VELOCITY
MINERALS LTD.

Consolidated Financial Statements

December 31, 2018 and 2017

(Expressed in Canadian dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Velocity Minerals Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Velocity Minerals Ltd. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity (deficiency) and cash flows for the year ended December 31, 2018 and the six months ended December 31, 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the year ended December 31, 2018 and the six months ended December 31, 2017 in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits 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 are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company has working capital of $272,344 and accumulated deficit of $11,381,748. The Company expects to incur further losses in the development of its business. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes 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 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.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. 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 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 Erez Bahar.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada | Chartered Professional Accountants

April 29, 2019

VELOCITY MINERALS LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)
As at

	December 31, 2018	December 31, 2017
ASSETS		
Current		
Cash (Note 4)	$ 243,020	$ 833,898
Receivables	7,076	10,927
Prepaid expenses	41,121	60,282
Advances (Note 5)	289,604	77,220
	580,821	982,327
Exploration and evaluation assets (Note 5)	2,913,915	2,207,796
	$ 3,494,736	$ 3,190,123
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Trade and other payables (Note 6,8)	$ 308,477	$ 138,738
	308,477	138,738
Shareholders' equity		
Share capital (Note 8)	12,954,048	10,891,048
Reserves (Note 8)	1,613,959	1,117,994
Deficit	(11,381,748)	(8,957,657)
	3,186,259	3,051,385
	$ 3,494,736	$ 3,190,123

Nature and continuance of operations (Note 1)
Subsequent events (Note 15)

On behalf of the Board on April 29, 2019

"Keith Henderson" Director *"Gord Doerkson"* Director

The accompanying notes are an integral part of these consolidated financial statements.

VELOCITY MINERALS LTD.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian dollars)

	Year ended December 31, 2018	Six months ended December 31, 2017
EXPENSES		
Consulting (Note 9)	$ 521,669	$ 449,878
Depreciation	-	875
Foreign exchange	65,309	(11,042)
Investor relations	97,323	83,736
Office	53,801	13,389
Professional fees	278,465	168,286
Property investigation	91,742	750
Regulatory fees	36,597	28,475
Rent	20,594	5,316
Salaries (Note9)	178,188	153,735
Share-based payments (Note 8, 9)	269,561	1,035,973
Travel	70,213	37,713
	(1,683,462)	(1,967,084)
Impairment of exploration and evaluation assets (Note 5)	(731,227)	-
Listing expense (Note 3)	-	(6,581,112)
Loss on settlement of accounts payable (Note 8)	(9,402)	-
Loss for the period	$ (2,424,091)	$ (8,548,196)
Loss per common share		
-Basic and diluted	$ (0.04)	$ (0.15)
Weighted average number of common shares outstanding		
-Basic and diluted	67,273,861	57,389,102

The accompanying notes are an integral part of these consolidated financial statements.

VELOCITY MINERALS LTD.
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)
(Expressed in Canadian dollars)

	Share Capital								
	Number of common shares		Amount		Reserves		Deficit		Total
Balance, June 30, 2017	18,000,000	$	4	$	-	$	(409,461)	$	(409,457)
Private placement	12,660,176		3,507,330		-		-		3,507,330
Finders' fees - cash	-		(166,324)		-		-		(166,324)
Finders' warrants	-		(82,021)		82,021		-		-
Shares of Velocity Minerals Ltd.	29,928,237		7,482,059		-		-		7,482,059
Finder's fee on property acquisition	600,000		150,000		-		-		150,000
Share-based payments	-		-		1,035,973		-		1,035,973
Loss and comprehensive loss	-		-		-		(8,548,196)		(8,548,196)
Balance, December 31, 2017	61,188,413	$	10,891,048	$	1,117,994	$	(8,957,657)	$	3,051,385
Private placement	13,322,257		2,329,465		-		-		2,329,465
Share issue costs	-		(127,984)		27,749		-		(100,235)
Share-based payments	-		-		269,561		-		269,561
Residual value of warrants	-		(198,655)		198,655		-		-
Debt settlement	376,089		60,174		-		-		60,174
Loss and comprehensive loss	-		-		-		(2,424,091)		(2,424,091)
Balance, December 31, 2018	74,886,759	$	12,954,048	$	1,613,959	$	(11,381,748)	$	3,186,259

VELOCITY MINERALS LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)

	Year ended December 31, 2018	Six months ended December 31, 2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	$ (2,424,091)	$ (8,548,196)
Items not affecting cash:		
Depreciation	-	875
Impairment of exploration and evaluation assets	731,227	-
Listing expense – non-cash	-	6,573,512
Share-based payments	269,561	1,035,973
Loss on settlement of accounts payable	9,402	-
Changes in non-cash working capital items:		
Receivables	3,851	(4,952)
Prepaid expenses	19,161	(60,282)
Trade and other payables	169,739	(338,071)
Net cash used in operating activities	(1,221,150)	(1,341,141)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from issuance of common shares	2,229,230	3,341,006
Amounts due to related parties	-	(73,166)
Repayments of promissory note and accrued interest	-	(356,337)
Net cash provided by financing activities	2,229,230	2,911,503
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash acquired from reverse acquisition	-	239,832
Advances – exploration and evaluation expenditures	(161,612)	(77,220)
Transaction costs - RTO	-	(7,600)
Acquisition of equipment	-	(875)
Exploration and evaluation expenditures	(1,437,346)	(915,420)
Net cash used in investing activities	(1,598,958)	(761,283)
Change in cash during the period	(590,878)	809,079
Cash, beginning of period	833,898	24,819
Cash, end of period	$ 243,020	$ 833,898
Income taxes paid	$ -	$ -
Interest paid	$ -	$ 6,337

Supplemental disclosure with respect to cash flows (Note 10)

The accompanying notes are an integral part of these consolidated financial statements.

