

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

For the three and nine months ended September 30, 2023 and 2022

Expressed in Canadian Dollars, unless otherwise noted



ARTEMIS GOLD INC.

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

	Notes	As at September 30, 2023 \$	As at December 31, 2022 \$
Assets			
Current assets			
Cash and cash equivalents		72,820,049	194,089,372
Receivables and prepayments		8,162,011	2,968,341
		80,982,060	197,057,713
Non-current assets			
Restricted cash	8	12,744,077	4,734,100
Investment in Velocity	4	7,694,620	8,176,317
Capitalized contract costs	10	1,955,775	-
Deferred financing costs	9	16,977,754	11,071,355
Mineral property, plant and equipment	5	762,498,210	435,711,939
TOTAL ASSETS		882,852,496	656,751,424
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		43,180,240	24,608,609
Current portion of lease liabilities	11	876,159	679,992
		44,056,399	25,288,601
Non-current liabilities			
Deferred revenue	12	183,589,466	-
Lease liabilities	11	12,435,527	1,032,572
Variable consideration payable	6	45,796,939	41,709,665
Asset retirement obligation	7	18,494,168	11,292,855
TOTAL LIABILITIES		304,372,499	79,323,693
Shareholders' equity			
Share capital		594,826,016	589,253,146
Contributed surplus	13	20,572,517	17,549,291
Accumulated other comprehensive income		3,622,371	3,622,371
Deficit		(40,540,907)	(32,997,077)
Total Shareholders' equity		578,479,997	577,427,731
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		882,852,496	656,751,424

Subsequent events (Note 16)

Approved for Issuance by the Board of Directors:

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

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

ARTEMIS GOLD INC.

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

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

	Notes	For the three months ended September 30, 2023 \$	For the three months ended September 30, 2022 \$	For the nine months ended September 30, 2023 \$	For the nine months ended September 30, 2022 \$
Operating expenses					
Depreciation		165,868	98,390	503,813	291,534
Management fees and wages	14	1,251,319	1,430,355	4,063,872	3,591,692
Investor relations and corporate development		163,041	48,324	416,890	218,122
Office, insurance and general		363,676	277,060	1,495,390	815,869
Professional fees		357,809	166,244	961,766	473,680
Share-based payments	13, 14	897,827	1,356,272	2,857,802	4,261,353
Loss from operations		(3,199,540)	(3,376,645)	(10,299,533)	(9,652,250)
Other (expense) income					
Accretion expense on lease liability	11	(26,239)	(16,091)	(86,679)	(51,563)
Accretion expense on asset retirement obligation	7	(112,253)	(13,509)	(224,228)	(49,137)
Equity loss from investment in associate	4	(150,241)	(259,148)	(481,697)	(703,818)
Fair value adjustment on warrants	4	-	-	-	(644,119)
Impairment loss on investment in associate	4	-	(9,889,866)	-	(9,889,866)
Interest income		909,175	595,413	3,548,307	1,197,748
Net loss		(2,579,098)	(12,959,846)	(7,543,830)	(19,793,005)
Other comprehensive loss, net of tax					
<i>Items that will not be reclassified to net loss</i>					
Gains on marketable securities		-	-	-	262,316
Comprehensive loss		(2,579,098)	(12,959,846)	(7,543,830)	(19,530,689)
Loss per common share					
Basic and diluted		(0.01)	(0.08)	(0.04)	(0.13)
Weighted average number of common shares outstanding					
Basic and diluted		197,938,288	154,249,962	195,967,481	154,114,100

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

ARTEMIS GOLD INC.

