VELOCITY MINERALS LTD.

Consolidated Financial Statements

June 30, 2017

(Expressed in Canadian dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Velocity Minerals Ltd.

We have audited the accompanying consolidated financial statements of Velocity Minerals Ltd., which comprise the consolidated statement of financial position as at June 30, 2017, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity (deficiency) and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Velocity Minerals Ltd. as at June 30, 2017 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Velocity Minerals Ltd.'s ability to continue as a going concern.

Other Matters

The consolidated financial statements of Velocity Minerals Ltd. for the year ended June 30, 2016 were audited by another auditor who expressed an unmodified opinion on those statements on October 26, 2016.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Professional Accountants

October 26, 2017

VELOCITY MINERALS LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT JUNE 30
(Expressed in Canadian dollars)

	2017	2016
ASSETS		
Current		
Cash	$ 1,462,508	$ 2,405
GST receivable	1,614	839
Advances (Note 3)	165,963	-
	$ 1,630,085	$ 3,244
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current		
Accounts payable and accrued liabilities (Note 4)	$ 97,157	$ 778,982
Due to related parties (Note 6)	-	23,843
	97,157	802,825
Shareholders' equity (deficiency)		
Share capital (Note 5)	7,494,756	5,607,997
Reserves (Note 5)	1,145,310	1,145,310
Share subscriptions received	580,000	10,000
Deficit	(7,687,138)	(7,562,888)
	1,532,928	(799,581)
	$ 1,630,085	$ 3,244

Nature and continuance of operations (Note 1)
Subsequent events (Note 11)

On behalf of the Board on October 25, 2017:

"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
FOR THE YEARS ENDED JUNE 30
(Expressed in Canadian dollars)

	2017	2016
EXPENSES		
Bank charges and interest	$ 1,077	$ 411
Foreign exchange	6,484	-
Investor relations	1,365	-
Office and rent (Note 6)	35,545	27,814
Professional fees	26,522	43,916
Property investigation	9,967	-
Transaction costs (Note 1)	23,790	-
Regulatory fees	17,364	20,808
Travel	2,136	-
	(124,250)	(92,949)
Gain on settlement of accounts payable (Note 4)	-	69,348
Loss on sale of marketable securities	-	(65)
	-	69,283
Loss and comprehensive loss for the year	$ (124,250)	$ (23,666)
Loss per common share		
-Basic and diluted	$ (0.01)	$ (0.01)
Weighted average number of common shares outstanding		
-Basic and diluted	15,007,689	1,633,242

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

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

	Share Capital					
	Number of shares	Amount	Reserves	Share subscriptions received	Deficit	Total
Balance, June 30, 2015	728,237	$ 5,547,997	$ 1,145,310	$ -	$ (7,539,222)	$ (845,915)
Private placement	1,200,000	60,000	-	-	-	60,000
Share subscriptions received	-	-	-	10,000	-	10,000
Loss for the year	-	-	-	-	(23,666)	(23,666)
Balance, June 30, 2016	1,928,237	5,607,997	1,145,310	10,000	(7,562,888)	(799,581)
Private placement	14,000,000	840,000	-	(10,000)	-	830,000
Exercise of warrants	14,000,000	1,050,000	-	-	-	1,050,000
Share issue costs	-	(3,241)	-	-	-	(3,241)
Share subscriptions received (Note 11(d))	-	-	-	580,000	-	580,000
Loss for the year	-	-	-	-	(124,250)	(124,250)
Balance, June 30, 2017	29,928,237	$ 7,494,756	$ 1,145,310	$ 580,000	$ (7,687,138)	$ 1,532,928

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

VELOCITY MINERALS LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30
(Expressed in Canadian dollars)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	$ (124,250)	$ (23,666)
Items not affecting cash:		
Loss on sale of marketable securities	-	65
Gain on settlement of accounts payable	-	(69,348)
Changes in non-cash working capital items:		
GST Receivable	(775)	3,995
Due to related parties	(23,843)	23,843
Accounts payable and accrued liabilities	(681,825)	(29,749)
Net cash used in operating activities	(830,693)	(94,860)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from the issuance of units	1,876,759	60,000
Share subscriptions received	580,000	10,000
Net cash provided by financing activities	2,456,759	70,000
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of marketable securities	-	1,935
Advances	(165,963)	-
Refund of reclamation bond	-	25,000
Net cash provided by (used in) investing activities	(165,963)	26,935
Change in cash during the year	1,460,103	2,075
Cash, beginning of year	2,405	330
Cash, end of year	$ 1,462,508	$ 2,405
Income taxes paid	$ -	$ -
Interests paid	$ -	$ -

