the forward gold sale contracts from the Company's own production from Blackwater based on the current life of mine plan.

ARTEMIS GOLD INC.

Notes to the Condensed Consolidated Interim Financial Statements
For the three and six months ended June 30, 2023 and 2022
(Unaudited - Expressed in Canadian Dollars, unless otherwise noted)

3. USE OF ESTIMATES AND JUDGMENTS (continued)

b) Own Use Exemption – Hedging (continued)

Management has determined that the forward gold sale contracts meet the requirements of ‘own use’ and is thereby exempt from the requirements of IFRS 9. As a result, the forward gold sale contracts are not considered a derivative and are not marked to fair value at each reporting period, and recognition is deferred until settlement and delivery of gold.

4. INVESTMENT IN VELOCITY MINERALS LTD. (“VLC”)

The Company’s investment in VLC as at June 30, 2023 was comprised of:

	Investment in associate \$	Warrants \$	Total \$
Balance, January 1, 2022	18,959,373	644,119	19,603,492
Fair value change for the year	-	(644,119)	(644,119)
Conversion of debenture	(893,189)	-	(893,189)
Equity loss on investment in associate	(9,889,867)	-	(9,889,867)
Balance, December 31, 2022	8,176,317	-	8,176,317
Equity loss on investment in associate	(331,456)	-	(331,456)
Balance, June 30, 2023	7,844,861	-	7,844,861

As at June 30, 2023, the Company held 50,701,138 common shares of VLC, or 28% of VLC’s issued and outstanding common shares, with a fair market value of \$7,858,676 (December 31, 2022 – 50,701,138 VLC shares, or 32% of VLC’s issued and outstanding common shares, at a fair value of \$10,140,228). The assets and liabilities of VLC are summarized in the following table and incorporates VLC’s most recently available financial information at the time of preparation of these Interim Financial Statements, which was as at March 31, 2023.

	March 31, 2023 \$
Current assets	2,189,795
Non-current assets	25,270,197
	27,459,992
Current liabilities	398,793
Non-current liabilities	131,066
	529,859
Total net assets attributable to owners of Velocity	22,317,353
Company’s equity share of net assets	6,304,446
Loss and comprehensive loss for the six months ended March 31, 2023	1,076,707

ARTEMIS GOLD INC.

Notes to the Condensed Consolidated Interim Financial Statements
For the three and six months ended June 30, 2023 and 2022
(Unaudited - Expressed in Canadian Dollars, unless otherwise noted)

5. MINERAL PROPERTY, PLANT AND EQUIPMENT

	Mineral property ⁽¹⁾	Construction in Progress ⁽²⁾	Right-of-use assets ⁽³⁾	Camp	Equipment	Vehicles	Other ⁽⁴⁾	Total
	\$	\$	\$	\$	\$	\$	\$	\$
COST								
Balance, January 1, 2022	305,901,875	-	1,569,888	4,802,845	1,673,062	114,141	537,688	314,599,499
Additions	75,229,740	46,406,633	759,712	-	-	166,531	864,792	123,427,408
Balance, December 31, 2022	381,131,615	46,406,633	2,329,600	4,802,845	1,673,062	280,672	1,402,480	438,026,907
Additions	53,583,998	139,696,966	10,592,986	-	-	-	106,066	203,980,016
Balance, June 30, 2023	434,715,613	186,103,599	12,922,586	4,802,845	1,673,062	280,672	1,508,546	642,006,923
Balance, January 1, 2022	-	-	(488,356)	(641,130)	(120,719)	(32,903)	(62,227)	(1,345,335)
Depreciation	-	-	(310,753)	(424,951)	(92,231)	(38,433)	(103,265)	(969,633)
Balance, December 31, 2022	-	-	(799,109)	(1,066,081)	(212,950)	(71,336)	(165,492)	(2,314,968)
Depreciation	-	-	(278,271)	(216,866)	(49,589)	(26,852)	(60,563)	(632,141)
Balance, June 30, 2023	-	-	(1,077,380)	(1,282,947)	(262,539)	(98,188)	(226,055)	(2,947,109)
NET BOOK VALUE								
Balance, December 31, 2022	381,131,615	46,406,633	1,530,491	3,736,764	1,460,112	209,336	1,236,988	435,711,939
Balance, June 30, 2023	434,715,613	186,103,599	11,845,206	3,519,898	1,410,523	182,484	1,282,491	639,059,814

(1) Mineral property primarily consists of expenditure related to overall project development, engineering, environmental and permitting, capitalized interest, accretion of variable consideration payable, accretion of deferred revenue and stock-based compensation.