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

	Notes	Share capital		Contributed surplus	Accumulated other comprehensive income	Retained deficit	Total shareholders' equity
		Number of shares	Amount				
		#	\$	\$	\$	\$	\$
Balance - January 1, 2023		193,211,701	589,253,146	17,549,291	3,622,371	(32,997,077)	577,427,731
Exercise of share purchase warrants	13	4,448,000	4,803,840	-	-	-	4,803,840
Exercise of stock options	13	350,000	769,030	(363,030)	-	-	406,000
Shared-based payments	13	-	-	3,386,256	-	-	3,386,256
Net loss		-	-	-	-	(7,543,830)	(7,543,830)
Balance - September 30, 2023		198,009,701	594,826,016	20,572,517	3,622,371	(40,540,907)	578,479,997

	Notes	Share capital		Contributed surplus	Accumulated other comprehensive income	Retained deficit	Total shareholders' equity
		Number of shares	Amount				
		#	\$	\$	\$	\$	\$
Balance - January 1, 2022		153,971,145	417,276,031	10,058,314	3,360,055	(11,367,165)	419,327,235
Exercise of share purchase warrants	13	350,556	378,600	-	-	-	378,600
Shared-based payments	13	-	-	6,210,136	-	-	6,210,136
Gain on marketable securities		-	-	-	262,316	-	262,316
Net loss		-	-	-	-	(19,793,005)	(19,793,005)
Balance - September 30, 2022		154,321,701	417,654,631	16,268,450	3,622,371	(31,160,170)	406,385,282

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

ARTEMIS GOLD INC.

Condensed Consolidated Interim Statements of Cash Flows

(Unaudited - Expressed in Canadian Dollars)

	Notes	For the three months ended September 30, 2023 \$	For the three months ended September 30, 2022 \$	For the nine months ended September 30, 2023 \$	For the nine months ended September 30, 2022 \$
Operating activities					
Net loss		(2,579,098)	(12,959,846)	(7,543,830)	(19,793,005)
Items not involving cash:					
Depreciation		165,868	98,390	503,813	291,534
Share-based payments	13, 14	897,827	1,356,272	2,857,802	4,261,353
Accretion expense on lease liability	11	26,239	16,091	86,679	51,563
Accretion expense on asset retirement obligation	7	112,253	13,509	224,228	49,137
Equity loss from investment in associate	4	150,241	259,148	481,697	703,818
Fair value adjustment on warrants	4	-	-	-	644,119
Impairment loss on investment in associate	4	-	9,889,866	-	9,889,866
Interest income		(909,175)	(595,413)	(3,548,307)	(1,197,748)
Net changes in non-cash working capital:					
Accounts payable and accrued liabilities		439,854	60,688	(499,067)	905,027
Receivables and prepayments		(203,958)	(176,945)	600,626	(179,199)
Net cash provided by (used in) operating activities		(1,899,949)	(2,038,240)	(6,836,359)	(4,373,535)
Investing activities					
Interest received		1,187,832	592,596	3,826,964	1,110,704
Proceeds from marketable securities		-	-	-	1,383,413
Purchases of mineral property, plant and equipment		(109,029,342)	(30,142,637)	(284,869,951)	(53,143,658)
Restricted cash		(2,072,506)	(3,780,000)	(8,009,977)	(3,841,200)
Net cash used in investing activities		(109,914,016)	(33,330,041)	(289,052,964)	(54,490,741)
Financing activities					
Deferred financing costs		-	(701,981)	(10,597,875)	(5,335,537)
Exercise of stock options	13	406,000	-	406,000	-
Exercise of share purchase warrants	13	16,200	162,000	4,803,840	378,600
Lease payments	11	(192,976)	(90,354)	(746,612)	(270,561)
Capitalized contract costs	10	-	-	(338,025)	-
Proceeds from streaming arrangements	12	120,881,388	-	181,092,672	-
Net cash provided by (used in) financing activities		121,110,612	(630,335)	174,620,000	(5,227,498)
Change in cash and cash equivalents		9,296,647	(35,998,616)	(121,269,323)	(64,091,774)
Cash and cash equivalents, beginning		63,523,402	103,265,958	194,089,372	131,359,116
Cash and cash equivalents, ending		72,820,049	67,267,342	72,820,049	67,267,342

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

ARTEMIS GOLD INC.