1. NATURE AND CONTINUANCE OF OPERATIONS

Velocity Minerals Ltd. ("Velocity" or, the "Company") was incorporated under the laws of the province of Alberta on September 22, 2000 and was continued into British Columbia on December 2, 2004. The head office and principal address of the Company is Suite 2300 - 1177 West Hastings Street, Vancouver, BC V6E 2K3. The common shares of the Company trade on the TSX Venture Exchange ("TSX-V") with the symbol "VLC.V". The Company is in the business of acquiring, exploring, and evaluating mineral resource properties in Bulgaria.

On July 21, 2017, 1077076 B.C. Ltd. ("7076 Ltd") closed a Share Purchase and Sale Agreement (the "Transaction") with Velocity such that Velocity acquired all the issued and outstanding common shares of 7076 Ltd in exchange for 18,000,000 common shares of Velocity. Because of the Transaction, 7076 Ltd took control of governance and management resulting in control over-all decision-making processes which constituted a reverse acquisition of Velocity by 7076 Ltd, (the "Reverse Acquisition") for accounting purposes with 7076 Ltd being identified as the accounting acquirer, and accordingly, the Company is considered a continuation of 7076 Ltd. The net assets of Velocity at the date of the reverse acquisition, on July 21, 2017, are deemed to have been acquired by 7076 Ltd (Note 3). These consolidated financial statements include the results of operations of Velocity from July 21, 2017. The comparative figures are those of 7076 Ltd prior to the reverse acquisition, except for adjusting retroactively the capital of 7076 Ltd to reflect the capital of the Company.

The Company is in the process of exploring its mineral resource properties and evaluating new properties for potential acquisition. The Company has not yet determined whether its properties contain reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves, and upon future profitable production.

As at December 31, 2018, the Company has working capital of $272,344 (2017 - $843,589) and an accumulated deficit of $11,381,748 (2017 - $8,957,657). The Company expects to incur further losses in the development of its business. These material uncertainties may cast significant doubt on the Company's ability to continue as a going concern. The Company's ability to continue its operations and to realize its assets at their carrying values is dependent upon obtaining additional financing and generating revenues enough to cover its operating costs.

These consolidated financial statements have been prepared based on accounting principles applicable to a going concern which assumes the Company will be able to realize its assets and discharge its liabilities in the normal courses of business rather than through a process of forced liquidation. These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset and amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of presentation

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Basis of consolidation

These consolidated financial statements represent the results of the Company and its wholly-owned subsidiaries. Amounts are reported in Canadian dollars, unless otherwise indicated.

Subsidiary	Location	Ownership Interest
1077076 B.C. Ltd. ("7076 Ltd")	Canada	100%
Kibela Minerals AD ("Kibela")	Bulgaria	100%
Kabiri Minerals EOOD ("Kabiri")	Bulgaria	100%
Velocity Minerals Holdings Ltd.	Malta	100%
Velocity Minerals Malta Ltd.	Malta	100%

Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All intercompany transactions and balances have been eliminated. Prior to the Transaction, Kibela and Kabiri were incorporated on February 21, 2017, as subsidiaries of 7076 Ltd. During the year ended December 31, 2018 the Company incorporated Velocity Minerals Holdings Ltd. and Velocity Minerals Malta Ltd.

Foreign currency transactions

Functional and presentation currency

The functional currency is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and its subsidiaries was determined by conducting an analysis of the consideration factors identified in IAS 21, *"The Effects of Changes in Foreign Exchange Rates"* ("IAS 21"). The functional currency of the Company, 7076 Ltd, Kibela, and Kabiri is the Canadian dollar.

Translation of foreign transactions and balances into the functional currency

Foreign currency transactions are translated into the functional currency of the Company at rates of exchange prevailing on the dates of the transactions. At each financial position reporting date, all monetary assets and liabilities that are denominated in foreign currencies are translated to the functional currency of the Company at the rates prevailing at the date of the statement of financial position. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss.

Translation of the functional currency into the presentation currency

The results of foreign operations which have a different functional currency than the Company are translated to Canadian dollars at appropriate average rates of exchange during the period. The assets and liabilities of foreign operations are translated to Canadian dollars at rates of exchange in effect at the end of the period. Gains or losses arising on translation of the foreign operation to Canadian dollars at period end are recognized in accumulated other comprehensive income (loss) as a translation adjustment.