(2) Construction in Progress consists of costs associated with the Blackwater major works project, which includes the engineering, procurement and construction ("EPC") contract for the processing plant.

(3) Right-of-use assets primarily consists of construction fleet equipment related to the Blackwater major works project, as well as corporate office leases.

(4) "Other" includes furniture, buildings and land.

Total depreciation recognized during the three and six months ended June 30, 2023 was \$318,868 and \$632,141, respectively (for the three and six months ended June 30, 2022 – \$241,535 and \$467,662, respectively), of which \$171,469 and \$337,945, respectively was expensed in the interim consolidated statements of loss and comprehensive loss (for the three and six months ended June 30, 2022 - \$98,391 and \$193,144, respectively). The remaining depreciation charges were capitalized to mineral property.

As at June 30, 2023, the Company had cumulatively capitalized \$24,772,916 to mineral property due to accretion of variable consideration payable and deferred revenue, as well as commitment fees and interest associated with the PLF and lease liabilities (December 31, 2022 - \$18,262,256).

ARTEMIS GOLD INC.

Notes to the Condensed Consolidated Interim Financial Statements
For the three and six months ended June 30, 2023 and 2022
(Unaudited - Expressed in Canadian Dollars, unless otherwise noted)

6. VARIABLE CONSIDERATION PAYABLE

As part of the consideration associated with the acquisition of Blackwater, the Company entered into a gold stream arrangement (the “Gold Stream”) with the following attributes:

- The streaming company would receive a percentage of gold production from the Blackwater Project as follows: 8% until 279,908 refined gold ounces (the “Original Threshold Amount”) are delivered to and purchased by the streaming company, then 4% thereafter for the Life Of Mine (“LOM”). See note 12(b) regarding the Amended Threshold Amount.
- The streaming company will pay a purchase price equal to 35% of the US\$ spot price for the gold ounces received. The 65% discount given will be recorded as an increase to the cost of the asset when incurred as variable consideration for the acquisition.

The Gold Stream also included a delayed construction/production penalty clause (the “Delay Penalty Clause”) whereby, in the event the Blackwater mineral processing facility had not achieved an average of at least 80% of Phase 1 nameplate capacity (as per the definition in the 2021 feasibility study) for a period of 60 days prior to each of August 21, 2027, 2028 and 2029, the Company would be required to make penalty payments to the streaming company in the amount of \$28,000,000 (the “Penalty Payment”) per annual deadline missed, up to a maximum of \$84,000,000. Although the Company does not control all of the events which may result in the payment of the Penalty Payments, it was considered likely that the minimum benefit to the streaming company, either as a result of the Delay Penalty Clause or through future sales at a discount to the spot price, would be the sum of the Penalty Payments. Accordingly, the Company recorded a liability for variable consideration payable upon the acquisition of Blackwater. The initial fair value of the financial liability was determined using a discount rate of 12.5% and subsequent changes to the amortized cost were as follows:

	Carrying amount \$
Balance, January 1, 2022	36,809,082
Accretion expense capitalized to mineral property, plant and equipment	4,900,583
Balance, December 31, 2022	41,709,665
Accretion expense capitalized to mineral property, plant and equipment	2,666,982
Balance, June 30, 2023	44,376,647

7. ASSET RETIREMENT OBLIGATION

Changes to the asset retirement obligation are as follows:

	Carrying amount \$
Balance, January 1, 2021	7,344,283
Accretion expense	63,456
Change in obligation estimate	3,885,116
Balance, December 31, 2022	11,292,855
Accretion expense	111,975
Change in obligation estimate	2,601,773
Balance, June 30, 2023	14,006,603

ARTEMIS GOLD INC.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2023 and 2022

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

7. ASSET RETIREMENT OBLIGATION (continued)

As at June 30, 2023, the assumptions applied in estimating the asset retirement obligation included a 30-year average inflation rate and long-term average discount rate which were 2.02% and 3.09% per annum (as at December 31, 2022 2.46% and 3.28% per annum), respectively.