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

1. NATURE OF OPERATIONS

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

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

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

The Company maintains its head office at 595 Burrard Street, Suite 3083, Vancouver, B.C. Canada. The Company's registered and records office is located at 1133 Melville Street, Suite 3500, Vancouver, B.C., Canada.

2. BASIS OF PREPARATION

Basis of preparation and measurement

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

These Interim Financial Statements have been prepared on a historical cost basis, except for certain financial instruments which have been measured at fair value. In addition, these Interim Financial Statements have been prepared using the accrual basis of accounting, except for cash flow information. These Interim Financial Statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiaries. References to "**US\$**" are for United States Dollars. Certain prior period amounts have been reclassified to conform to the presentation in the current period.

These Interim Financial Statements were approved by the board of directors on November 7, 2023.

Basis of consolidation

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

Additional accounting policies

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

ARTEMIS GOLD INC.

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

2. BASIS OF PREPARATION (continued)

a) Foreign currency transactions

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

b) Deferred revenue

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

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

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

Adoption of new accounting standards

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

ARTEMIS GOLD INC.

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

3. USE OF ESTIMATES AND JUDGMENTS

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable in the circumstances. Uncertainty about these judgments, estimates and assumptions could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The Company's interim results are not necessarily indicative of its results for a full year. The significant accounting policy judgments and areas of estimation uncertainty that applied in the preparation of these Interim Financial Statements are consistent with those applied and disclosed in Note 4 of the Annual Financial Statements, except as discussed below:

a) Deferred revenue – variable consideration

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

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

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

b) Own use exemption - hedging

Under the requirements of the Company's Project Loan Facility (the "PLF"), a hedging program (the "**Mandatory Hedge Program**") is required to be put in place prior to the utilization of the PLF. The extent of the Mandatory Hedge Program may range from 185,000 gold ounces to 300,000 gold ounces, between 2025 and 2027.

As at September 30, 2023, the Company had entered into forward gold sale contracts for 104,783 gold ounces under the Mandatory Hedge Program (see Note 15 and 16).

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

ARTEMIS GOLD INC.

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

3. USE OF ESTIMATES AND JUDGMENTS (continued)

b) Own use exemption – hedging (continued)

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

4. INVESTMENT IN VELOCITY MINERALS LTD. ("VLC")

The Company's investment in VLC as at September 30, 2023 was comprised of:

	Investment in associate \$	Warrants \$	Total \$
Balance, January 1, 2022	18,959,373	644,119	19,603,492
Fair value change for the year	-	(644,119)	(644,119)
Equity loss on investment in associate	(893,189)	-	(893,189)
Impairment loss on investment in associate	(9,889,867)	-	(9,889,867)
Balance, December 31, 2022	8,176,317	-	8,176,317
Equity loss on investment in associate	(481,697)	-	(481,697)
Balance, September 30, 2023	7,694,620	-	7,694,620

As at September 30, 2023, the Company held 50,701,138 common shares of VLC, or 28% of VLC's issued and outstanding common shares, with a fair market value of \$6,591,148 (December 31, 2022 – 50,701,138 VLC shares, or 32% of VLC's issued and outstanding common shares, at a fair value of \$10,140,228). The assets and liabilities of VLC are summarized in the following table and incorporates VLC's most recently available financial information at the time of preparation of these Interim Financial Statements, which was as at June 30, 2023.

	June 30, 2023 \$
Current assets	3,582,691
Non-current assets	25,347,086
	28,929,777
Current liabilities	876,374
Non-current liabilities	118,990
	995,364
Total net assets attributable to owners of Velocity	23,312,481
Company's equity share of net assets	6,536,939
Loss and comprehensive loss for the nine months ended June 30, 2023	1,612,510

ARTEMIS GOLD INC.

