

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

For the three months ended September 30, 2019 and period January 10, 2019 to
September 30, 2019

ARTEMIS GOLD INC.



NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed interim financial statements of Artemis Gold Inc. have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

ARTEMIS GOLD INC.

Balance Sheet (*Unaudited*)

As at September 30, 2019

(Expressed in Canadian Dollars)

	Notes	September 30, 2019
Current assets		
Cash		\$ 32,510,450
Receivables		9,872
Prepaid expenses and deposits		10,124
		32,530,446
Non-current assets		
Investment in associate	5	5,208,259
Convertible debenture	5	10,356,078
Warrants	5	2,436,322
Mineral property	6	225,945
TOTAL ASSETS		50,757,050
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities		348,165
Due to related parties	10	58,841
		407,006
Deferred income tax liability	8	1,094,359
TOTAL LIABILITIES		1,501,365
Shareholders' Equity		
Share capital	9	41,771,399
Retained earnings		7,484,286
Total Shareholders' Equity		49,255,685
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 50,757,050
Nature of operations and going concern	1	
Subsequent events	12	
Approved for Issuance by the Board of Directors:		
<u>"Robert Atkinson"</u>		Director
<u>"Steven Dean"</u>		Director

The accompanying notes are an integral part of these financial statements

ARTEMIS GOLD INC.

Statement of Income and Comprehensive Income

For the three months ended September 30, 2019 and the period January 10, 2019 to September 30, 2019

(Unaudited)

(Expressed in Canadian Dollars)

	Notes	For the three months ended September 30, 2019	For the period January 10, 2019 to September 30, 2019
Operating Expenses			
Management fees and wages	10	\$ (67,940)	\$ (67,940)
Investor relations and corporate development		(2,770)	(2,770)
License and insurance		(3,375)	(3,375)
Office and general		(11,505)	(11,505)
Professional fees		(16,179)	(135,413)
Transfer agent and regulatory		(33,724)	(33,724)
Net loss from operations		(135,493)	(254,727)
Other Income/ (Expense)			
Convertible debenture interest expense	7	(21,227)	(148,591)
Equity share of investment in associate	5	(117,018)	(185,741)
Gain on investment in associate	5	1,823,016	9,186,399
Interest income		34,477	34,477
Net income before income taxes		1,583,755	8,631,817
Deferred income tax expense	8	(195,777)	(1,147,531)
Net Income and comprehensive income for the period		\$ 1,387,978	\$ 7,484,286
Income per common share			
Basic		\$ 0.06	\$ 0.71
Diluted		\$ 0.06	\$ 0.50
Weighted average number of common shares outstanding			
Basic		23,979,721	10,476,773
Diluted		25,315,240	15,382,139

The accompanying notes are an integral part of these financial statements

ARTEMIS GOLD INC.

Statement of Changes in Equity (Unaudited)

For the period January 10, 2019 to September 30, 2019

(Expressed in Canadian Dollars)

	Notes	Share capital		Retained Earnings	Total equity
		Number of shares	Amount		
Balance - January 10, 2019		1	\$ 1	\$ -	\$ 1
Share issuance - March 14, 2019	9	5,085,710	3,906,000	-	3,906,000
Share issuance - June 12, 2019	9	1	125,000	-	125,000
Shares issued on conversion of debt	7, 9	6,825,986	5,242,591	-	5,242,591
Private Placement - Aug 27, 2019	9	36,268,407	32,641,566	-	32,641,566
Share issue costs	9	-	(143,759)	-	(143,759)
Net income for the period		-	-	7,484,286	7,484,286
Balance - September 30, 2019		48,180,105	\$ 41,771,399	\$ 7,484,286	\$ 49,255,685

The accompanying notes are an integral part of these financial statements

ARTEMIS GOLD INC.

Statement of Cash Flows (*Unaudited*)

For the period January 10, 2019 to September 30, 2019

(Expressed in Canadian Dollars)

	January 10, 2019 to September 30, 2019
Operating activities	
Net income for the period	\$ 7,484,286
Items not involving cash:	
Deferred tax expense	1,147,531
Convertible debenture interest expense	148,591
Equity share of investment in associate	185,741
Gain on investment	(9,186,399)
Interest income	(34,477)
Net changes in non-cash working capital	220,348
Net cash used in operating activities	(34,379)
Investment activities	
Interest received	34,477
Investment in Velocity Minerals Ltd.	(9,000,000)
Option payment	(125,000)
Net cash used in financing activities	(9,090,523)
Financing activities	
Convertible debenture proceeds	5,094,000
Share issuance proceeds	36,672,566
Share issue costs	(131,214)
Net cash provided by financing activities	41,635,352
Change in cash during the period	32,510,450
Cash, beginning of period	-
Cash, end of period	\$ 32,510,450

The accompanying notes are an integral part of these financial statements

ARTEMIS GOLD INC.