Supplemental disclosure with respect to cash flows (Note 9)

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Velocity Minerals Ltd. (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". In November 2015, the Company consolidated its share capital on a 10 to 1 basis. All share and per share amounts have been retroactively restated to reflect the consolidation (Note 5). The Company's business activity is the acquisition and exploration of exploration and evaluation properties internationally.

On July 24, 2017, the Company closed the Share Purchase and Sale Agreement (the "Transaction") with 1077076 B.C. Ltd. ("7076 Ltd") such that subsequent to June 30, 2017, the Company has acquired all the issued and outstanding shares of 7076 Ltd in exchange for 18,000,000 common shares of the Company. See Note 11 for further details. During the year ended June 30, 2017, the Company incurred $23,790 in legal fees recorded as transaction costs in connection with the Transaction.

As at June 30, 2017, the Company had working capital of $1,532,928 and an accumulated deficit of $7,687,138. 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 sufficient 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
Velocity Exploration Ltd.	Canada	100%
Velocity USA Ltd. (disposed)	USA	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.

During the year ended June 30, 2016, the Company disposed its subsidiary Velocity USA Ltd., for $1 to an arm's length party. Velocity USA Ltd., had no assets or liabilities. As a result, there was no gain or loss on disposal recognized in profit or loss.

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 and its subsidiaries 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.

Share capital

Common shares are classified as shareholders' equity (deficiency). Incremental costs directly attributable to the issue of common shares and other equity instruments are recognized as a deduction from shareholders' equity (deficiency). 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 a residual value method with respect to the measurement of warrants attached to private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The Company considers the fair value of common shares issued in the private placements to be the more easily measurable component and the common shares are valued at their fair value, as determined by the closing market price on the announcement date. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as reserves.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial instruments

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the consolidated statements of financial position at fair value with changes in fair value recognized in profit or loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in shareholders' equity (deficiency). Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from shareholders' equity (deficiency) and recognized in profit or loss.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or liabilities acquired or incurred principally for selling or repurchasing it in the near term. They are carried in the consolidated statements of financial position at fair value with changes in fair value recognized in profit or loss.

*Other financial liabilitie*s - This category consists of liabilities carried at amortized cost using the effective interest method. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

The Company has classified its cash at fair value through profit or loss. GST receivable and advances are classified as loans and receivables. The Company's accounts payable and accrued liabilities, and due to related parties are classified as other financial liabilities. Refer to Note 7 for additional disclosures.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Share-based payments

The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in reserves. The fair value is measured at grant date and each tranche is recognized on a graded-vesting basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model considering the terms and conditions upon which the options were granted. The Company annually revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to reserves.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods and services received.

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…)

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 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 and are being evaluated to determine their impact.

- IFRS 9 *Financial Instruments*: New standard that replaced IAS 39 for classification and measurement, effective for annual periods beginning on or after January 1, 2018.
- IFRS 16 *Leases*: New standard to establish principles for recognition, measurement, presentation, and disclosure of leases with an impact on lessee accounting, effective for annual periods beginning on or after January 1, 2019.
- IFRS 15 *Revenue from Contracts with Customers*: New standard establishes a comprehensive framework for the recognition, measurement and disclosure of revenue replacing IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue — Barter Transactions Involving Advertising Services, effective for annual periods beginning on or after January 1, 2018.

(Expressed in Canadian dollars)

3. ADVANCES

As at June 30, 2017, the Company had advanced $8,705 to 7076 Ltd, and $157,258 to Kibela Minerals AD, for exploration and evaluation expenditures on certain Bulgarian properties as outlined in Note 11.

