Velocity Minerals Ltd.

Consolidated Financial Statements

As at and for the six months ended December 31, 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 statements of financial position as at December 31, 2017 and June 30, 2017, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity (deficiency) and cash flows for the six months ended December 31, 2017, and the year ended June 30, 2017, 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 audits. We conducted our audits 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 audits 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 December 31, 2017 and June 30, 2017, and its financial performance and its cash flows for the six months ended December 31, 2017, and the year ended June 30, 2017, in accordance with International Financial Reporting Standards.

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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.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada | Chartered Professional Accountants

April 27, 2018

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

	December 31, 2017	June 30, 2017
ASSETS		
Current		
Cash (Note 4)	$ 833,898	$ 24,819
Receivables	10,927	4,354
Prepaids	60,282	-
	905,107	29,173
Advances (Note 5)	77,220	-
Exploration and evaluation assets (Note 5)	2,207,796	514,815
	$ 3,190,123	$ 543,988
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current		
Trade and other payables (Note 6)	$ 138,738	$ 385,077
Due to related parties (Note 9)	-	212,031
Promissory note (Note 7)	-	356,337
	138,738	953,445
Shareholders' equity (deficiency)		
Share capital (Note 8)	10,891,048	4
Reserves	1,117,994	-
Deficit	(8,957,657)	(409,461)
	3,051,385	(409,457)
	$ 3,190,123	$ 543,988

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

On behalf of the Board on April 26, 2018:

"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)

	Six months ended December 31, 2017	Year ended June 30, 2017
EXPENSES		
Bank charges and interest	$ -	$ 6,337
Consulting (Note 9)	449,878	-
Depreciation	875	-
Foreign exchange	(11,042)	(452)
Investor relations	83,736	-
Office	13,389	8,705
Professional fees	168,286	204,528
Property investigation	750	95,204
Regulatory fees	28,475	-
Rent	5,316	-
Salaries (Note 9)	153,735	-
Share-based payments (Note 8, 9)	1,035,973	-
Travel	37,713	15,223
	(1,967,084)	(329,545)
Listing expense (Note 3)	(6,581,112)	(59,217)
Net loss for the period	(8,548,196)	(388,762)
Loss per common share		
-Basic and diluted	$ (0.15)	$ (0.03)
Weighted average number of common shares outstanding		
-Basic and diluted	57,389,102	15,007,689

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, 2016	4,500,000	$	1	$	-	$	(20,699)	$	(20,698)
Private placement	13,500,000		3		-		-		3
Loss and comprehensive loss	-		-		-		(388,762)		(388,762)
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)

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

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

	Six months ended December 31, 2017	Year ended June 30, 2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	$ (8,548,196)	$ (388,762)
Items not affecting cash:		
Depreciation	875	-
Interest accrued on promissory note	-	6,337
Listing expense – non-cash	6,573,512	-
Share-based payments	1,035,973	-
Unrealized foreign exchange	-	(452)
Changes in non-cash working capital items:		
Receivables	(4,952)	(4,354)
Prepaids	(60,282)	-
Trade and other payables	(338,071)	365,978
Net cash used in operating activities	(1,341,141)	(21,253)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from issuance of common shares	3,341,006	3
Amounts due to related parties	(73,166)	210,432
Repayments of promissory note and accrued interest	(356,337)	-
Proceeds from promissory note	-	350,000
Net cash provided by financing activities	2,911,503	560,435
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash acquired from reverse acquisition (Note 3)	239,832	-
Advances – exploration and evaluation expenditures	(77,220)	-
Transaction costs - RTO	(7,600)	-
Acquisition of equipment	(875)	-
Exploration and evaluation expenditures	(915,420)	(514,363)
Net cash used in investing activities	(761,283)	(514,363)
Change in cash during the period	809,079	24,819
Cash, beginning of period	24,819	-
Cash, end of period	$ 833,898	$ 24,819
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, 2017, the Company has working capital of $766,369 and an accumulated deficit of ($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 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
1077076 B.C. Ltd.	Canada	100%
Kibela Minerals AD ("Kibela")	Bulgaria	100%
Kabiri Minerals EOOD ("Kabiri")	Bulgaria	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.

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 (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 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 (deficiency).

Financial instruments

<u>Financial assets</u>

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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial instruments (cont'd…)

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. Receivables is classified as loans and receivables. The Company's trade and other payables, due to related parties, and promissory note are classified as other financial liabilities. Refer to Note 12 for additional disclosures.

