CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020,
and the period from January 10, 2019 (inception) to December 31, 2019

Expressed in Canadian Dollars

ARTEMIS
GOLD INC

Independent auditor's report

To the Shareholders of Artemis Gold Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Artemis Gold Inc. and its subsidiary (together, the Company) as at December 31, 2020 and 2019, and its financial performance and its cash flows for the year ended December 31, 2020 and for the period from January 10, 2019 to December 31, 2019 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2020 and 2019;
- the consolidated statements of loss (income) and comprehensive (loss) income for the year ended December 31, 2020 and for the period from January 10, 2019 to December 31, 2019;
- the consolidated statements of changes in equity for the year ended December 31, 2020 and for the period from January 10, 2019 to December 31, 2019;
- the consolidated statements of cash flows for the year ended December 31, 2020 and for the period from January 10, 2019 to December 31, 2019; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

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

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Other information

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

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor’s report is Craig McMillan.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
March 30, 2021

ARTEMIS GOLD INC.

Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

	Notes	As at December 31, 2020 $	As at December 31, 2019 $
Assets			
Current assets			
Cash and cash equivalents		**51,846,826**	31,502,309
Receivables and prepayments		**932,194**	126,915
Due from related parties	*13*	**21,779**	-
Marketable securities		**3,997,280**	304,300
		56,798,079	31,933,524
Non-current assets			
Restricted cash	*10*	**540,800**	-
Investment in associate	*6*	**9,479,754**	5,639,902
Convertible debenture	*6*	**10,976,994**	9,999,434
Warrants	*6*	**2,699,462**	2,351,844
Plant and equipment	*7*	**7,100,302**	919,755
Mineral property	*8*	**265,077,974**	222,354
TOTAL ASSETS		**352,673,365**	51,066,813
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		**4,502,059**	237,070
Consideration payable	*9(a)*	**47,247,708**	-
Due to related parties	*13*	**7,500**	16,264
Lease liability - current portion		**138,699**	90,497
		51,895,966	343,831
Non-current liabilities			
Lease liability - non current portion		**707,943**	846,641
Other variable consideration payable	*9(b)*	**32,484,283**	-
Asset retirement obligation	*10*	**8,347,027**	-
Deferred income tax liability		**-**	956,198
TOTAL LIABILITIES		**93,435,219**	2,146,670
Shareholders' equity			
Share capital	*11*	**250,411,031**	41,647,399
Contributed surplus	*11*	**3,567,530**	942,447
Accumulated other comprehensive income		**2,915,998**	54,303
Retained earnings		**2,343,587**	6,275,994
Total Shareholders' equity		**259,238,146**	48,920,143
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**352,673,365**	51,066,813

Subsequent events (Note 16)

Approved for Issuance by the Board of Directors:

"Robert Atkinson" Director

"Steven Dean" Director

ARTEMIS GOLD INC.

Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income

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

	Notes	**For the year ended December 31, 2020 $**	For the period from January 10, 2019 to December 31, 2019 $
Operating expenses			
Depreciation		**167,483**	39,989
Management fees and wages	*13*	**2,183,408**	349,878
Investor relations and corporate development		**422,706**	61,396
Office, Insurance and general		**424,344**	113,152
Professional fees		**758,557**	291,538
Share-based payments	*11, 13*	**2,371,263**	818,447
Transfer agent and regulatory		**179,950**	49,325
Loss from operations		**(6,507,711)**	(1,723,725)
Other income (expense)			
Accretion expense on lease liability		**(53,775)**	(14,284)
Accretion expense on asset retirement obligation	*10*	**(22,983)**	-
Interest expense on convertible debenture		**-**	(148,591)
Equity loss from investment in associate	*6*	**(418,996)**	(208,002)
Gain on investment in associate	*6*	**-**	1,488,000
Fair value adjustment on convertible debt	*6*	**1,410,550**	5,359,338
Fair value adjustment on warrants	*6*	**106,721**	2,351,844
Interest income		**554,663**	172,309
Other expenses		**(274,937)**	-
Net (loss) income before income taxes		**(5,206,468)**	7,276,889
Deferred income tax recovery (expense)	*12*	**1,274,061**	(1,000,895)
Net (loss) income		**(3,932,407)**	6,275,994
Unrealized gain on marketable securities		**2,861,695**	54,303
Total (loss) income and comprehensive (loss) income		**(1,070,712)**	6,330,297
(Loss) earnings per common share			
Basic		**(0.05)**	0.31
Diluted		**(0.05)**	0.26
Weighted average number of common shares outstanding			
Basic	*11(d)*	**75,234,362**	**20,326,239**
Diluted	*11(d)*	**75,234,362**	**24,971,679**