Exploration and evaluation assets

Exploration and evaluation assets include the costs of acquiring licenses, and costs associated with exploration and evaluation activity. All costs related to the acquisition, exploration and evaluation of mineral resource properties are capitalized by property as an intangible asset. Costs incurred before the Company has obtained the legal rights to explore an area, including professional fees incurred in connection with executing an option agreement, are expensed through profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Exploration and evaluation assets (cont'd…)

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability or (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to development assets within equipment.

Recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, the sale of the respective areas of interest.

Decommissioning and Restoration Provisions

Decommissioning and restoration provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Decommissioning and restoration provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized in profit or loss.

Decommissioning and restoration provisions are recognized at the present value of management's best estimate of fair value of the expenditures required to settle the present obligation at the reporting date. Subsequent to initial measurement, the obligation is adjusted at the end of each period 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 as accretion whereas increases/decreases due to changes in the estimated future cash flows are added to or deducted from the related asset. Actual costs incurred upon settlement of decommissioning and restoration provisions are charged against the provision to the extent the provisions were established.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably. Changes in reclamation estimates are accounted for prospectively as a change in the corresponding capitalized cost.

The Company did not have any decommissioning and restoration provisions for the periods presented.

Impairment of long-lived assets

At the end of each reporting period the carrying amounts of the Company's long-lived assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Impairment of long-lived assets (cont'd…)

Where an impairment subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate and its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior periods. A reversal of an impairment loss is recognized immediately in profit or loss.

Share capital

Common shares are classified as shareholders' equity. Incremental costs directly attributable to the issue of common shares and other equity instruments are recognized as a deduction from shareholders' equity. Common shares issued for consideration other than cash, are valued based on their market value at the date the shares are issued.

The Company has adopted the residual value method with respect to the measurement of shares and warrants issued as part of private placement units. The residual value method first allocates value to common shares issued in the private placements at their fair value, as determined by the closing quoted bid price on the issuance date. The balance, if any, is allocated to the warrants. Any fair value attributed to the warrants is recorded as reserves within shareholders' equity.

Financial instruments

Financial assets are classified according to their contractual cash flow characteristics and the business models under which they are held. On initial recognition, a financial asset is classified as: amortized cost, fair value through profit and loss ("FVPL"), or fair value through other comprehensive income ("FVOCI").

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVPL:

- it is held with the objective of collecting 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.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to measure the investment at FVOCI whereby changes in the investment's fair value (realized and unrealized) will be recognized permanently in OCI with no reclassification to profit or loss. The election is made on an investment-by-investment basis.

All financial assets not classified as amortized cost or FVOCI are classified as and measured at FVPL. This includes all derivative assets. On initial recognition, a financial asset that otherwise meets the requirements to be measured at amortized cost or FVOCI may be irrevocably designated as FVPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial instruments are measured on initial recognition at fair value, plus, in the case of financial instruments other than those classified as FVPL, directly attributable transaction costs. Measurement of financial assets in subsequent periods depends on whether the financial asset has been classified as amortized cost, FVPL or FVOCI. Measurement of financial liabilities subsequent to initial recognition depends on whether they are classified as amortized cost or FVPL. Financial assets and financial liabilities classified as amortized cost are measured subsequent to initial recognition using the effective interest method.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial instruments (cont'd…)

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

The Company has classified and measured its financial instruments as described below:

- Cash is classified as FVPL.
- Receivables are classified as and measured at amortized cost.
- Trade and other payables are classified as and measured at amortized cost.

Critical accounting estimates and judgments

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made. Assumptions made relate to, but are not limited to, the following:

The information about significant areas of judgment considered by management in preparing these consolidated financial statements is as follows:

Going concern

The preparation of these consolidated financial statements requires management to make judgments regarding the going concern of the Company as previously discussed in Note 1.

The information about significant areas of estimation uncertainty considered by management in preparing these consolidated financial statements is as follows:

Income taxes

The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and deferred income tax provisions or recoveries could be affected.

To the extent that any of management's assumptions change, there could be a significant impact on the Company's future financial position, profit or loss and cash flows.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial instruments (cont'd…)

Carrying value and recoverability of exploration and evaluation assets

The carrying amount of the Company's exploration and evaluation assets does not necessarily represent present or future values, and these assets have been accounted for under the assumption that the carrying value will be recoverable. Recoverability is dependent on various factors, including the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete development, and upon future profitable production or proceeds from the disposition of the exploration and evaluation assets themselves.

Income taxes

Current tax is the expected tax payable or receivable on the local taxable income or loss for the year, using local tax rates enacted or substantively enacted at the financial position reporting date, and includes any adjustments to tax payable or receivable in respect of previous years.

Deferred taxes are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the financial position reporting date. Deferred tax is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

New accounting policy

The Company has adopted new accounting standard IFRS 9 - Financial Instruments, effective for annual periods beginning on or after January 1, 2018. The adoption of IFRS 9 did not result in any significant changes to the classification, measurement or carrying amounts of the Company's existing financial instruments on transition date.

The new standard brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 - Financial instruments: recognition and measurement. The standard retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value.