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

5. MINERAL PROPERTY, PLANT AND EQUIPMENT

	Mineral property ⁽¹⁾	Construction in Progress ⁽²⁾	Right-of-use assets ⁽³⁾	Camp	Equipment	Vehicles	Other ⁽⁴⁾	Total
	\$	\$	\$	\$	\$	\$	\$	\$
COST								
Balance, January 1, 2022	305,901,875	-	1,569,888	4,802,845	1,673,062	114,141	537,688	314,599,499
Additions	75,229,740	46,406,633	759,712	-	-	166,531	864,792	123,427,408
Balance, December 31, 2022	381,131,615	46,406,633	2,329,600	4,802,845	1,673,062	280,672	1,402,480	438,026,907
Additions	81,836,755	233,923,716	12,344,452	-	-	-	122,488	328,227,411
Balance, September 30, 2023	462,968,370	280,330,349	14,674,052	4,802,845	1,673,062	280,672	1,524,968	766,254,318
DEPRECIATION								
Balance, January 1, 2022	-	-	(488,356)	(641,130)	(120,719)	(32,903)	(62,227)	(1,345,335)
Depreciation	-	-	(310,753)	(424,951)	(92,231)	(38,433)	(103,265)	(969,633)
Balance, December 31, 2022	-	-	(799,109)	(1,066,081)	(212,950)	(71,336)	(165,492)	(2,314,968)
Depreciation	-	-	(907,915)	(325,298)	(74,685)	(40,278)	(92,964)	(1,441,140)
Balance, September 30, 2023	-	-	(1,707,024)	(1,391,379)	(287,635)	(111,614)	(258,456)	(3,756,108)
NET BOOK VALUE								
Balance, December 31, 2022	381,131,615	46,406,633	1,530,491	3,736,764	1,460,112	209,336	1,236,988	435,711,939
Balance, September 30, 2023	462,968,370	280,330,349	12,967,028	3,411,466	1,385,427	169,058	1,266,512	762,498,210

(1) Mineral property primarily includes expenditure related to technical services, environmental permitting and compliance, capitalized interest, accretion of variable consideration payable, accretion of deferred revenue, discounted future reclamation costs (note 7), and capitalized stock-based compensation.

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

(3) Right-of-use assets consist of the initial construction fleet related to the Blackwater Project, as well as corporate office leases.

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

Total depreciation recognized during the three and nine months ended September 30, 2023 was \$808,999 and \$1,441,140, respectively (for the three and nine months ended September 30, 2022 – \$235,650 and \$703,312, respectively), of which \$165,868 and \$503,813, respectively was expensed in the interim consolidated statements of loss and comprehensive loss (for the three and nine months ended September 30, 2022 - \$98,390 and \$291,534, respectively). The remaining depreciation charges were capitalized to mineral property.

As at September 30, 2023, the Company had cumulatively capitalized \$30,718,815 to mineral property due to accretion of variable consideration payable and deferred revenue, as well as commitment fees and interest associated with the PLF and master lease agreement. (December 31, 2022 - \$18,262,256).

ARTEMIS GOLD INC.

Notes to the Condensed Consolidated Interim Financial Statements
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(Unaudited - Expressed in Canadian Dollars, unless otherwise noted)

6. VARIABLE CONSIDERATION PAYABLE

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

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

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

	Carrying amount \$
Balance, January 1, 2022	36,809,082
Accretion expense capitalized to mineral property, plant and equipment	4,900,583
Balance, December 31, 2022	41,709,665
Accretion expense capitalized to mineral property, plant and equipment	4,087,274
Balance, September 30, 2023	45,796,939

7. ASSET RETIREMENT OBLIGATION

Changes to the asset retirement obligation are as follows:

	Carrying amount \$
Balance, January 1, 2022	7,344,283
Accretion expense	63,456
Change in obligation estimate	3,885,116
Balance, December 31, 2022	11,292,855
Accretion expense	224,228
Change in obligation estimate	6,977,085
Balance, September 30, 2023	18,494,168

ARTEMIS GOLD INC.