ARTEMIS GOLD INC.

Consolidated Statements of Changes in Equity

(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 New Gold	*5, 11(a)*	7,407,407	34,444,443	-	-	-	34,444,443
Private placement - August 21, 2020	*11(a)*	64,825,925	175,029,998	-	-	-	175,029,998
Exercise of share purchase warrants	*11(a),11(c)*	3,528,499	3,810,779	-	-	-	3,810,779
Exercise of stock options	*11(a),11(b)*	13,000	28,564	(13,484)	-	-	15,080
Private placement - September 2, 2020	*11(a)*	250,000	1,362,500	-	-	-	1,362,500
Share issue costs	*11(a)*	-	(5,912,652)	-	-	-	(5,912,652)
Shared-based payments	*11(b)*	-	-	2,638,567	-	-	2,638,567
Unrealized gain on marketable securities		-	-	-	2,861,695	-	2,861,695
Net loss for the period		-	-	-	-	(3,932,407)	(3,932,407)
Balance - December 31, 2020		**124,204,936**	**250,411,031**	**3,567,530**	**2,915,998**	**2,343,587**	**259,238,146**

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

ARTEMIS GOLD INC.

Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

	For the year ended December 31, 2020 $	For the period from January 10, 2019 to December 31, 2019 $
Operating activities		
Net (loss) income for the period	**(3,932,407)**	6,275,994
Items not involving cash:		
Accretion expense on lease liability	**53,775**	14,284
Interest expense on convertible debenture	**-**	148,591
Deferred income tax (recovery) expense	**(1,274,061)**	1,000,895
Depreciation	**167,483**	39,989
Equity loss from investment in associate	**418,996**	208,002
Gain on investment in associate	**-**	(1,488,000)
Fair value adjustment on convertible debt	**(1,410,550)**	(5,359,338)
Fair value adjustment on warrants	**(106,721)**	(2,351,844)
Interest income	**(554,663)**	(172,309)
Share-based payments	**2,371,263**	818,447
Other expenses	**274,937**	-
Net changes in non-cash working capital:		
Accounts payable and accrued liabilities	**664,593**	135,936
Due to related parties	**(8,764)**	16,264
Receivables and prepayments	**(797,861)**	(71,328)
Net cash used in operating activities	**(4,133,980)**	(784,417)
Investing activities		
Interest received	**286,049**	121,448
Investment in marketable securities	**(513,422)**	(241,522)
Investment in associate	**(4,066,755)**	(3,906,000)
Investment in convertible debtenture	**-**	(5,094,000)
Mineral property	**(138,301,764)**	(125,945)
Purchase of plant and equipment	**(6,546,243)**	-
Restricted cash	**(540,800)**	-
Net cash used in investing activities	**(149,682,935)**	(9,246,019)
Financing activities		
Convertible debenture proceeds	**-**	5,094,000
Exercise of stock options	**15,080**	-
Exercise of share purchase warrants	**3,810,779**	-
Lease payments	**(144,272)**	(36,890)
Share issuance proceeds	**176,392,498**	36,672,568
Share issuance costs	**(5,912,653)**	(196,933)
Net cash provided by financing activities	**174,161,432**	41,532,745
Change in cash during the period	**20,344,517**	31,502,309
Cash, beginning of period	**31,502,309**	-
Cash and cash equivalents, end of period	**51,846,826**	31,502,309
Restricted cash, end of period	540,800	-
Total cash and restricted cash, end of period	**52,387,626**	**31,502,309**

1. NATURE OF OPERATIONS

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

The Company acquired Blackwater from New Gold Inc. ("**New Gold**") on August 21, 2020 (Note 5). The Company also has a significant investment in Velocity Minerals Ltd. ("**VLC**"), which is in the business of acquiring, exploring, and evaluating mineral resource properties in Bulgaria.