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.

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.

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.

- 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. An assessment has been made and the Company has determined that certain disclosures relating to financial instruments will be insignificantly impacted. Additionally, the Company does not have financial instruments for which recognition and measurement would be impacted.

- 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. The Company is currently assessing the impact of this standard.

- 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. The Company expects no impact on adoption of this standard.

(Expressed in Canadian dollars)

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.

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 (Note 6)	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(1)	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, 2017	June 30, 2017
Cash held with banks in Canadian dollars	$ 820,428	$ 11,433
Cash held with banks in foreign currencies	13,470	13,386
Total	$ 833,898	$ 24,819

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").

The Tintyava Option terminates on the earlier of (i) Kibela exercising the option, (ii) Kibela terminating the option, or (iii) six years, from February 2017, in February, 2023 (the "Option Period").

For the Company to exercise the Tintyava Option, it must 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 year ended June 30, 2017); and

ii. Deliver an NI 43-101 preliminary economic assessment on the Tintyava Property.

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.

During the period ended December 31, 2017, the Company 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 must 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.

(Expressed in Canadian dollars)

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

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

	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**

	Tintyava	Ekuzya	Total
Acquisition costs			
Balance, June 30, 2016	$ -	$ -	$ -
Land administration	272,520	-	272,520
Balance, June 30, 2017	$ 272,520	$ -	$ 272,520
Deferred exploration costs			
Balance, June 30, 2016	$ -	$ -	$ -
Geological	219,359	22,936	242,295
Balance, June 30, 2017	$ 219,359	$ 22,936	$ 242,295
Balance, June 30, 2017	**$ 491,879**	**$ 22,936**	**$ 514,815**

As at December 31, 2017, advances of $77,220 (June 30, 2017 - $nil), comprised of amounts advanced by the Company to Gorubso for expenditures to be incurred on behalf of the Company on the Tintyava and Ekuzya properties.

(Expressed in Canadian dollars)

6. TRADE AND OTHER PAYABLES

		December 31, 2017		June 30, 2017
Trade payables	$	138,738	$	246,212
Due to related company (Note 3)		-		138,865
	$	138,738	$	385,077

As at June 30, 2017, due to related company included amounts advanced to Kibela by Velocity for exploration and evaluation expenditures, prior to the reverse acquisition.

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

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 period ended December 31, 2017:</u>

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, 2017, the Company had 25,200,000 (June 30, 2017 – nil) common shares held in escrow subject to future timed releases as follows:

- 2,250,000 common shares to be released on January 21, 2018;
- 3,150,000 common shares to be released on July 21, 2018;
- 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.

<u>During the year ended June 30, 2017:</u>
The Company issued 13,500,000 common shares to certain officers and directors of the Company for proceeds of $3.

(Expressed in Canadian dollars)

8. SHARE CAPITAL AND RESERVES (cont'd)

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, 2017, the Company had stock options outstanding enabling the holder to acquire common shares as follows:

Number of Shares	Exercise Price	Expiry Date
3,500,000	$0.31	July 31, 2022
700,000	$0.35	September 26, 2022
250,000	$0.31	November 14, 2022
4,450,000		

Stock option transactions are summarized as follows:

	Number of Options		Weighted Average Exercise Price
As at June 30, 2017, and 2016	-	$	-
Granted	4,450,000		0.32
As at December 31, 2017	4,450,000	$	0.32
Number of options currently exercisable	4,450,000	$	0.32

During the period ended December 31, 2017, the Company recognized share-based payments expense of $1,035,973 (June 30, 2017 - $nil) regarding the vesting of stock options granted.

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

		Six months ended December 31, 2017
Risk-free interest rate		1.68%
Expected life of options		5.00
Annualized volatility		100%
Dividend rate		0%
Weighted average fair value per option granted	$	0.23

(Expressed in Canadian dollars)

8. SHARE CAPITAL AND RESERVES (cont'd)

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 June 30, 2017, and 2016	-	$ -
Issued	6,919,278	$ 0.42
As at December 31, 2017	6,919,278	$ 0.42

The weighted average remaining contractual life of warrants outstanding at December 31, 2017 was 0.67 (June 30, 2017 – Nil) years.