8. RESTRICTED CASH

As at June 30, 2023, the Company recorded \$10,671,571 (December 31, 2022 - \$4,734,100) of restricted cash on the statements of financial position with respect to cash collateral provided to support surety bonds, construction holdbacks and other collateral provided in regard to financial security in support of general corporate accounts, as detailed below:

	June 30, 2023		December 31, 2022	
	\$		\$	
	Restricted cash	Surety bond	Restricted cash	Surety bond
Reclamation and EPC contract security	8,776,100	56,760,000	4,486,800	11,184,000
Construction holdback liability	1,648,171	-	-	-
Other	247,300	575,000	247,300	575,000
	10,671,571	57,335,000	4,734,100	11,759,000

9. DEFERRED FINANCING COSTS

Changes to deferred financing costs are as follows:

	June 30, 2023	December 31, 2022
	\$	\$
Opening balance	11,071,355	2,978,123
Additions	7,373,337	8,093,232
Reclassification to capitalized contract costs (see Note 10)	(1,617,750)	-
Closing balance	16,826,942	11,071,355

The Company executed a syndicated project facility agreement with a syndicate of lenders on February 24, 2023, in respect of a \$385 million PLF to fund a significant component of the estimated construction costs of the development of the Blackwater Project. The PLF also provides for a \$40 million standby cost overrun facility.

As at June 30, 2023, the Company has incurred \$16,826,942 (December 31, 2022 - \$9,453,605) in costs that are directly attributable to the PLF. Upon utilization of the PLF, subject to various conditions precedent, the deferred financing costs are expected to be included in the determination of the carrying value of the PLF.

10. CAPITALIZED CONTRACT COSTS

The incremental costs of entering into the Silver Stream and Gold Stream Amendment (Note 12) of \$1,955,775 have been recognized as capitalized contract costs at June 30, 2023 (December 31, 2022 - \$nil). Of this amount, \$1,617,750 was previously recorded as deferred financing costs and reclassified as capitalized contract costs upon initial receipt of the cash advances made under the Silver Stream and Gold Stream Amendment. As silver and gold deliveries are made, the capitalized contract costs will be amortized to the consolidated statements of income (loss) on a per unit basis using the total number of silver and gold ounces expected to be delivered over the life of the mine.

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11. LEASE LIABILITIES

The Company's lease liabilities are primarily related to construction equipment required for the execution of the owner-performed scope of major works construction activities at the Blackwater Project. The majority of the quarterly lease payments on the construction equipment are interest only until October 2024. The Company's lease liabilities are denominated in \$CAD and have interest rates that vary between 6.0% to 9.8%.

The following table summarizes the changes in lease liabilities:

	June 30, 2023	December 31, 2022
	\$	\$
Opening balance	1,712,564	1,242,179
Additions	10,592,986	759,711
Lease payments	(553,636)	(361,871)
Interest	60,440	72,545
Closing balance	11,812,354	1,712,564
Less: current portion	(785,667)	(679,992)
Non-current portion	11,026,687	1,032,572

Future scheduled lease payments, comprising principal and interest, are disclosed in note 15.

12. DEFERRED REVENUE

Details of changes in the balance of deferred revenue are as follows:

	Silver Stream	Gold Stream Amendment	Total
	\$	\$	\$
Balance, December 31, 2022	-	-	-
Deposits	46,999,674	13,211,610	60,211,284
Accretion	258,435	51,849	310,284
Balance, June 30, 2023	47,258,109	13,263,459	60,521,568

a) Silver Stream

The Company entered into a Silver Stream Precious Metals Purchase Agreement (the "Silver Stream") with a streaming company on December 13, 2021. Under the terms of the Silver Stream:

- The streaming company will make upfront deposit payments in cash of approximately US\$141 million, payable in tranches during the major works construction of the Blackwater Project, subject to certain conditions.
- The streaming company will purchase 50% of the silver production from the mineral reserves of Blackwater until approximately 18 million ounces of silver have been delivered, after which the stream reduces to 33% of the silver production for the LOM.
- The Silver Stream will be settled by Blackwater delivering silver metal to the streaming company.
- As silver deliveries are made under the Silver Stream, the streaming company will make payments equal to 18% of the spot silver prices until the upfront deposit payment is reduced to zero, and 22% of the spot silver prices thereafter.