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

The Company maintains its head office at 595 Burrard Street, Suite 3083, Vancouver, B.C. Canada. The Company's registered and records office is located at 595 Burrard Street, Suite 2600, Vancouver, B.C., Canada.

2. BASIS OF PREPARATION

Basis of preparation and measurement

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**"). The accounting policies followed in these consolidated financial statements have been consistently applied in all periods presented.

These consolidated 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 consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. These consolidated 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 consolidated financial statements were approved by the board of directors on March 30, 2021.

Basis of consolidation

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

3. SIGNIFICANT ACCOUNTING POLICIES

a) Cash and cash equivalents

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

b) Investment in associates

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

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

The Company's investment in the common shares of VLC (Note 6) has been treated as an investment in an associate and has been accounted for using the equity method.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Earnings (loss) per common share

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

d) Share-based payments

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

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

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

e) 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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Plant and equipment (continued)

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

f) Mineral properties

Mineral properties consist of exploration and mining concessions or options and contracts related to such concessions. Acquisition, exploration and evaluation costs are capitalized and deferred to mineral properties until such time as the technical feasibility and commercial viability of extracting a mineral reserve for a particular property are demonstrable or the property is disposed of, either through sale or abandonment, or becomes impaired. Where the cost of mineral properties 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. Once the technical feasibility and commercial viability of extracting a mineral reserve for a particular property are demonstrable, the capitalized amounts are first tested for impairment and then transferred to property, plant and equipment. If a property is put into production, the carrying value will be depleted over the life of the property based on estimated economic reserves. Proceeds received from the sale of any interest in a property will be credited against the carrying value of the property. If a property is abandoned, the carrying value will be written off to net income.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Impairment of mineral properties

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

h) 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 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 the statements of (loss) income and comprehensive (loss) income. 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 the statements of (loss) income and comprehensive (loss) income. 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 the statements of (loss) income and comprehensive (loss) income.

i) Current and deferred income taxes

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Financial instruments

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

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

Investments in equity instruments are required to be measured by default at FVPL, unless the Company makes an irrevocable election on the day of acquisition (on an instrument-by-instrument basis) to designate them as FVOCI.

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

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

The Company's investment in convertible debenture and warrants that were issued by VLC (Note 6) have been classified as FVPL. The Company has elected to account for its marketable securities as FVOCI. Cash, receivables, accounts payable, and amounts due to related parties are classified at amortised cost.

k) Leases and right of use assets

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Leases and right of use assets (continued)

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

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

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

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

The initial value of the lease liability at the commencement date is subsequently adjusted to reflect interest on the lease liability, lease payments and reassessments or modifications.

The Company elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of twelve months or less and leases of low-value assets. Payments associated with short-term leases and all leases of low-value assets are recognized as an expense in the statements of (loss) income and comprehensive (loss) income.

l) Unit offerings

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

m) Statement of cash flows

The Company's previous parent company (Atlantic Gold Corporation (or "**Atlantic**")) undertook cash transactions on the Company's behalf during the period ended December 31, 2019, principally to acquire the investments in VLC, using the proceeds from the convertible debt and share issuance by the Company to Atlantic. Accordingly, these cash transactions were recognised in the Company's cash flow statement on the basis that Atlantic was acting as its agent in this respect.

n) Changes in accounting standards

i) Accounting standards adopted January 1, 2020

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Changes in accounting standards (continued)

ii) Accounting standards and amendments issued but not yet adopted

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

Judgments

Acquisition accounting

The Company accounted for the Acquisition of Blackwater as an asset acquisition. Significant judgment was 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* as Blackwater did not have inputs and substantive processes that can collectively contribute to the creation of outputs.