Notes to the Condensed Consolidated Interim Financial Statements
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(Unaudited - Expressed in Canadian Dollars, unless otherwise noted)

7. ASSET RETIREMENT OBLIGATION (continued)

As at September 30, 2023, the assumptions applied in estimating the asset retirement obligation included a 30-year average inflation rate and long-term average discount rate which were 1.99% and 3.81% per annum (as at December 31, 2022 - 2.46% and 3.28% per annum), respectively.

8. RESTRICTED CASH

As at September 30, 2023, the Company recorded \$12,744,077 (December 31, 2022 - \$4,734,100) of restricted cash on the statements of financial position with respect to cash collateral provided to support surety bonds related to reclamation, fish habitat compensation plans and mining effluent requirements as well as construction holdbacks and other collateral provided in regard to financial security in support of general corporate accounts, as detailed below:

	September 30, 2023		December 31, 2022	
	\$		\$	
	Restricted cash	Surety bond	Restricted cash	Surety bond
Reclamation and environmental security	8,624,500	49,260,000	736,800	3,684,000
EPC contract security	-	-	3,750,000	7,500,000
Construction holdback liability	3,872,277	-	-	-
Other	247,300	575,000	247,300	575,000
	12,744,077	49,835,000	4,734,100	11,759,000

9. DEFERRED FINANCING COSTS

Changes to deferred financing costs are as follows:

	September 30, 2023	December 31, 2022
	\$	\$
Opening balance	11,071,355	2,978,123
Additions	7,524,149	8,093,232
Reclassification to capitalized contract costs (Note 10)	(1,617,750)	-
Closing balance	16,977,754	11,071,355

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

Upon utilization of the PLF, subject to various conditions precedent, the deferred financing costs are expected to be included in the determination of the carrying value of the PLF.

10. CAPITALIZED CONTRACT COSTS

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

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11. LEASE LIABILITIES

The Company's lease liabilities are primarily related to construction equipment required for the execution of the owner-performed scope of major works construction activities at the Blackwater Project. The Company's lease liabilities are denominated in \$CAD and have interest rates that vary between 6.0% to 10.0%.

The following table summarizes the changes in lease liabilities:

	September 30, 2023	December 31, 2022
	\$	\$
Opening balance	1,712,564	1,242,179
Additions	12,259,055	759,711
Lease payments	(746,612)	(361,871)
Interest	86,679	72,545
Closing balance	13,311,686	1,712,564
Less: current portion	(876,159)	(679,992)
Non-current portion	12,435,527	1,032,572

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

12. DEFERRED REVENUE

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

	Silver Stream	Gold Stream Amendment	Total
	\$	\$	\$
Balance, December 31, 2022	-	-	-
Deposits	141,137,392	39,955,280	181,092,672
Accretion	2,039,794	457,000	2,496,794
Balance, September 30, 2023	143,177,186	40,412,280	183,589,466

a) Silver Stream

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

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

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12. DEFERRED REVENUE (continued)

a) Silver Stream (continued)

The upfront cash deposits received under the Silver Stream are accounted for as deferred revenue with a significant financing component, with the related accretion expense being capitalized to mineral property until the Blackwater Project is operating in a manner intended by management. The proceeds from the Silver Stream will be used by the Company to fund the development and construction of the Blackwater Project. As of September 30, 2023, approximately US\$106 million of the upfront deposit amounts related to the Silver Stream have been received. The deferred revenue associated with the Silver Stream is being accreted at a pre-tax rate of 8%, being the estimated rate implicit to the Silver Stream.

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

As the Blackwater Project is still under development, the entire amount of the deferred revenue related to the Silver Stream is recorded as non-current as of September 30, 2023.

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

b) Gold Stream Amendment

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

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

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

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

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12. DEFERRED REVENUE (continued)

b) Gold Stream Amendment (continued)

As the Blackwater Project is still under development, the entire amount of the deferred revenue related to the Gold Stream Amendment is recorded as non-current as of September 30, 2023.

13. EQUITY

a) Stock options

The Company has established a stock option plan for its directors, executive directors, employees and consultants under which the Company may grant stock options to acquire a maximum number of common shares equal to 10% of the total issued and outstanding common shares of the Company exercisable for a period of up to 10 years from the date of the grant.