The Company continues to classify and measure its financial instruments at FVPL with changes in fair value recognized in profit or loss as they arise unless restrictive criteria regarding the objective and contractual cash flows of the instrument are met for classifying and measuring at either amortized cost or fair value through other comprehensive income.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

New accounting policy (cont'd…)

Cash continues to be recorded at FVPL, and receivables, initially at FVPL, then subsequently recorded at amortized cost using the effective interest rate method. Trade and other payables are classified and measured as other financial liabilities, initially at FVPL, and subsequently at amortized cost using the effective interest rate method.

New standards and interpretations not yet adopted

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the International Accounting Standards ("IAS") Board or International Financial Reporting Standards Interpretation Committee ("IFRIC") that are mandatory for future accounting periods. The following have not yet been adopted by the Company.

Effective for annual periods beginning on or after January 1, 2019

- New standard IFRS 16 - *Leases*

  IFRS 16, Leases ("IFRS 16") was issued by the IASB on January 13, 2016, and will replace IAS 17, Leases. It is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, IFRS 16 requires a single, on-balance sheet accounting model that is similar to current finance lease accounting. Leases become an on-balance sheet liability that attract interest, together with a new asset.

  The Company does not have any leases and has assessed that there will be no material reporting changes as a result of adopting the new standard.

- New Interpretation IFRIC 23 - *Uncertainty over Income Tax Treatments*

  On June 7, 2017, the IASB issued IFRIC Interpretation 23 - *Uncertainty over Income Tax Treatments*. The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation is applicable for annual periods beginning on or after January 1, 2019. The Company does not expect the adoption of this new standard to have a material impact on its consolidated financial statements.

3. REVERSE ACQUSITION

As described in Note 1, on July 21, 2017, the Company and 7076 Ltd completed a Transaction which constituted a reverse acquisition by way of Velocity acquiring all the issued and outstanding common shares of 7076 Ltd, in exchange for 18,000,000 common shares of Velocity. The Transaction was measured at the fair value of the common shares that 7076 Ltd would have had to issue to the shareholders of Velocity, being 29,928,237 common shares, to give the shareholders of Velocity the same percentage equity interest in the combined entity that results from the reverse acquisition had it taken the legal form of 7076 Ltd acquiring Velocity.

Because of the Transaction, the shareholders of 7076 Ltd obtained control of the combined entity by obtaining control of the governance and management decision making process of the combined entity and the resulting power to govern the financial and operating policies of the combined entities. The Transaction constitutes a reverse acquisition of Velocity by 7076 Ltd and has been accounted for as a reverse acquisition transaction in accordance with the guidance provided in IFRS 2, *Share-based Payments* and IFRS 3, *Business Combinations*. As Velocity did not qualify as a business according to the definition in IFRS 3, this reverse acquisition does not constitute a business combination; rather it is treated as an issuance of shares by 7076 Ltd for the net assets of Velocity and Velocity's listing status, and 7076 Ltd as the continuing entity. Accordingly, no goodwill or intangible assets were recorded with respect to the transaction as it does not constitute a business.

3. REVERSE ACQUSITION (cont'd…)

For accounting purposes, 7076 Ltd was treated as the accounting parent company (legal subsidiary) and the Company has been treated as the accounting subsidiary (legal parent) in these consolidated financial statements. As 7076 Ltd was deemed to be the acquirer for accounting purposes, its assets, liabilities and operations since incorporation are included in these consolidated financial statements at their historical carrying value. Velocity's results of operations have been included from July 21, 2017.

Net assets of Velocity acquired:

	$
Cash	239,832
GST receivable	1,621
Advances – due from third parties	627,561
Advances – due from 7076 Ltd	138,865
Trade and other payables	(99,332)
Net assets acquired	908,547

Consideration provided in reserve acquisition of Velocity:	$
Fair value of 29,928,237 common shares at $0.25 per share	7,482,059
Transaction costs – cash	7,600
Total consideration paid	7,489,659
Listing expense	6,581,112

4. CASH

The Company's cash consists of the following:

	December 31, 2018	December 31, 2017
Cash held with banks in Canadian dollars	$ 229,702	$ 820,428
Cash held with banks in foreign currencies	13,318	13,470
Total	$ 243,020	$ 833,898

5. EXPLORATION AND EVALUATION ASSETS

Title to exploration and evaluation assets involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many exploration and evaluation assets. The Company has investigated title to all its exploration and evaluation assets and, to the best of its knowledge, title to all of its properties are in good standing.

a) Tintyava Property – Bulgaria

On July 19, 2017, the Company, through its subsidiary Kibela, entered into an Option Agreement whereby the Company has been granted an option by Gorubso-Kardzhali AD ("Gorubso") to acquire an undivided 70% legal and beneficial interest in Tintyava Exploration EAD, an entity owned by Gorubso that holds a 100% interest in a prospecting and exploration permit (the "Option") located in south-eastern Bulgaria (the "Tintyava Option").

5. EXPLORATION AND EVALUATION ASSETS (cont'd…)

For the Company to exercise the Tintyava Option, it had to complete the following:

i. Payment of a tender fee of 360,000 BGN ($266,760) to the Ministry of Energy of the Republic of Bulgaria (paid, during the six months ended June 30, 2017); and

ii. Deliver an NI 43-101 preliminary economic assessment on the Tintyava Property. The results of the preliminary economic assessment were disclosed on September 17, 2018. The preliminary economic assessment report was filed on SEDAR on October 31, 2018.