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 5). 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 which required separate accounting. Based on this evaluation, the Company considers the 65% discount given to New Gold on a percentage of future gold sales under the stream agreement to be in substance a royalty retained by New Gold on a portion of the property and accounted for this as variable consideration in exchange for the acquisition of a group of assets.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

Impairment of investment in associate

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

Determination of technical feasibility and commercial viability

The determination of technical feasibility and commercial viability of a mineral property requires significant judgement and takes into account, among other factors, a combination of (i) the extent to which mineral reserves or mineral resources have been defined in a definitive feasibility study in accordance with *National Instrument 43- 101, Standards of Disclosure for Mineral Projects*; (ii) the results of any optimization studies and further technical evaluation carried out to mitigate project risks identified in the definitive feasibility study; (iii) the status of environmental permits; and (iv) the status of mining leases or permits.

Estimates

Fair Value measurements

The Company's significant fair value estimates made during the period included the determination of the fair value of its convertible debenture investment and warrants held in VLC, as described in Note 6, as well as the fair value of consideration payable and other variable consideration payable recognized during the year, as described in Note 9.

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.

COVID-19

The Company has assessed the economic impacts of the novel coronavirus ("**COVID-19**") pandemic on its consolidated financial statements, including the valuation of the Company's investment in VLC. As at December 31, 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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

While the Company has not experienced any significant negative impact to date, the extent to which communicable diseases may impact 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.

5. ACQUISITION OF BLACKWATER

On August 21, 2020 (the "**Closing**"), the Company acquired the Blackwater Project from New Gold (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:

- 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 Payable**") with a $45,871,560 fair value at Closing (Note 9(a));
- $234,785 of non-refundable sales tax and $1,228,479 in transaction costs which the Company incurred relating to the Acquisition; and
- a LOM gold stream (the "**Gold Stream**") with the following attributes:
    - New Gold will receive a percentage of gold production from the Blackwater Project as follows: 8% until 279,908 refined gold ounces are delivered to and purchased by New Gold, then 4% thereafter for the LOM.
    - New Gold will pay a purchase price equal to 35% of the US$ spot price for the gold ounces received. The 65% discount given will be recorded as an increase to the cost of the asset when incurred as variable consideration for the Acquisition.
    - The Gold Stream includes a delayed construction/production penalty clause (the "**Delay Penalty Clause**") whereby, in the event the Blackwater mineral processing facility has not achieved an average of at least 80% of nameplate capacity (as per the feasibility study) for a period of 60 days prior to each of the 7th, 8th, and 9th anniversary dates of Closing, the Company will be required to make penalty payments to New Gold in the amount of $28,000,000 (the "**Penalty Payment**") per annual deadline missed, up to a maximum of $84,000,000. Although the Company does not control all of the events which may result in payment of the Penalty Payments, it is likely that the minimum benefit to New Gold, either as a result of the Delay Penalty Clause or through future sales at a discount to the spot price, will be the sum of the Penalty Payments. Accordingly, the Company has recorded a liability for variable consideration payable upon the acquisition of Blackwater (Note 9(b)).

New Gold will also have a first ranking security interest over Blackwater until the Consideration Payable (Note 9(a)) is paid and will thereafter maintain a security interest over the Blackwater in connection with the Gold Stream (Note 9(b)), subject to certain provisions.

(Expressed in Canadian Dollars, unless otherwise noted)

5. 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
Consideration payable	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

6. INVESTMENT IN VLC

The investment in VLC is comprised of:

	Investment in associate $	Convertible debenture $	Warrants $	Total $
Initial investment	3,906,000	5,094,000	-	9,000,000
Gain at inception	1,488,000	-	1,230,531	2,718,531
Fair value change in the period	-	5,359,338	1,121,313	6,480,651
Equity loss on investment in associate	(208,002)	-	-	(208,002)
Shares received in settlement of interest	236,068	(236,068)	-	-
Other	217,836	(217,836)	-	-
Balance, December 31, 2019	5,639,902	9,999,434	2,351,844	17,991,180
Investment	3,825,858	-	240,897	4,066,755
Fair value change for the year	-	1,410,550	106,721	1,517,271
Shares received in settlement of interest	432,990	(432,990)	-	-
Equity loss on investment in associate	(418,996)	-	-	(418,996)
Balance, December 31, 2020	**9,479,754**	**10,976,994**	**2,699,462**	**23,156,210**

On March 14, 2019, concurrent with a convertible debenture issued to 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.