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

	Number of stock options #	Weighted- average exercise price \$
Outstanding – January 1, 2022	8,976,500	4.67
Granted	1,383,100	4.71
Exercised	(50,000)	6.08
Outstanding – December 31, 2022	10,309,600	4.67
Granted	3,228,875	4.90
Exercised	(350,000)	1.16
Cancelled	(977,000)	5.20
Forfeited	(657,000)	5.02
Outstanding – September 30, 2023	11,554,475	4.76

Share-based payment arising from stock options that were recognized during the three and nine months ended September 30, 2023 was \$2,041,402 and \$3,386,256, respectively (three and nine months ended September 30, 2022 - \$2,006,760 and \$6,210,136, respectively), of which \$506,931 and \$2,140,204 was expensed during the three and nine months ended September 30, 2023, respectively, in the condensed consolidated interim statements of loss and comprehensive loss (three and nine months ended September 30, 2022 - \$1,356,272 and \$4,261,353, respectively). The remaining stock option payments were capitalized to mineral property.

As at September 30, 2023, outstanding stock options had a weighted average remaining life of 3.6 years (December 31, 2022 – 4.0 years).

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13. EQUITY (continued)

a) Stock options (continued)

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

	For the three months ended September 30, 2023	For the three months ended September 30, 2022	For the nine months ended September 30, 2023	For the nine months ended September 30, 2022
Annualized volatility	54%	54%	54%	54%
Expected life (years)	5	5	5	5
Dividend rate	0.00%	0.00%	0.00%	0.00%
Risk-free interest rate	4.33%	3.24%	3.05% - 4.33%	1.67% - 2.60%
Forfeiture rate	0.00%	0.00%	0.00%	0.00%

b) Restricted Share Units ("RSUs")

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

Share-based payments arising from RSUs that were recognized during the three and nine months ended September 30, 2023 totalled \$577,263 and \$1,053,919, respectively (three and nine months ended September 30, 2022 - \$nil), of which \$342,200 and \$622,039, respectively was expensed during the three and nine months ended September 30, 2023, in the condensed consolidated interim statements of loss and comprehensive loss (three and nine months ended September 30, 2022 - \$nil). The remaining RSUs recognized were capitalized to mineral property.

c) Deferred Share Units ("DSUs")

On March 10, 2023, the Company granted 51,000 DSUs to directors of the Company, which are settleable in cash within 30 days of a recipient ceasing to be a director of the Company.

On June 19, 2023, the Company granted 12,000 DSUs to a director of the Company, which are settleable in cash, within 30 days of the recipient ceasing to be a director of the Company.

Share-based payments arising from DSUs recognized during the three and nine months ended September 30, 2023 totalled \$48,696 and \$95,559, respectively (three and nine months ended September 30, 2022 - \$nil), of which the entire amount was expensed during the three and nine months ended September 30, 2023, in the condensed consolidated interim statements of loss and comprehensive loss (three and nine months ended September 30, 2022 - \$nil).

d) Warrants

During the three months ended September 2023, 15,000 warrants were exercised by a holder at an exercise price of \$1.08 for total proceeds of \$16,200 (three months ended September 30, 2022 - 150,000 warrants exercised at an exercise price of \$1.08 for total proceeds of \$162,000). During the nine months ended September 30, 2023, 4,448,000 warrants were exercised by various holders at an exercise price of \$1.08 for total proceeds of \$4,803,840 (nine months ended September 30, 2022 - 350,556 warrants exercised at an exercise price of \$1.08 for total proceeds of \$378,600). As of September 30, 2023, the Company had 26,241,909 warrants outstanding (December 31, 2022 - 30,689,909 warrants outstanding).