During the Option Period and until such time as the Tintyava Option is exercised, the Company must maintain the Tintyava Property in good standing, including meeting any minimum expenditure commitments imposed by the Ministry of Energy of the Republic of Bulgaria (the "Commitments").

During the year ended December 31, 2018, the Company exercised its option to acquire an undivided 70% interest in the Tintyava property, subject to funding of the Commitments locally, at the Rozino deposit and, regionally, in the Tintyava Property. The additional funding requirements for the local and regional Commitments are each estimated at $70,000. In connection with the exercising of the option, subsequent to the year ended December 31, 2018, shares of Tintyava Exploration EAD, representing 70% ownership of the Company, have been registered in the name of Kibela.

As at December 31, 2018, the Company had issued 600,000 common shares with a fair value of $150,000 as a finder's fee recorded within acquisition costs for the Tintyava Property.

b) Ekuzya Property – Bulgaria

On March 22, 2017, the Company, through its subsidiary Kabiri Minerals EOOD ("Kabiri), entered into an Option Agreement whereby the Company has been granted an option by Gorubso to acquire an undivided 50% legal interest in a mining concession owned 100% by Gorubso (the "Ekuzya Property"), located in south-eastern Bulgaria within an existing project known as the Chala Project (the "Ekuzya Option").

For the Company to exercise the Ekuzya Option, it was required to complete the following:

i. Incur prospecting and exploration expenditures of USD $1,000,000, over a two-year period as follows:

a. $500,000 on or before July 2018;
b. $500,000 on or before July 2019.

The Ekuzya Option was superseded by the Chala Option (signed on May 11, 2018) and became included in the Chala property (described below). As a result, during the year ended December 31, 2018, the Company has impaired all costs, $96,637, associated with the Ekuzya Property.

c) Chala Property – Bulgaria

On May 11, 2018, the Company entered into an Option Agreement (the "Chala Option") whereby the Company was granted an option by Gorubso to acquire an undivided 50% legal interest in a mining concession owned 100% by Gorubso (the "Chala Property"), located in south-eastern Bulgaria. The Ekuzya Property is located within the Chala Property and the Chala Option superseded the Ekuzya Option.

For the Company to exercise the Chala Option, it was required to complete the following:

ii. Incur prospecting and exploration expenditures of $1,000,000, over a two-year period as follows:

a. $500,000 on or before February 22, 2019;
b. $500,000 on or before February 22, 2020.

(Expressed in Canadian dollars)

5. EXPLORATION AND EVALUATION ASSETS (cont'd…)

During the year ended December 31, 2018, the Company decided to terminate its option to acquire an undivided 50% legal interest in the Chala Property. As a result, during the year ended December 31, 2018, the Company has impaired all costs, $634,590, associated with the Chala Property.

Exploration and evaluation costs incurred by the Company on a per project basis are as follows:

	Tintyava	Ekuzya	Chala	Total
Acquisition costs				
Balance, December 31, 2017	$ 436,499	$ 2,765	$ -	$ 439,264
Property acquisition fee	14,213	681	-	14,894
Balance, December 31, 2018	$ 450,712	$ 3,446	$ -	$ 454,158
Deferred exploration costs				
Balance, December 31, 2017	$ 1,675,341	$ 93,191	$ -	$ 1,768,532
Drilling	337,504	-	349,832	687,336
Geological	348,102	-	46,204	394,306
Geochemistry	34,631	-	-	34,631
Field	67,625	-	238,554	306,179
	787,862	-	634,590	1,422,452
Balance, December 31, 2018	$ 2,463,203	$ 93,191	$ 634,590	$ 3,190,984
Impairment	-	(96,637)	(634,590)	(731,227)
Balance, December 31, 2018	**$ 2,913,915**	**$ -**	**$ -**	**$ 2,913,915**

	Tintyava	Ekuzya	Total
Acquisition costs			
Balance, June 30, 2017	$ 272,520	$ -	$ 272,520
Property acquisition fee	163,979	2,765	166,744
Balance, December 31, 2017	$ 436,499	$ 2,765	$ 439,264
Deferred exploration costs			
Balance, June 30, 2017	$ 219,359	$ 22,936	$ 242,295
Drilling	975,261	-	975,261
Geological	39,615	29,920	69,535
Geochemistry	4,818	12,969	17,787
Field	436,288	27,366	463,654
	1,455,982	70,255	1,526,237
Balance, December 31, 2017	$ 1,675,341	$ 93,191	$ 1,768,532
Balance, December 31, 2017	**$ 2,111,840**	**$ 95,956**	**$ 2,207,796**

As at December 30, 2018, advances of $289,604 (December 31, 2017 - $77,220) were comprised of amounts advanced by the Company to Gorubso for expenditures to be incurred on behalf of the Company on the Tintyava property.