(Expressed in Canadian Dollars, unless otherwise noted)

6. INVESTMENT IN VLC (continued)

The Convertible Debenture earns interest at an annual rate of 8.5% payable semi-annually, over a five-year term. The interest can be 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 is measured at FVPL. The initial investment in the Convertible Debenture as recorded at the exchange amount (cash consideration paid) and the Company uses the Black-Scholes option pricing model to calculate the fair value of the conversion option contained in the Convertible Debentures. The Company used the following assumptions to fair value the conversion option within the Convertible Debenture:

	December 31, 2020	December 31, 2019
Share price	**$0.50**	$0.46
Volatility	**50%**	40%
Expected life in years	**3.20**	4.21
Dividend rate	**0.00%**	0.00%
Risk-free rate	**0.25%**	1.64%

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%.

On November 24, 2020, the Company acquired an additional 4,000,000 VLC Shares at a price of $0.50 per share. As at December 31, 2020, the Company held 29,490,002 VLC Shares or 22% of the issued common shares of VLC with a fair market value of $14,745,001 (see Note 16 (c)).

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 FVPL with the fair value adjustment being recorded in the interim consolidated statements of (loss) income and comprehensive (loss) income, using the Black-Scholes option pricing model and the following weighted average assumptions to fair value the warrants:

	December 31, 2020	December 31, 2019
Share price	**$0.50**	$0.46
Volatility	**61%**	60%
Expected life in years	**1.07**	2.20
Dividend rate	**0.00%**	0.00%
Risk-free rate	**0.25%**	1.66%

(Expressed in Canadian Dollars, unless otherwise noted)

6. INVESTMENT IN VLC (continued)

The assets and liabilities of VLC are summarized in the following table and incorporates VLC's most recently available financial information, which was as at September 30, 2020.

	September 30, 2020 $
Current assets	4,750,789
Non-current assets	15,759,106
	20,509,895
Current liabilities	1,107,611
Non-current liabilities	4,203,947
	5,311,558
Net assets	15,198,337
Company's equity share of net assets	3,357,313
Loss and comprehensive loss for the twelve months ended September 30, 2020	(1,971,817)

(Expressed in Canadian Dollars, unless otherwise noted)

7. 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	-	-	-	-	37,632	37,632
Acquisition of Blackwater[2]	-	4,817,845	1,457,107	126,461	107,200	6,508,613
Balance, December 31, 2020	**959,744**	**4,817,845**	**1,457,107**	**126,461**	**144,832**	**7,505,989**
ACCUMULATED DEPRECIATION						
Balance, January 10, 2019	-	-	-	-	-	-
Depreciation	(39,989)	-	-	-	-	(39,989)
Balance, December 31, 2019	(39,989)	-	-	-	-	(39,989)
Depreciation	(159,958)	(160,595)	(8,431)	(28,571)	(8,143)	(365,698)
Balance, December 31, 2020	**(199,947)**	**(160,595)**	**(8,431)**	**(28,571)**	**(8,143)**	**(405,687)**
NET BOOK VALUE						
Balance, December 31, 2019	919,755	-	-	-	-	919,755
Balance, December 31, 2020	**759,797**	**4,657,250**	**1,448,676**	**97,890**	**136,687**	**7,100,302**

(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 5).

Total depreciation recognized during the year ended December 31, 2020 amounted to $365,698 (during the period from January 10, 2019 to December 31, 2019 – $39,989) of which $167,483 was recognized in the consolidated statements of (loss) income and comprehensive (loss) income (during the period from January 10, 2019 to December 31, 2019 – $39,989).

8. MINERAL PROPERTY

	Total $
Balance, January 10, 2019	-
Additions	222,354
Balance, December 31, 2019	222,354
Acquisition of Blackwater (Note 5)	246,319,298
Asset retirement asset recognized (Note 5)	8,626,352
Additions	10,212,278
Change in asset retirement obligation estimate (Note 10)	(302,308)
Balance, December 31, 2020	**265,077,974**

On August 21, 2020, the Company acquired the Blackwater Project from New Gold. The terms of the Acquisition are described in Note 5.