Notes to the Condensed Interim Financial Statements (*Unaudited*)

For the three months ended September 30, 2019 and the period January 10, 2019 to September 30, 2019

(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Artemis Gold Inc. ("Artemis" or the "Company") (formerly 1193490 B.C. Ltd.) is an exploration stage company currently focused on its investment in Velocity Minerals Ltd. ("VLC"), its option to acquire a 100% interest in GK project located in the Telegraph Creek area of British Columbia (the "GK Project"), as well as acquiring exploration and/or development stage mineral properties for the purposes of further exploration and development. VLC is in the business of acquiring, exploring, and evaluating mineral resource properties in Bulgaria. Artemis was incorporated under the Business Corporations Act (British Columbia) on January 10, 2019. 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. Up until July 19, 2019, the Company was privately held and was a wholly owned subsidiary of Atlantic Gold Corporation ("Atlantic"). Artemis operates in one operating segment.

On May 14, 2019, Atlantic announced that it had entered into an arrangement agreement with St. Barbara Limited ("St. Barbara") pursuant to which St Barbara would acquire 100% of all issued and outstanding shares of Atlantic (the "Arrangement"). As part of the Arrangement, Atlantic agreed to distribute 100% of the common shares of Artemis to Atlantic shareholders on the closing date of the Arrangement, being July 19, 2019. On October 2, 2019 the Company commenced trading on the TSX Venture Exchange under the trading symbol of ARTG.

2. BASIS OF PREPARATION

These unaudited condensed interim financial statements for the three months ended September 30, 2019 and the period of January 10, 2019 to September 30, 2019 (the "Interim Financial Statements") have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting ("IAS 34") using policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These Interim Financial Statements do not include all disclosures required for annual audited financial statements. Accordingly, they should be read in conjunction with the notes to the Company's audited financial statements for the period of January 10, 2019 to May 14, 2019, which were prepared in accordance with IFRS as issued by the IASB. These Interim Financial Statements have been prepared using accounting policies consistent with those used in the aforementioned audited financial statements, the unaudited condensed interim financial statements for the periods January 10, 2019 to June 30, 2019 and May 15, 2019 to June 30, 2019, with the addition of those policies listed in Note 3 of the Interim Financial Statements. These financial statements were approved by the board of directors on November 27, 2019.

3. SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, term deposits and short-term highly liquid investments at Canadian financial institutions with an original term to maturity of 90 days or less, which are readily convertible to known amounts of cash at any time without penalty and which, in the opinion of management, are subject to an insignificant risk of changes in value. Such financial assets are stated at their respective fair values at inception and subsequently at amortized cost.

ARTEMIS GOLD INC.

Notes to the Condensed Interim Financial Statements (Unaudited)

For the three months ended September 30, 2019 and the period January 10, 2019 to September 30, 2019

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Warrants

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 in assigning the value to the warrant which is included in the warrant reserve in the statement of equity.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The critical estimates and judgements that the Company's management has made in the process of applying the Company's accounting policies are disclosed in the Company's audited financial statements for the period of January 10, 2019 to May 14, 2019.

5. INVESTMENT IN ASSOCIATE

The investment in the associate is comprised of:

	Initial investment	Gain at inception	Fair value change in the period	Equity pick up	September 30, 2019
Convertible debentures	\$ 5,094,000	\$ -	\$ 5,262,078	\$ -	\$ 10,356,078
Investment in associate - common shares	3,906,000	1,488,000	-	(185,741)	5,208,259
Warrants	-	1,230,531	1,205,791	-	2,436,322
Total investment	\$ 9,000,000	\$ 2,718,531	\$ 6,467,869	\$ (185,741)	\$ 18,000,659

On March 14, 2019, the Company completed an investment in VLC for a total consideration of \$9,000,000. Included in the investment was a \$5,094,000 secured convertible debenture in VLC, plus an equity component comprising 18,600,000 Units of VLC for cash consideration of \$3,906,000. Further, as part of the investment agreement, the Company has the right to designate one individual to be nominated, and if elected, to serve as a director of VLC provided the Company holds at least 15% of the issued and outstanding common shares of VLC, with the number of nominees increasing to two directors if the Company holds 30% or more of the issued and outstanding common shares of VLC.