Warrants outstanding are as follows:

Number of Warrants	Exercise Price	Expiry Date
377,790	$ 0.25	July 21, 2019
4,428,500	$ 0.40	July 21, 2018
211,400	$ 0.34	September 26, 2018
1,901,588	$ 0.50	September 25, 2018
6,919,278		

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

	Six months ended December 31, 2017
Expected life of warrants	1.64
Annualized volatility	100%
Dividend rate	-
Discount rate	1.45%

(Expressed in Canadian dollars)

9. 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, 2017 and June 30, 2017, were:

		December 31, 2017		June 30, 2017
Short-term benefits paid or accrued:				
Consulting fees	$	314,207	$	-
Salaries		150,000		-
		464,207		-
Share-based payments:				
Share-based payments		532,718		-
Total remuneration	**$**	**996,925**	**$**	**-**

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

Due to related parties of $nil (June 30, 2017 - $212,031), were payable to directors and/or officers of the Company. These amounts were advanced to the Company for working capital purposes and were unsecured, non-interest bearing and had no fixed terms of repayment.

As at December 31, 2017, $11,328 (June 30, 2017 - $Nil) of prepaid salaries to a director and an officer were included in prepaids.

10. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

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.

There were no significant non-cash investing or financing activities during the year ended June 30, 2017

(Expressed in Canadian dollars)

11. INCOME TAXES

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

		2017		2016
Loss for the period	$	(8,548,196)	$	(389,214)
Expected income tax expense (recovery)	$	(2,223,000)	$	(101,000)
Change in statutory tax rates and other		(117,000)		101,000
Permanent differences		1,982,000		-
Share issue costs		(43,000)		-
Change in unrecognized deductible temporary differences		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:

		2017	Expiry dates		2016	Expiry dates
Exploration and evaluation assets	$	907,000	No expiry date	$	846,000	No expiry date
Investment tax credit		64,000	2028 to 2032		62,000	2028 to 2032
Property and equipment		13,000	No expiry date		12,000	No expiry date
Share issue costs		133,000	2038 to 2041		-	-
Allowable capital loss		211,000	No expiry date		203,000	No expiry date
Non-capital losses		5,639,000	2024 to 2037		4,654,000	2026 to 2036
Canada		5,605,000	2024 to 2037		4,654,000	2026 to 2036
Bulgaria		34,000	2022		-	-

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

12. 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, 2017, the carrying values of receivables, trade and other payables, due to related parties, and promissory note, 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.

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

12. FINANCIAL RISK MANAGEMENT (cont'd)

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, 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 December 31, 2017, the Company had a cash balance of $833,898, to settle current liabilities of $138,738. 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.

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, 2017, 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.

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 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.

13. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to 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 (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 period ended December 31, 2017.

14. 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 and its equipment is located in Canada.

15. SUBSEQUENT EVENTS

a) On January 31, 2018, the Company entered into a Strategic Exploration and Mining Alliance Letter Agreement (the "Letter Agreement") with current partner, Gorubso Kardzhali AD ("Gorubso"). The Letter Agreement sets out the terms by which the Company and Gorubso will form an alliance covering all existing and future Gorubso and Velocity projects within an area of 10,430 square kilometres covering the prospective Eastern Rhodope gold mining district in southeastern Bulgaria.

The Company and Gorubso will form an alliance for a term of 5 years, until January 31, 2023. The Company is obligated to take on certain responsibilities for the exploration, discovery, and feasibility of Gorubso's projects; and:

- Incur at least $500,000 in exploration expenditures on Gorubso's Chala mine within 12 months from the date that the infrastructure necessary to complete underground drilling is in place at the Chala mine.

In return, Gorubso grants the Company an opportunity to initiate earn-in option agreements on all existing projects owned by Gorubso within a specific area of interest in southeastern Bulgaria, whereby the Company can earn a 70% interest in such projects.

b) On March 22, 2018, the Company announced a non-brokered private placement of up to 17,000,000 units at $0.20 per unit for gross proceeds of up to $3,400,000. Each unit will consist of one common share and one-half of one warrant, with each whole warrant entitling the holder to purchase one common share of the Company at $0.30 per share for a period of 12 months from the closing of the financing. The Company may pay finders' fees on a portion of the financing consisting of a cash commission equal to 7% of the total gross proceeds raised and finders' warrants equal to 7% of the total number of units issued, where each finders' warrant will entitle the holder thereof to purchase one common share in the capital of the Company at a price of $0.20 per share for a period of 12 months from the closing of the financing. The financing is subject to TSX Venture Exchange and other regulatory approvals.