(Expressed in Canadian Dollars, unless otherwise noted)

8. MINERAL PROPERTY (continued)

During the year ended December 31, 2020, the additions to mineral property of $10,212,278 included, among other things, $2,772,000 in engineering, $2,472,000 associated with environmental and permitting, $2,811,787 of accretion of consideration payable (Note 9), as well as $893,000 associated with the commencement of the grade control drilling program.

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).

9. CONSIDERATION PAYABLE

a) Consideration payable – Acquisition

As part of the consideration associated with the Acquisition, the Company agreed to pay $50,000,000 cash one year from Closing (Note 5). The financial liability was initially recognized at fair value of $45,871,560, after applying a 9% discount rate. Changes to the amortized cost of the financial liability were as follows:

	Carrying amount $
Balance, January 10, 2019 and December 31, 2019	-
Recognized upon Acquisition (Note 5)	45,871,560
Accretion expense capitalized to mineral property	1,376,148
Balance, December 31, 2020	**47,247,708**

b) Variable consideration payable – Gold Stream

As part of the consideration associated with the Acquisition, the Company agreed to a Gold Stream with New Gold and the terms of the Gold Stream are described in detail in Note 5.

The fair value of the financial liability was determined using a discount rate of 12.50% and subsequent changes to the amortized cost were as follows:

	Carrying amount $
Balance, January 10, 2019 and December 31, 2019	-
Recognized upon Acquisition (Note 5)	31,048,644
Accretion expense capitalized to mineral property	1,435,639
Balance, December 31, 2020	**32,484,283**

(Expressed in Canadian Dollars, unless otherwise noted)

10. 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 5)	8,626,352
Accretion expense	22,983
Change in obligation estimate	(302,308)
Balance, December 31, 2020	**8,347,027**

As a result of the Acquisition, the Company assumed a provision for asset retirement obligations (Note 5).

The majority of the expenditures are expected to occur after 2040. As at December 31, 2020, the assumptions applied in estimating the asset retirement obligation related to the inflation rate and discount rate were 2.02% p.a. and 1.07% p.a., respectively.

As at December 31, 2020, the Company recorded $540,800 of restricted cash on the statements of financial position with respect to cash collateral posted to support a $2,704,000 surety bond attributed to the asset retirement obligation.

11. EQUITY

a) Authorized share capital

Unlimited number of common shares without par value.

During the year ended December 31, 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 the 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 New Gold (Note 5).

(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.

(iv) In various tranches, the Company issued 3,528,499 common shares pursuant to warrant exercises for gross proceeds of $3,810,779.

(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.

11. EQUITY (continued)

a) Authorized share capital (continued)

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 consolidated 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 6), the Company issued convertible debentures of $5,094,000 to its former parent, Atlantic, 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 until August 27, 2025. There was no residual value assigned to the warrants.

Certain directors and officers of Artemis subscribed to 17,889,155 common shares of the Private Placement which are subject to an escrow agreement. Pursuant to the escrow agreement, 10% of the common shares were released from escrow on September 30, 2019 and 15% were scheduled to be released from escrow every six months starting March 31, 2020. On October 30, 2020, Artemis graduated to "Tier 1 Issuer" status on the TSXV which resulted in the acceleration of the release of the escrowed securities. At December 31, 2020, 4,472,289 remained in escrow, all of which will be released on March 31, 2021.

b) Stock options

The Company has established a stock option 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.

(Expressed in Canadian Dollars, unless otherwise noted)

11. EQUITY (continued)

b) Stock options (continued)

The Company uses the Black Scholes option pricing model to determine the fair value of stock options granted. As at December 31, 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 – December 31, 2020	**4,782,000**	**3.79**
Exercisable – December 31, 2020	**1,640,334**	**1.17**

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 $7,353,932 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 $518,161 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 year ended December 31, 2020 was $2,638,567 and the period from January 10, 2019 to December 31, 2019 – $818,447), of which $267,304 was capitalized in mineral properties and $2,371,263 was expensed in the consolidated statements of (loss) income and comprehensive (loss) income.