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14. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

Key management compensation

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

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

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

	For the three months ended September 30, 2023 \$	For the three months ended September 30, 2022 \$	For the nine months ended September 30, 2023 \$	For the nine months ended September 30, 2022 \$
Salaries and benefits	419,668	395,047	1,519,067	1,054,657
Consulting fees	327,321	252,500	1,112,150	820,813
Director fees	190,555	210,667	554,602	399,000
Share-based payments	789,072	1,642,163	2,279,108	3,631,253
	1,726,616	2,500,377	5,464,927	5,905,723

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments consist of cash and cash equivalents, receivables, accounts payable, variable consideration payable and the embedded derivative asset related to the partial buy-back option of the Silver Stream (note 12). All financial instruments are initially recorded at fair value and designated as follows: cash, cash equivalents and receivables which are included in other assets are classified as financial assets at amortized cost. The embedded derivative is classified as a financial asset at fair value through profit or loss. Accounts payable and variable consideration payable are classified as financial liabilities at amortized cost.

Fair value measurements

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

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

As at September 30, 2023, the carrying value of the Company's cash and cash equivalents, receivables, as well as accounts payable and construction holdback liability approximate their fair values due to their short-term nature. The fair value of the variable consideration payable is estimated to be \$38,634,969 (see carrying value in Note 6), which was

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15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Fair value measurements (continued)

determined using a discounted cash flow approach with an estimated market interest rate applied. The fair value of the Company's equity investment in VLC is disclosed in Note 4. The initial fair value of the embedded derivative asset related to the partial buy-back option of the Silver Stream was determined by using a discounted cash flow approach with an estimated market silver price applied.

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

Credit risk

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

Liquidity risk

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

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

	< 1 year \$	1 - 3 years \$	4 - 5 years \$	> 5 years \$	Total \$
Accounts payable and accrued liabilities	43,180,240	-	-	-	43,180,240
Lease liabilities	2,090,722	7,153,921	6,071,453	2,289,129	17,605,225
Capital commitments	445,602,875	-	-	-	445,602,875
Variable consideration payable	-	-	56,000,000	28,000,000	84,000,000
Asset retirement obligation	-	5,026,288	-	22,447,476	27,473,764
Total	490,873,837	12,180,209	62,071,453	52,736,605	617,862,104

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

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

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15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Price risk

The Company's future cash flow from mining operations is subject to commodity price risk from fluctuations in the market for prices for gold. In order to mitigate gold price risk, and to satisfy one of the requirements to utilize the PLF (Note 9), the Company entered into gold forward sales contracts under the Mandatory Hedge Program during the nine months ended September 30, 2023. As of September 30, 2023, the Company has committed to delivering 104,783 gold ounces at a weighted average price of \$2,836/ounce between March 2025 and December 2027. As Blackwater is under development, there were no deliveries made on the Mandatory Hedge Program as at September 30, 2023.

Currency risk

The functional currency of the Company is the Canadian dollar. Currency transaction risk and currency translation risk is the risk that fluctuations of the Canadian dollar in relation to other currencies may impact the fair value of financial assets or liabilities. As of September 30, 2023, the Company had US dollar denominated cash deposits of US\$5,160,911. There were no other significant financial assets or liabilities that were subject to currency translation risk.

16. SUBSEQUENT EVENTS

- a) Subsequent to September 30, 2023, the Company received cash payments of approximately US\$35 million and US\$10 million under the Silver Stream and the Gold Stream Amendment, respectively. These payments represented the fourth and final installments under the respective streaming agreements, bringing the total amounts received under the Silver Stream and the Gold Stream Amendment to approximately US\$181 million collectively.
- b) Subsequent to September 30, 2023, the Company entered into additional forward gold sales contracts under the Mandatory Hedge Program (note 9) to deliver 85,217 ounces of gold bullion at a weighted average price of \$2,868/ounce. To date, the Company has entered into forward gold sales contracts to deliver a total of 190,000 ounces of gold bullion between March 2025 and December 2027 at a weighted average price of \$2,851/ounce.
- c) Subsequent to September 30, 2023, the Company granted 165,000 incentive stock options, exercisable at a weighted average price of \$5.29, expiring 5 years from the date of the grant.