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12. DEFERRED REVENUE (continued)

a) *Silver Stream (continued)*

The upfront cash deposits received under the Silver Stream are accounted for as deferred revenue with a significant financing component, with the related accretion expense being capitalized to mineral property until the Blackwater Project achieves commercial production. The proceeds from the Silver Stream will be used by the Company to fund the development and construction of the Blackwater Project. As of June 30, 2023, approximately US\$35 million of the upfront deposit amounts related to the Silver Stream have been received. The deferred revenue associated with the Silver Stream is being accreted at a pre-tax rate of 8%, being the estimated rate implicit to the Silver Stream.

The Silver Stream also contains a partial buy-back option such that, should a change of control occur prior to the earlier of January 1, 2025 or the achievement of commercial production at Blackwater, the Company will have a one-time option to repurchase up to 33% of the Silver Stream for cash consideration. This partial buy back option constitutes an embedded derivative which was initially recognized at \$nil based on its fair value at the time that the upfront cash consideration was received. The embedded derivative is classified as fair value through profit and loss and is valued at \$nil as of June 30, 2023.

The Blackwater Project is still under development and there are no planned deliveries of silver for the next twelve months. The entire amount of the deferred revenue related to the Silver Stream is recorded as non-current as of June 30, 2023.

The Silver Stream Agreement is a subordinated secured obligation of the Company, and its subsidiaries.

b) *Gold Stream Amendment*

The Company entered into a separate amendment of the Gold Stream (see Note 6) on June 14, 2023 (the “**Gold Stream Amendment**”). The terms of the Gold Stream Amendment remain largely the same as the Gold Stream, with the main changes being:

- The streaming company will make upfront deposit payments in cash of approximately US\$40 million, payable in tranches during the major works construction of the Project, subject to certain conditions.
- The Original Threshold Amount is increased to 464,000 refined gold ounces (the “**Amended Threshold Amount**”), resulting in the Company delivering approximately 92,000 additional gold ounces to the streaming company, starting in 2034.
- The Gold Stream Amendment will be settled by Blackwater delivering gold metal to the streaming company.

The upfront deposit amounts related to the Gold Stream Amendment are accounted for as deferred revenue with a significant financing component, with the related accretion expense being capitalized to mineral property until the Blackwater Project achieves commercial production. The proceeds from the Gold Stream Amendment will be used by the Company to fund the development and construction of the Blackwater Project. As of June 30, 2023, approximately US\$10 million of the upfront deposit amounts related the Gold Stream Amendment have been received. The deferred revenue associated with the Gold Stream Amendment is being accreted at a pre-tax rate of 6.5%, being the estimated rate implicit to the Gold Stream Amendment.

The Company and its subsidiaries have provided security in favour of the streaming company in respect of their obligations under the Gold Stream and Gold Stream Amendment. The streaming company also has a subordinated security interest over substantially all properties and assets of the Company and its subsidiaries and over the mining rights comprising the Blackwater Project.

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12. DEFERRED REVENUE (continued)

b) Gold Stream Amendment (continued)

The Blackwater Project is still under development and there are no planned deliveries of gold for the next twelve months. The entire amount of the deferred revenue related to the Gold Stream Amendment is recorded as non-current as of June 30, 2023.

13. EQUITY

a) Stock options

The Company has established a stock option plan for its directors, executive directors, employees and consultants under which the Company may grant stock 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 the grant.