(Expressed in Canadian dollars)

6. TRADE AND OTHER PAYABLES

	December 31, 2018	December 31, 2017
Trade payables	$ 308,477	$ 138,738
	$ 308,477	$ 138,738

7. PROMISSORY NOTE

On April 28, 2017, the Company entered into a Loan Agreement with a third-party. The Company borrowed by way of a promissory note, $350,000 for a term of one year, bearing interest at 10% per annum. During the period ended December 31, 2017 the Company accrued interest payable of $Nil (June 30, 2017 - $6,337). On July 14, 2017, the balance was settled in full by the Company.

8. SHARE CAPITAL AND RESERVES

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

The Company completed a reverse acquisition with 7076 Ltd as explained in Notes 1 and 3.

<u>During the year ended December 31, 2018;</u>

The Company issued 6,621,824 units at a price $0.20 per unit for gross proceeds of $1,324,400. Each unit consists of one common share in the capital of the Company and one-half of one common share purchase warrant, with each whole warrant entitling the holder to purchase one share at a price of $0.30 per share for a period of 12 months from the issue date. The expiry of the warrants will be accelerated if the closing price of the shares on the TSX-V is at least $0.50 for a minimum of 10 consecutive trading days during the term commencing after four months and one day from the issue date (the "Triggering Event"). The expiry of the warrants will be automatically accelerated upon the occurrence of the Triggering Event and the holders' rights to exercise their warrants will automatically expire and terminate 30 days following notice by the Company to the holders of the occurrence of the Triggering Event. The warrants have a residual value of $198,655 and was recorded as an offset to share capital. In connection with the financing, the Company paid aggregate finder's fees consisting of $21,350 in cash and 106,750 non-transferable finder's warrants entitling the holder to purchase one share at a price of $0.20 per share for a period of 12 months from the issue date valued at $5,749.

On October 12, 2018, the Company closed a non-brokered private placement and raised aggregate gross proceeds of $1,005,065 through the issuance of 6,700,433 units at a price of $0.15 per unit. Each unit consists of one common share in the capital of the Company and one-half of one common share purchase warrant, with each whole warrant entitling the holder to purchase one share at a price of $0.20 per share for a period of 36 months from the issue date. In connection with the financing, the Company paid aggregate finder's fees consisting of $57,013 in cash and 380,084 finder's warrants entitling the holder to purchase one share at a price of $0.15 per share for a period of 12 months from the issue date valued at $22,000. Additionally, professional fees of $21,872 were incurred in connection with this financing, and was recorded as an offset to share capital, as share issue costs.

On July 17, 2018, the Company issued 376,089 common shares with a fair value of $60,174 to settle accounts payable of $50,772. The Company recognized a loss on settlement of accounts payable of $9,402 as a result of this transaction.

(Expressed in Canadian dollars)

8. SHARE CAPITAL AND RESERVES (cont'd…)

During the period ended December 31, 2017:

The Company issued 600,000 common shares, as a finder's fee at a fair value of $150,000, on the acquisition of the Tintyava property.

On July 21, 2017 The Company completed a non-brokered private placement of 8,857,000 units at $0.25 per unit for gross proceeds of $2,214,250. Each unit consists of one common share and one-half of one common share purchase warrant (each whole common share purchase warrant, a "Warrant"). Each warrant will entitle the holder thereof to purchase one common share of the Company at an exercise price of $0.40 until July 21, 2018. Cash finders' fees in the amount of $94,448 were paid, and 377,790 finders' warrants were issued with an exercise price of $0.25 per share, expiring on July 21, 2019, valued at $54,098.

On September 25, 2017 The Company completed a non-brokered private placement of 3,803,176 units issued at $0.34 per unit for gross proceeds of $1,293,080. Each unit consists of one common share and one-half of one common share purchase warrant (each whole common share purchase warrant, a "Warrant"). Each warrant will entitle the holder thereof to purchase one common share of the Company at an exercise price of $0.50 until September 25, 2018. Cash finders' fees in the amount of $71,876 were paid, and 211,400 finders' warrants were issued with an exercise price of $0.34 per share, expiring on September 26, 2018, valued at $27,923.

As at December 31, 2018, the Company had 19,800,000 (December 31, 2017 – 25,200,000) common shares held in escrow subject to future timed releases as follows:

- 3,150,000 common shares to be released on January 21, 2019;
- 4,050,000 common shares to be released on July 21, 2019;
- 4,050,000 common shares to be released on January 21, 2020; and
- 8,550,000 common shares to be released on July 21, 2020.

Stock options

The Company has an incentive stock option plan, which provides that the Board of Directors of the Company may from time-to-time, at its discretion, and in accordance with the TSX-V requirements, grant to directors, officers, employees and technical consultants to the Company, non-transferable stock options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed a rolling 10% of the Company's issued and outstanding common shares at the time the options are granted. Vesting of stock options is at the discretion of the Board of Directors. Stock options are exercisable for a maximum of 10 years, and the exercise price of the stock options is set in accordance with the policies of the TSX-V.