The following assumptions were used in the valuation of the stock options granted in the year ended December 31, 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.

(Expressed in Canadian Dollars, unless otherwise noted)

11. EQUITY (continued)

b) Stock options (continued)

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.

As at December 31, 2020, outstanding stock options had a weighted average remaining life of 6.4 years (December 31, 2019 – 9.8 years) (see Note 16(a)).

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	(3,528,499)	1.08
Outstanding – December 31, 2020	**32,739,908**	**1.08**

As at December 31, 2020, outstanding share purchase warrants had a weighted average remaining life of 3.7 years (December 31, 2019 – 4.7 years) (see Note 16(b)).

d) Earnings (loss) per common share

The calculation of basic and diluted earnings per share for the periods presented was based on the following data

	For the year ended December 31, 2020 #	For the period from January 10, 2019 to December 31, 2019 #
Number of shares		
Weighted average number of common shares - basis	**75,234,362**	20,326,239
Effect of convertible debt (converted by Atlantic on July 18, 2019)	-	3,623,908
Effect of dilutive share purchase warrants	-	1,002,896
Effect of dilutive stock options	-	18,636
Weighted average number of common shares - diluted	**75,234,362**	24,971,679

(Expressed in Canadian Dollars, unless otherwise noted)

11. EQUITY (continued)

d) Earnings (loss) per common share (continued)

For the year ended December 31, 2020, the effect of all potentially dilutive securities was anti-dilutive, given that the Company reported a net loss for the year.

For the period January 10, 2019 to December 31, 2019, no stock options or share purchase warrants were excluded from the calculation of diluted weighted average shares on the basis of being anti-dilutive.

12. INCOME TAX

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

	For the year ended December 31, 2020	For the period from January 10, 2019 to December 31, 2019
Income (loss) before income taxes	(5,206,468)	7,276,889
Combined federal and provincial income tax rates	27.00%	27.00%
Expected income tax (recovery) expense	(1,405,746)	1,964,760
Non-taxable portion of unrealized gains	(89,813)	(1,183,442)
Non-deductible expenses and other	658,243	219,577
Tax benefit of losses not recognized	(436,745)	-
Deferred income tax (recovery) expense	**(1,274,061)**	**1,000,895**

The components of deferred tax liability (asset) are as follows:

	As at December 31, 2020 $	As at December 31, 2019 $
Investments	1,694,735	1,190,415
Losses	(32,193,317)	(214,002)
Right of use asset	178,392	248,334
Lease liability	(228,593)	(253,027)
Share issue costs	(1,321,053)	(42,538)
Mineral Property	31,586,943	27,016
ARO Liability	(6,205)	-
Stream Payable	(387,623)	-
Debt payable	(371,560)	-
Deferred tax assets not recognized	1,048,281	-
	-	**956,198**

(Expressed in Canadian Dollars, unless otherwise noted)

12. INCOME TAX (continued)

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

	For the year ended December 31, 2020 $	For the period from January 10, 2019 to December 31, 2019 $
Opening Balance	956,198	-
Deferred tax (recovery) expense	(1,274,061)	1,000,895
Deferred tax charged against equity	317,863	(44,697)
Ending balance	**-**	**956,198**

13. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

a) Key management compensation

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

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

b) Amounts payable to (receivable from) related parties

As at December 31, 2020, the Company owed $7,500 in fees to directors of the Company (December 31, 2019 - $16,264).

The Company charges office lease and administrative expenditures to Oceanic Iron Ore Corp. ("**Oceanic**"), a company with a common officer and director. During the year ended December 31, 2020, office lease and overhead and service costs billed to Oceanic amounted to $21,779 and the period from January 10, 2019 to September 30, 2019 – $nil). As at December 31, 2020, the Company had a receivable balance of $21,779 from Oceanic (December 31, 2019 – nil).