The convertible debenture earns interest at an annual rate of 8.5% payable semi-annually, over a five-year term. The interest can be paid in cash or common shares of VLC, at the discretion of VLC. The principal amount of the convertible debentures is convertible into common shares of VLC at the election of the Company at a conversion price of \$0.25. The convertible debentures are secured with a first ranking charge at any time by way of general security agreement and guarantee from the material subsidiary of VLC.

The convertible debenture investment is recognised as Fair Value through Profit and Loss (FVPL). At inception, the convertible debenture was recorded at the equivalent of cash consideration paid. As at September 30, 2019, the fair value of the convertible debenture increased to \$10,356,080, resulting in a gain of \$5,262,078 for the period of January 10, 2019 to September 30, 2019 (\$1,274,573 for the three months ended September 30, 2019).

ARTEMIS GOLD INC.

Notes to the Condensed Interim Financial Statements (Unaudited)

For the three months ended September 30, 2019 and the period January 10, 2019 to September 30, 2019

(Expressed in Canadian Dollars)

5. INVESTMENT IN ASSOCIATE (continued)

The equity component of VLC comprised 18,600,000 Units of VLC, with each Unit consisting of one common share and 1/2 warrant. The warrants are exercisable into common shares of VLC at an exercise price of \$0.25, with an expiry date of March 14, 2022.

The attributed cost of the common shares at the date of inception was \$5,394,000 and was determined using the traded stock price of VLC on March 14, 2019 which was \$0.29 per common share multiplied by the number of common shares held. At inception, the attributed cost of the warrants was determined using the Black-Scholes option pricing model which was \$1,230,531. The attributed costs were higher than the cash outlay, resulting in a gain at inception.

The Company applies equity accounting over the investment in the common shares of VLC as the Company has significant influence over VLC due to its share ownership in the Company and its ability to have board representation. As a result, at inception of the investment, the common shares were recognized at attributed cost, with the carrying amount of the investment increasing or decreasing to recognise the Company's share of the profit or loss of VLC at each reporting period. As at September 30, 2019, the Company had an approximately 19% ownership interest in VLC.

The assets and liabilities of VLC are summarized in the following table and are taken from VLC's most recently available financial statements as at June 30, 2019.

		June 30, 2019
Current assets	\$	8,047,180
Non-current assets		5,919,395
		13,966,575
Current liabilities		1,066,544
Non-current liabilities		4,033,178
		5,099,722
Net assets	\$	8,866,853
Company's equity share of net assets	\$	1,704,209
Loss and comprehensive loss for the six months ended June 30, 2019	\$	(1,619,374)

The warrants have been accounted for as FVPL. The Company used the Black-Scholes option pricing model to calculate the fair value of the warrants held in VLC. The Company used the following assumptions:

	September 30, 2019	March 14, 2019
Share Price	\$ 0.46	\$ 0.29
Volatility	60%	60%
Expected Life in Years	2.45	3.00
Dividend Rate	0.00%	0.00%
Risk-free-rate	1.510%	1.600%

At inception, the fair value of the warrants was \$1,230,531. As at September 30, 2019, the fair value of the warrants increased to \$2,436,322, resulting in an additional gain on investment of \$1,205,791 for the period of January 10, 2019 to September 30, 2019 (gain of \$548,443 for the three months ended September 30, 2019).

ARTEMIS GOLD INC.

Notes to the Condensed Interim Financial Statements (*Unaudited*)

For the three months ended September 30, 2019 and the period January 10, 2019 to September 30, 2019

(Expressed in Canadian Dollars)

6. MINERAL PROPERTY

On May 31, 2019, the Company entered into an option agreement ("Option Agreement") whereby the Company has the right to acquire a 100% interest, subject to certain royalty payments, in the GK project.

In order for the Company to exercise its option under the Option Agreement, the Company must pay:

- (i) \$125,000 in cash upon execution of the Option Agreement (paid on June 12, 2019);
- (ii) On or before 12 months after the effective date of the Option Agreement, \$50,000 in cash and incur certain expenditures of not less than \$100,000;
- (iii) On or before 24 months after the effective date of the Option Agreement, \$100,000 in cash and incur certain expenditures of not less than \$500,000;
- (iv) On or before 36 months after the effective date of the Option Agreement, \$500,000 in cash and incur certain expenditures of not less than \$1,300,000;
- (v) On or before 48 months after the effective date of the Option Agreement, \$750,000 in cash and incur certain expenditures of not less than \$2,000,000; and
- (vi) On or before 60 months after the effective date of the Option Agreement, \$1,000,000 in cash and incur certain expenditures of not less than \$3,000,000.