As at December 31, 2018, the Company had stock options outstanding and exercisable enabling the holder to acquire common shares as follows:

Number of Shares	Exercise Price	Expiry Date
1,550,000	$0.17	November 5, 2020
3,300,000	$0.31	July 31, 2022
700,000	$0.35	September 26, 2022
250,000	$0.31	November 14, 2022
1,300,000	$0.18	May 3, 2020
7,100,000		

(Expressed in Canadian dollars)

8. SHARE CAPITAL AND RESERVES (cont'd…)

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
As at December 31, 2016	-	$ -
Granted	4,450,000	$ 0.32
As at December 31, 2017	4,450,000	$ 0.32
Granted	2,850,000	$ 0.17
Expired	(200,000)	$ 0.31
As at December 30, 2018	7,100,000	$ 0.26
Number of options currently exercisable	7,100,000	$ 0.26

During the year ended December 31, 2018, the Company recognized share-based payments expense of $269,561 (December 31, 2017 - $1,035,973) regarding the vesting of stock options granted. The weighted average remaining contractual life of options outstanding at December 31, 2018 was 2.84 (December 31, 2017 – 4.62) years.

The following weighted average assumptions were used for the Black-Scholes option pricing model valuation of stock options granted:

	December 31, 2018	December 31, 2017
Expected life of options	2.00	5.00
Annualized volatility	100%	100%
Dividend rate	-	-
Discount rate	2.08%	1.68%
Weighted average fair value per option granted	$ 0.10	$ 0.23

Warrants

The following common share purchase warrants entitle the holder thereof to purchase one common share for each warrant. Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
As at December 31, 2016	-	$ -
Issued	6,919,278	0.42
As at December 31, 2017	6,919,278	0.42
Issued	7,147,963	0.24
Expired	(6,541,488)	0.43
As at December 31, 2018	7,525,753	$ 0.24

The weighted average remaining contractual life of warrants outstanding and exercisable at December 31, 2018 was 1.46 (December 31, 2017 – 0.67) years.

(Expressed in Canadian dollars)

8. SHARE CAPITAL AND RESERVES (cont'd…)

Warrants outstanding are as follows:

Number of Warrants	Exercise Price	Expiry Date
380,084	$ 0.15	October 12, 2019
3,350,217	$ 0.20	October 12, 2021
377,790	$ 0.25	July 21, 2019
3,310,912	$ 0.30	April 30, 2019
106,750	$ 0.20	April 30, 2019
7,525,753		

The finders' warrants were valued using weighted average Black-Scholes inputs as follows:

	December 31, 2018	Six months ended December 31, 2017
Expected life of warrants	1	1.64
Annualized volatility	100%	100%
Dividend rate	-	-
Discount rate	2.14%	1.45%
Weighted average fair value per warrant granted	$ 0.06	$ 0.42

10. RELATED PARTY TRANSACTIONS

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers. Key management personnel compensation for the periods ended December 31, 2018 and, were:

	December 31, 2018	December 31, 2017
Short-term benefits paid or accrued:		
Consulting fees	$ 385,780	$ 314,207
Salaries	150,000	150,000
	535,780	464,207
Share-based payments:		
Share-based payments	117,419	532,718
Total remuneration	$ 653,199	$ 996,925

The Company engaged in transactions with other related parties as follows:

As at December 31, 2018, $Nil (2017 - $11,328) of prepaid salaries to a director and an officer were included in prepaids.

As at December 31, 2018, $41,600 (2017 - $Nil) was due to an officer of the Company were included in trade and other payables.

(Expressed in Canadian dollars)

11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash investing or financing transactions during the period ended December 31, 2018, consisted of the following:

- Issued 486,834 finder's warrants with a fair value of $27,749 recorded as share issue costs.
- Settlement of accounts payable of $50,772 through the issuance of common shares with a fair value of $60,174 and increase to advances.

Significant non-cash investing or financing transactions during the period ended December 31, 2017, consisted of the following:

- Issued 600,000 common shares with a fair value of $150,000 as a finder's fee for the acquisition of the Tintyava property.
- Upon completion of the Transaction, the Company issued 18,000,000 common shares. The fair value of consideration paid in the reverse acquisition was valued in reference to the 29,928,237 common shares of Velocity, at a fair value of $7,482,059 (Note 3).
- Issued 589,190 finders' warrants with a fair value of $82,021 recorded as share issue costs.

12. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2018	2017
Loss for the period	$ (2,424,091)	$ (8,548,196)
Expected income tax expense (recovery)	$ (655,000)	$ (2,223,000)
Change in statutory tax rates and other	208,000	(117,000)
Permanent differences	57,000	1,982,000
Share issue costs	(27,000)	(43,000)
Adjustment to prior years provisions versus statutory tax returns and expiry of non-capital losses	5,000	-
Change in unrecognized deductible temporary differences	412,000	401,000
Total income tax expense (recovery)	$ -	$ -

Significant components of deductible temporary differences, unused tax losses and unused tax credits that have not been included on the consolidated statements of financial position are as follows:

	2018	Expiry dates	2017	Expiry dates
Exploration and evaluation assets	$ 1,488,000	No expiry date	$ 907,000	No expiry date
Investment tax credit	64,000	2028 to 2032	64,000	2028 to 2032
Property and equipment	14,000	No expiry date	13,000	No expiry date
Share issue costs	199,000	2038 to 2041	133,000	2038 to 2041
Allowable capital loss	211,000	No expiry date	211,000	No expiry date
Non-capital losses	7,008,000	2022 to 2038	5,639,000	2022 to 2037
Canada	6,930,000	2024 to 2038	5,605,000	2024 to 2037
Bulgaria	78,000	2022 to 2023	34,000	2022

Tax attributes are subject to review and potential adjustment by tax authorities

13. FINANCIAL RISK MANAGEMENT

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 - inputs for the asset or liability that are not based on observable market data.