During the year ended June 30, 2016, the Company completed certain reclamation work relating to the exploration of a previously held exploration and evaluation asset, the Cassiar Moly property. A report was filed with and approved by the Government of British Columbia which resulted in the reclamation bond being refunded in full.

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		June 30, 2017		**June 30, 2016**
Accounts payable	$	82,157	$	768,343
Accrued liabilities		15,000		10,639
	$	97,157	$	778,982

As at June 30, 2017, the Company settled $Nil (2016 - $110,348) of outstanding payables with various vendors for the sum of $Nil (2016 - $41,000) cash resulting in a gain on settlement of accounts payable of $Nil (2016 - $69,348).

5. SHARE CAPITAL

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

During fiscal 2017 the Company:

Closed a non-brokered private placement of 14,000,000 units at a price of $0.06 per unit for gross proceeds of $840,000, of which $10,000 was applied from share subscriptions received less share issue costs of $3,241. Each unit consisted one common share and one share purchase warrant. Each warrant entitles the holder to purchase an additional common share at an exercise price of $0.075 per share, expiring July 20, 2018.

Issued 14,000,000 common shares on the exercise of warrants at a price of $0.075 for gross proceeds of $1,050,000.

During fiscal 2016 the Company:

Closed a non-brokered private placement of 1,200,000 common shares at a price of $0.05 per share for gross proceeds of $60,000.

Consolidated its share capital on a 10 to 1 basis. All share and per share amounts have been retroactively restated to reflect the consolidation.

Share subscriptions received

As at June 30, 2017, share subscriptions received consisted of $580,000 in anticipation of a private placement that closed on July 21, 2017. See Note 11(b).

As at June 30, 2016, share subscriptions received consisted of $10,000 in anticipation of a private placement that closed in August 2016.

(Expressed in Canadian dollars)

5. SHARE CAPITAL (cont'd)

Reserves

Reserves consists of amounts recorded for the fair value and vesting of stock options granted to various officers, directors and consultants.

Stock options

The Company, in accordance with its stock option plan, is authorized to grant options to directors, employees and consultants, to acquire up to 10% of its issued and outstanding common stock. The exercise price of each option equals the market price of the Company's stock as calculated on the date of grant. The options can be granted for a maximum term of 10 years. Options granted vest at the discretion of the Board.

As at June 30, 2017 and June 30, 2016, there were no options outstanding.

Warrants

A summary of the Company's warrant activity is as follows:

	Number of warrants	Weighted average exercise price
Balance, June 30, 2016, and 2015	**-**	**$ -**
Issued	14,000,000	0.075
Exercised	(14,000,000)	0.075
Balance, June 30, 2017	**-**	**$ -**

6. RELATED PARTY TRANSACTIONS

Key management personnel compensation

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including directors and management. There were no transactions with key management personnel during the years ended June 30, 2017 and 2016.

The Company entered into the following transactions with related parties:

	Years Ended	
	June 30, 2017	**June 30, 2016**
Rent	$ -	$ 4,000
Administration fees	33,750	22,500
	$ 33,750	$ 26,500

The amounts recorded as due to related parties of $Nil (2016 - $23,843) were payable to directors and officers and to companies controlled by directors of the Company. These amounts were unsecured, non-interest bearing and have no fixed terms of repayment.

During the year ended June 30, 2017, the Company paid rent of $Nil (2016 - $4,000) to a company controlled by an officer of the Company. Effective September 1, 2015, these payments ceased.

During the year ended June 30, 2017, the Company paid or accrued administration fees of $33,750 (2016 - $22,500) to a company controlled by the President and CEO of the Company, included within office and rent.

7. 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 June 30, 2017, the carrying values of GST receivable, advances, accounts payable and accrued liabilities, and due to related parties approximate their fair values due to their short terms to maturity. The Company's cash under the fair value hierarchy is based on level one quoted prices in active markets for identical assets or liabilities.