The Company uses the Black Scholes option pricing model to determine the fair value of stock options granted. As at June 30, 2023, the Company had the following stock options outstanding:

	Number of stock options #	Weighted- average exercise price \$
Outstanding – January 1, 2022	8,976,500	4.67
Granted	1,383,100	4.71
Exercised	(50,000)	6.08
Outstanding – December 31, 2022	10,309,600	4.67
Granted	3,098,875	4.86
Forfeited	(522,000)	4.54
Outstanding – June 30, 2023	12,886,475	4.69

Share-based payment arising from stock options that were recognized during the three and six months ended June 30, 2023 was \$1,344,854 and \$2,448,548, respectively (three and six months ended June 30, 2022 - \$2,089,477 and \$4,203,376, respectively), of which \$888,287 and \$1,633,272 was expensed during the three and six months ended June 30, 2023, respectively, in the condensed consolidated interim statements of loss and comprehensive loss (three and six months ended June 30, 2022 - \$1,433,673 and \$2,905,081, respectively). The remaining stock option payments were capitalized to mineral property.

As at June 30, 2023, outstanding stock options had a weighted average remaining life of 3.5 years (December 31, 2022 – 4.0 years).

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13. EQUITY (continued)

a) Stock options (continued)

The following assumptions were used in the valuation of the stock options granted during the three and six months ended June 30, 2023 and 2022:

	For the three months ended June 30, 2023	For the three months ended June 30, 2022	For the six months ended June 30, 2023	For the six months ended June 30, 2022
Annualized volatility	54%	54%	54%	54%
Expected life (years)	5	5	5	5
Dividend rate	0.00%	0.00%	0.00%	0.00%
Risk-free interest rate	3.61%	2.60%	3.05% - 3.61%	1.79% - 2.60%
Forfeiture rate	0.00%	0.00%	0.00%	0.00%

b) Restricted Share Units ("RSUs")

On March 10, 2023, the Company granted 534,000 RSUs to non-independent directors, officers and employees of the Company, settleable in cash, which expire 5 years from the grant date.

Share-based payments arising from RSUs that were recognized during the three and six months ended June 30, 2023 totalled \$463,840 (three and six months ended June 30, 2022 - \$nil), of which \$272,740 was expensed during the three and six months ended June 30, 2023, in the condensed consolidated interim statements of loss and comprehensive loss (three and six months ended June 30, 2022 - \$nil). The remaining RSUs recognized were capitalized to mineral property.

c) Deferred Share Units ("DSUs")

On March 10, 2023, the Company granted 51,000 DSUs to directors of the Company, settleable in cash, which expire 5 years from the grant date.

On June 19, 2023, the Company granted 12,000 DSUs to a director of the Company, settleable in cash, which expires 5 years from the grant date.

Share-based payments arising from DSUs recognized during the three and six months ended June 30, 2023 totalled \$53,963 (three and six months ended June 30, 2022 - \$nil), of which the entire amount was expensed during the three and six months ended June 30, 2023, in the condensed consolidated interim statements of loss and comprehensive loss (three and six months ended June 30, 2022 - \$nil).

d) Warrants

On January 27, 2023, 33,000 warrants were exercised by a holder at an exercise price of \$1.08 for total proceeds of \$35,640.

On April 20, 2023, 4,400,000 warrants were exercised by a holder at an exercise price of \$1.08 for total proceeds of \$4,752,000.

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14. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

Key management compensation

The Company transacts with key management personnel, who have authority and responsibility to plan, direct and control the activities of the Company and receive compensation for services rendered in that capacity. Salaries, benefits, consulting fees and director's fees are recorded on a cost basis while share-based compensation is measured at the fair value of the instruments issued, with the expense recognized over the relevant vesting periods.

Key management personnel transactions for the three and six months ended June 30, 2023 and 2022, included compensation paid to the Company's directors, as well as the Company's Chief Executive Officer, Chief Financial Officer, Chief Operating Officer and Chief ESG Officer (commencing in Q2 2022).