As at December 31, 2018, the carrying values of receivables and trade and other payables approximate their fair values due to their short terms to maturity. The Company's cash under the fair value hierarchy is based on level 1 quoted prices in active markets for identical assets or liabilities.

The Company's risk exposure and the impact on the Company's financial instruments are summarized below:

Credit risk

The Company's credit risk is attributable to cash and receivables. Cash consists of balances held at reputable financial institutions, from which management believes the risk of loss to be remote. Federal deposit insurance covers balances up to $100,000 in Canada. Management believes that the credit risk concentration with respect to receivables is equal to its carrying value. Receivables comprises amounts due from the Government of Canada. As at December 31, 2018, the Company's exposure to credit risk is minimal.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

As at December 31, 2018, the Company had a cash balance of $243,020 to settle current liabilities of $308,477. All the Company's trade and other payables are subject to normal trade terms.

Historically, the Company's sole source of funding has been advances from related individuals and entities. The Company's access to financing is always uncertain. There can be no assurance of continued access to funding. The Company will seek to complete further equity financing to continue its programs on its exploration and evaluation assets.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and price risk.

a) Interest risk

Interest rate risks is the risk that the fair value of future cash flows from a financial instrument will fluctuate because of changes in market prices. The Company has cash balances and no interest-bearing debt. The Company is not subject to significant exposure to interest rate risk.

13. FINANCIAL RISK MANAGEMENT (cont'd…)

b) Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to assets and liabilities that are denominated in United States dollars and Bulgarian Lev. As at December 31, 2018, the Company had cash funds denominated in either the United States dollars, or the Bulgarian Lev. A 10% fluctuation between the Canadian dollar against the Bulgarian Lev or United States dollar, would insignificantly affect profit or loss.

d) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's profit or loss and the ability to obtain financing, due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on profit or loss and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company. Fluctuations in value may be significant.

14. CAPITAL MANAGEMENT

The Company manages its capital structure and adjusts it, based on the funds available to the Company, in order to support the acquisition, exploration and evaluation of its mineral resource properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The capital structure of the Company consists of shareholders' equity. The Company is not exposed to any externally imposed capital requirements.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year ended December 31, 2018.

15. SEGMENT INFORMATION

The Company operates in one reportable segment being the exploration and evaluation of mineral resource properties in Bulgaria. The Company's exploration and evaluation assets are in Bulgaria.

16. SUBSEQUENT EVENTS

a) The Company entered into an option agreement for the Nadezhda project, dated March 5, 2019. Under the terms of the option agreement, the Company can earn a 70% interest in the Nadezhda project by delivering certain data and reports including a NI 43-101 mineral resource estimate.

b) The Company entered into an option agreement for the Momchil project, dated March 5, 2019. Under the terms of the option agreement, the Company can earn a 70% interest in the Momchil project by delivering certain data and reports including a NI 43-101 mineral resource estimate.

c) On March 14, 2019, the Company completed the following transactions with Atlantic Gold Corp. ("Atlantic"): A non-brokered private placement of 18,600,000 units issued at $0.21 per unit for gross proceeds of $3,906,000. Each unit consists of one common share and one-half of one common share purchase warrant. Each warrant will entitle the holder thereof to purchase one common share of the Company at an exercise price of $0.25 until March 14, 2022.

In addition, the Company issued Atlantic a convertible debenture valued at $5,094,000 with an interest rate of 8.5% per annum compounded semi-annual, convertible into common shares at $0.25 per share, maturity date March 14, 2024.

16. SUBSEQUENT EVENTS (cont'd…)

Cash finders' fees in the amount of $382,500 were paid, and 459,418 common shares were issued as advisory fees.

In connection with the convertible debenture, the Company can elect to pay any interest due in cash or shares at its sole election. Atlantic can, at its option, convert the convertible debentures into common shares of the Company. In addition, pursuant to the terms of the agreement, Atlantic will be granted:

- The right to appoint one director to the Company's board of directors upon the closing of the equity placement, and increasing to two out of five directors upon Atlantic holding over 30 % of the issued and outstanding shares of the Company;
- The right to participate in any future equity issuances by the Company in order to allow Atlantic to maintain its pro rata fully diluted ownership in the Company.

Atlantic will be subject to a one-year standstill limiting it from acquiring additional common shares of the Company. Furthermore, Atlantic has agreed to vote with the Company management and not to sell any of its securities for a one-year period. The securities issued under the strategic investment will be subject to a four-month hold period from the date of closing.

d) The Company granted 925,000 stock options to various employee and consultants of the Company and its affiliates at a price of $0.28 per share for a period of 2 years.

e) The Company had 106,750 warrants exercised for proceeds of $21,350.