7. CONVERTIBLE DEBENTURE LIABILITY

On March 14, 2019, the Company issued convertible debentures (the "Debentures") of \$5,094,000 to Atlantic. The Debentures carry an interest rate of 8.4% (due semi-annually in March and September). The principal amount of the Debentures was due and payable on demand. At any time, the subscriber could, at its option, convert the debenture into common shares of the Company at a conversion price of \$0.7680 per share.

For accounting purposes, the Debentures were separated into their liability and equity components by first valuing the liability component. Because the Debentures were payable on demand, the fair value of the liability component at the time of issue was calculated as the principal amount owing on the convertible debenture liability, being \$5,094,000. This resulted in no residual value being attributed to the equity component of the financial instrument.

On July 18, 2019, pursuant to the Arrangement, Atlantic converted the Debentures (\$5,094,000 in principal and \$148,591 in interest) into 6,825,986 common shares of Artemis at \$0.7680 of debt per share. As part of the Arrangement, Atlantic agreed to distribute 100% of the common shares of Artemis to Atlantic shareholders on the closing date of the Arrangement, being July 19, 2019.

Interest and accretion expense for the period January 10, 2019 to September 30, 2019 was \$148,591 (\$21,227 for the three months ended September 30, 2019) and has been expensed to the statement of income and comprehensive income.

ARTEMIS GOLD INC.

Notes to the Condensed Interim Financial Statements (*Unaudited*)

For the three months ended September 30, 2019 and the period January 10, 2019 to September 30, 2019

(Expressed in Canadian Dollars)

8. DEFERRED INCOME TAX LIABILITY

The deferred income tax liability is largely a result of taxable temporary differences resulting from the accounting gain on the various instruments comprising the Company's investment in VLC, which is not yet realized for tax purposes.

9. EQUITY

Authorized share capital

Unlimited number of common shares without par value.

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 financial statements have been retrospectively restated to present post subdivision amounts.

On March 14, 2019 the Company issued 5,085,710 shares for cash proceeds of \$3,906,000.

On June 12, 2019 the Company issued 1 share for cash proceeds of \$125,000.

On July 18, 2019 the Company converted it's the convertible debt to common shares, see Note 7.

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 Share and one common share purchase warrant, with each whole warrant entitling the holder to purchase one additional Artemis Share at a price of \$1.08 per share for a period of 60 months following closing of the Private Placement. There was no residual value to assign 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. Ten percent of the common shares were released from escrow on September 30, 2019 and 15% will be released from escrow every six months starting March 31, 2020 until September 30, 2022. At September 30, 2019 16,100,240 shares remained in escrow.

10. RELATED PARTY TRANSACTIONS

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consists of executive and non-executive members of the Company's Board of Directors and corporate officers.

Remuneration attributed to key management personnel included in management fees and salaries in the Statement of Income and Comprehensive Income is \$50,000 for the three months ended September 30, 2019 and the period from inception to September 30, 2019. This amount, and \$3,207 of expenses is owing to key management personnel at September 30, 2019.

As discussed in Note 9, certain directors and officers subscribed to the Private Placement.

ARTEMIS GOLD INC.

Notes to the Condensed Interim Financial Statements (*Unaudited*)

For the three months ended September 30, 2019 and the period January 10, 2019 to September 30, 2019

(Expressed in Canadian Dollars)

10. RELATED PARTY TRANSACTIONS (Continued)

In addition, \$5,634 was charged to the Company by a related company for services provided. This amount is owing at September 30, 2019.

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value measurements

Fair value is based on available public market information or, when such information is not available, estimated using present value techniques and assumptions concerning the amount and timing of future cash flows and discount rates which factor in the appropriate credit risk.

The Company's investment in the VLC convertible debentures, the investment in VLC warrants and the convertible debenture liability are categorized as Level 3 in the fair value hierarchy, as observable market data for this investment is not available. The fair values of the cash, receivables, accounts payable and accrued liabilities and due to related party balance and the convertible debenture liability approximate the carrying value as at September 30, 2019.

12. SUBSEQUENT EVENTS

- a) On October 16, 2019 VLC settled interest owed on the convertible debentures of \$236,068 for the period March 14, 2019 to September 30, 2019 by issuing 495,516 common shares to the Company.
- b) On October 24, 2019, the Company granted of 1,520,000 incentive stock options (the "Options") pursuant to the Company's Stock Option Plan, to directors, officers and employees of the Company. The Options are exercisable at a price of \$1.16 per share and expire on October 24, 2029.