Compensation awarded to key management personnel for the three and six months ended June 30, 2023 and 2022, was:

	For the three months ended June 30, 2023	For the three months ended June 30, 2022	For the six months ended June 30, 2023	For the six months ended June 30, 2022
	\$	\$	\$	\$
Salaries and benefits	494,767	350,122	1,099,399	659,610
Consulting fees	327,321	272,500	784,829	568,313
Director fees	208,733	52,833	364,047	188,333
Share-based payments	824,198	818,991	1,306,541	1,989,090
	1,855,019	1,494,446	3,554,816	3,405,346

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments consist of cash and cash equivalents, receivables, accounts payable and variable consideration payable. All financial instruments are initially recorded at fair value and designated as follows: cash, cash equivalents and receivables which are included in other assets are classified as financial assets at amortized cost. Accounts payable and variable consideration payable are classified as financial liabilities at amortized cost.

Fair value measurements

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

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

As at June 30, 2023, the carrying value of the Company's cash and cash equivalents, receivables, as well as accounts payable approximate their fair values due to their short-term nature. The fair value of the variable consideration payable is estimated to be \$40,064,986 (see carrying value in Note 6), which was determined using a discounted cash flow approach with an estimated market interest rate applied. The fair value of the Company's equity investment in VLC is disclosed in Note 4. The fair value of the embedded derivative asset related to the partial buy-back option of the Silver Stream, disclosed in Note 12, was determined by using a discounted cash flow approach with an estimated market silver price applied.

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15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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.

Credit risk

Credit risk arises from the potential for non-performance by counterparties of contractual financial obligations. The Company's credit risk is primarily attributable to cash, cash equivalents and receivables. As at June 30, 2023, the Company has cash on deposit with several large Canadian financial institutions to counteract concentration risk from holding a significant amount of the Company's cash and cash equivalents at one financial institution. Management believes the risk of loss with respect to cash, cash equivalents and receivables to be remote.

Liquidity risk

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

The Company's undiscounted contractual commitments and obligations as at June 30, 2023 were as follows:

	< 1 year	1 - 3 years	4 - 5 years	> 5 years	Total
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	37,441,941	-	-	-	37,441,941
Lease liabilities	1,635,864	6,070,425	5,234,558	2,446,078	15,386,925
Capital commitments	394,869,829	3,799,227	-	-	398,669,056
Variable consideration payable	-	-	28,000,000	56,000,000	84,000,000
Asset retirement obligation	-	4,448,042	-	13,160,219	17,608,261
Total	433,947,634	14,317,694	33,234,558	71,606,297	553,106,183

The Company's undiscounted contractual commitments and obligations as at December 31, 2022 were as follows:

	< 1 year	1 - 3 years	4 - 5 years	> 5 years	Total
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	24,608,609	-	-	-	24,608,609
Lease liability	679,992	1,218,878	-	-	1,898,870
Capital commitments	248,004,525	41,612,862	-	-	289,617,387
Variable consideration payable	-	-	-	84,000,000	84,000,000
Asset retirement obligation	-	4,448,042	-	8,605,520	13,053,562
Total	273,293,126	47,279,782	-	92,605,520	413,178,428

Price risk

The Company's future cash flow from mining operations is subject to commodity price risk from fluctuations in the market for prices for gold. In order to mitigate gold price risk, and to satisfy one of the requirements to utilize the PLF (Note 9), the Company entered into gold forward sales contracts under the Mandatory Hedge Program during the three months ended June 30, 2023. As of June 30, 2023, the Company has committed to delivering 100,000 gold ounces at a weighted average price of \$2,836/ounce between March 2025 and December 2027. As Blackwater is under development, there were no deliveries made on the Mandatory Hedge Program as at June 30, 2023.

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15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Currency risk

The functional currency of the Company is the Canadian dollar. Currency transaction risk and currency translation risk is the risk that fluctuations of the Canadian dollar in relation to other currencies may impact the fair value of financial assets or liabilities. As of June 30, 2023, the Company had US dollar denominated cash deposits of US\$5,309,461. There were no other financial assets or liabilities that were subject to currency translation risk.

16. SUBSEQUENT EVENT

Subsequent to June 30, 2023, the Company received cash payments of approximately US\$35 million and US\$10 million under the Silver Stream and the Gold Stream Amendment, respectively. These payments represented the second of four installments under the respective streaming agreements.