Financial Risks

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, GST receivable and advances. Cash consists balances held at at a reputable financial institution, 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 GST receivable is low as it is due from the Government of Canada. The maximum exposure to credit risk of the advances is equal to its carrying value. As at June 30, 2017, 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 June 30, 2017, the Company had a cash balance of $1,462,508 to settle current liabilities of $97,157. All the Company's accounts payable and accrued liabilities are subject to normal trade terms.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

7. FINANCIAL RISK MANAGEMENT (cont'd)

Financial Risks (cont'd)

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 risk 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's current policy is to invest excess cash in investment-grade demand investments issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. The Company is not subject to significant exposure to interest rate risk.

b) Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to assets and liabilities that are denominated in Bulgarian Lev. The Company's cash, GST receivable, accounts payable and accrued liabilities, and due to related parties are held in Canadian dollars and are therefore not subject to foreign exchange fluctuations. As at June 30, 2017, some of the Company's advances were held in Bulgarian Lev. A 10% fluctuation on the Canadian dollar against the Bulgarian Lev would impact the Company's profit or loss by approximately $16,000.

c) 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 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.

8. 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 development of mineral 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 (deficiency). 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 years ended June 30, 2017 and 2016.

(Expressed in Canadian dollars)

9. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

During the years ended June 30, 2017 and 2016, there were no significant non-cash transactions.

10. INCOME TAXES

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

		2017		2016
Loss for the year	$	(124,250)	$	(23,666)
Expected income tax expense (recovery)	$	(32,000)	$	(491,000)
Change in unrecognized deductible temporary differences and other		32,000		6,157
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:

		2017	Expiry dates		2016	Expiry dates
Exploration and evaluation assets	$	805,000	No expiry date	$	805,000	No expiry date
Property and equipment		12,000	No expiry date		12,000	No expiry date
Allowable capital loss		211,000	No expiry date		64,000	No expiry date
Non-capital losses		4,425,000	2027 to 2037		4,301,000	2026 to 2036

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

11. SUBSEQUENT EVENTS

a) On July 24, 2017, the Company closed the Transaction (Note 1) with 7076 Ltd, which is now a wholly-owned subsidiary of the Company. Through 7076 Ltd, the Company now holds options to acquire interests in the Tintyava Property (see below), and the Ekuzya Property (see below), located in southeastern Bulgaria. The Company paid a finder's fee of 600,000 common shares of the Company in connection with the Transaction.

Tintyava Property – Bulgaria

On July 19, 2017, 7076 Ltd, through its 100% owned subsidiary Kibela Minerals AD ("Kibela Minerals AD"), a Bulgarian joint-stock company, signed an option agreement with Gorubso-Kardzhali AD ("Gorubso") to acquire an undivided 70% legal and beneficial interest in the Tintyava Property (the "Tintyava Option") located in southeastern Bulgaria.

Ekuzya Property - Bulgaria

On March 22, 2017, 7076 Ltd, through its 100% owned subsidiary Kibela Minerals AD, entered into an option agreement with Gorubso to acquire an undivided 50% interest in the Ekuzya Property (the "Ekuzya Option") located in southeastern Bulgaria.

The Company closed a concurrent private placement, in connection with the Transaction, of 8,857,000 units at a price of $0.25 per unit, for total gross proceeds of $2,214,250. Each unit consists of one common share and one-half of one common share purchase warrant, with each whole warrant exercisable for 12 months at $0.40 per share. Aggregate finders' fees of $94,448 were paid and 377,790 finders' warrants were issued by the Company. Each finders' warrant entitles the holder to acquire one common share of the Company at $0.25 per share for 24 months. Of the gross proceeds raised $350,000 was used to settle a promissory note payable by 7076 Ltd to a third party, subsequent to June 30, 2017.

b) The Company granted 3,500,000 stock options to officers, employees and consultants at an exercise price of $0.31 per share with a term of 5 years.

c) The Company closed a private placement of 3,803,176 units at a price of $0.34 per unit, for total gross proceeds of $1,293,079. Each unit consists of one common share and one-half of one common share purchase warrant, with each whole warrant exercisable for 12 months at $0.50 per share. Aggregate finders' fees of $74,256 were paid and 218,400 finders' warrants were issued by the Company. Each finders' warrant entitles the holder to acquire one common share of the Company at $0.34 per share, for 12 months.

d) The Company granted 700,000 stock options to officers, employees and consultants at an exercise price of $0.35 per share, with a term of 5 years.