(Expressed in Canadian Dollars, unless otherwise noted)

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

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

Financial instrument risk exposure

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

Interest rate risk

Interest rate risk is the risk that the future cash flows from a financial instrument will fluctuate due to changes in market interest rates. The Company holds its cash in bank accounts that earn variable interest rates. Based on cash balances at

December 31, 2020, a 1% variation in interest rates would have a $518,468 impact on the consolidated statement of (loss) income and comprehensive (loss) income.

Credit risk

Credit risk arises from the potential for non-performance by counterparties of contractual financial obligations. As at December 31, 2020, the Company has cash on deposit with a large Canadian bank. Credit risk is concentrated as a significant amount of the Company's cash and cash equivalents is held at one financial institution. Management believes the risk of loss to be remote. Although the Company's exposure to both the convertible debenture investment, including interest receivable, and warrants are convertible into common shares of VLC at the discretion of the Company, there is no certainty the common shares can be sold in an efficient manner.

Liquidity Risk

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

The Company's undiscounted contractual commitments as at December 31, 2020 were as follows:

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

The Company also issued a $2,704,000 surety bond associated with the asset retirement obligation (Note 10), which in turn is secured by restricted cash in the amount of $540,800.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Market risk

Market risk is the risk that the fair market value of the Company's financial instruments will significantly fluctuate due to changes in market prices. The value of the financial instruments can be affected by changes in interest rates, and equity and commodity prices. The fair value of the Company's convertible debenture receivable is affected by changes in the share price of VLC. A $0.01 change in the share price of VLC would result in a change of approximately $182,000 in the fair value of the convertible debentures. The impact of $182,000 correlates with the underlying share price and is magnified as changes in the underlying share price (upward or downward) changes by more than $0.01 per share. The fair value of the Company's investment in warrants of VLC is also affected by changes in the underlying share price of VLC. A $0.01 change in the share price of VLC would result in a change of approximately $99,000 in the value of the investment in warrants. The impact of $99,000 correlates with the underlying share price and is magnified as changes in the underlying share price (upward or downward) changes by more than $0.01 per share.

The Company also hold marketable securities, the fair value of which changes with reference to the underlying share price(s). A $0.01 change in the share price of the marketable securities would result in a change of approximately $12,000 in the fair value of the marketable securities being recognized in Other Comprehensive Income.

Currency risk

The functional currency of the Company is the Canadian dollar. Currency transaction risk and currency translation risk is the risk that fluctuations of the Canadian dollar in relation to other currencies may impact the fair value of financial assets, liabilities and operating results. As of December 31, 2020, the Company had no financial assets or liabilities that were subject to currency translation risk.

Fair value

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

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

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

The carrying values of consideration payable and other variable consideration payable are considered to approximate their fair value. The fair value of the Company's equity investment in VLC is disclosed in Note 6.

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

15. CAPITAL MANAGEMENT

Capital includes all components of shareholders' equity. The Company's objective in managing capital is to safeguard the Company's ability to continue as a going concern, to maintain a flexible capital structure which optimizes cost of capital at acceptable risk, and to provide reasonable returns to shareholders. The Company manages the capital structure and makes adjustments in light of changes in economic conditions, foreign exchange rates and the risk characteristics of the Company's assets. In order to maintain or adjust the capital structure, the Company may issue new shares, or sell assets to improve working capital. The Company has no other externally imposed capital requirements. In order for the Company to meet its obligations and undertake its intended discretionary spending related to further development of the Blackwater Project, it may choose to fund such expenditures by obtaining financing through additional equity financing, debt financing or by other means.

16. SUBSEQUENT EVENTS

a) Subsequent to year-end, the Company granted 825,000 additional stock options, exercisable at a weighted average price of $6.14 per share (Note 11(b)).

b) Subsequent to year-end, a total of 76,666 warrants were exercised for proceeds of $82,799 (Note 11(c)).

c) On March 25, 2021, the Company converted its Convertible Debenture in VLC (in the amount of $5,302,784 million, including accrued interest) at a conversion price of $0.25/share for a total of 21,211,136 additional common shares of VLC. This brought the Company's position to 32% of VLC's issued and outstanding common shares (Note 6).