VELOCITY MINERALS LTD.

Consolidated Financial Statements

December 31, 2019 and 2018

(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, 2019 and 2018 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, 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, 2019 and 2018, and its financial performance and its cash flows for the years then ended 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.

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 are responsible for the direction, supervision and performance of the group audit. 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 27, 2020

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

	December 31, 2019	December 31, 2018
ASSETS		
Current		
Cash and cash equivalents (Note 3)	$ 3,217,419	$ 243,020
Receivables	76,123	7,076
Prepaid expenses	42,637	41,121
Advances (Note 5)	-	289,604
	3,336,179	580,821
Property and Equipment (Note 4)	83,649	-
Exploration and evaluation assets (Note 5)	10,605,352	2,913,915
	$ 14,025,180	$ 3,494,736
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Trade and other payables (Note 6)	$ 816,396	$ 308,477
Lease liabilities, current (Note 7)	22,889	-
	839,285	308,477
Lease liabilities, long term (Note 7)	21,923	-
Convertible debenture (Note 8)	4,002,933	-
	4,864,141	308,477
Shareholders' equity		
Share capital (Note 9)	17,783,183	12,954,048
Reserves (Note 9)	1,703,957	1,613,959
Equity component of convertible debenture (Note 8)	1,106,812	-
Non-controlling interest	2,484,861	-
Deficit	(13,917,774)	(11,381,748)
	9,161,039	3,186,259
	$ 14,025,180	$ 3,494,736

Nature and continuance of operations (Note 1)
Subsequent events (Note 16)

On behalf of the Board on April 27, 2020

"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, 2019	Year ended December 31, 2018
EXPENSES		
Consulting (Note 10)	$ 210,847	$ 521,669
Investor relations	215,999	97,323
Office	96,824	53,801
Professional fees	470,906	278,465
Property investigation	97,144	91,742
Regulatory fees	101,614	36,597
Rent	27,330	20,594
Salaries (Note 10)	541,776	178,188
Share-based payments (Note 9, 10)	321,000	269,561
Travel	170,469	70,213
	(2,253,909)	(1,618,153)
Impairment of exploration and evaluation assets (Note 5)	-	(731,227)
Loss on settlement of trade payable (Note 9)	-	(9,402)
Accretion expense (Note 8)	(148,300)	-
Foreign exchange	74,125	(65,309)
Interest income	65,604	-
Interest expense (Note 8)	(346,392)	-
Loss and comprehensive loss for the year	$ (2,608,872)	$ (2,424,091)
Loss and comprehensive loss attributed to:		
Owners of the Company	(2,536,026)	(2,424,091)
Non-controlling interests	(72,846)	-
	$ (2,608,872)	$ (2,424,091)
Loss per common share		
-Basic and diluted	$ (0.03)	$ (0.04)
Weighted average number of common shares outstanding		
-Basic and diluted	92,281,204	67,273,861

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

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

	Share capital						
	Number of common shares	Amount	Reserves	Equity component of convertible debenture	Non-controlling interest	Deficit	Total
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
Private placement	18,600,000	3,906,000	-	-	-	-	3,906,000
Share issuance costs – cash	-	(463,705)	-	-	-	-	(463,705)
Share issuance costs – common shares	459,418	-	-	-	-	-	-
Warrant exercise	3,350,536	1,149,585	(231,002)	-	-	-	918,583
Shares issued for interest on convertible debenture	495,516	237,255	-	-	-	-	237,255
Convertible debenture	-	-	-	1,106,812	-	-	1,106,812
Share-based payments	-	-	321,000	-	-	-	321,000
Acquisition of 70% of Tintyava Exploration EAD	-	-	-	-	946,215	-	946,215
Change in net assets of Tintyava Exploration EAD	-	-	-	-	1,611,492	-	1,611,492
Loss and comprehensive loss	-	-	-	-	(72,846)	(2,536,026)	(2,608,872)
Balance, December 31, 2019	**97,792,229**	**$ 17,783,183**	**$ 1,703,957**	**$ 1,106,812**	**$ 2,484,861**	**$ (13,917,774)**	**$ 9,161,039**

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

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

	Year ended December 31, 2019	Year ended December 31, 2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	$ (2,608,872)	$ (2,424,091)
Adjustments for:		
Accretion expense	148,300	-
Impairment of exploration and evaluation assets	-	731,227
Interest expense, non-cash	346,392	-
Share-based payments	321,000	269,561
Loss on settlement of trade payable	-	9,402
Interest paid on leases	6,341	-
Interest income	(23,987)	-
Changes in non-cash working capital items:		
Receivables	(45,060)	3,851
Prepaid expenses	(1,516)	19,161
Trade and other payables	(22,660)	169,739
Net cash used in operating activities	(1,880,062)	(1,221,150)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from issuance of common shares	4,360,878	2,229,230
Non-controlling interest – equity contributions	1,208,453	-
Net proceeds from issuance of convertible debenture	4,961,445	-
Lease payments	(32,474)	-
Net cash provided by financing activities	10,498,302	2,229,230
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration and evaluation assets	(5,541,642)	(1,437,346)
Cash acquired on acquisition of 70% of Tintyava Exploration EAD	89,367	-
Acquisition cost – 70% of Tintyava Exploration EAD	(159,898)	-
Advances – exploration and evaluation assets	-	(161,612)
Acquisition of equipment	(31,668)	-
Net cash used in investing activities	(5,643,841)	(1,598,958)
Change in cash and cash equivalents during the year	2,974,399	(590,878)
Cash and cash equivalents, beginning of year	243,020	833,898
Cash and cash equivalents, end of year	$ 3,217,419	$ 243,020

Supplemental disclosure with respect to cash flows (Note 11)

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.

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.

During 2019, the Company exercised its option to acquire an undivided 70% interest in the Tintyava property. As a result, on March 1, 2019, shares of Tintyava Exploration EAD ("Tintyava"), representing 70% ownership of the Company, have been registered in the name of the Company's subsidiary Kibela Minerals AD (Note 5 (a)).

As at December 31, 2019, the Company has working capital of $2,496,894 (2018 - $272,344) and an accumulated deficit of $13,917,774 (2018 - $11,381,748). The Company expects to incur further losses in the development of its business. The Company's ability to continue its operations and to realize its assets at their carrying values is dependent upon obtaining additional financing to successfully explore and evaluate its mineral properties and, ultimately, to achieve profitable operations. Subsequent to December 31, 2019, the Company closed a non-brokered private placement of 14,467,687 units for gross proceeds of $5,787,075 (Note 16). Management estimates that the Company will be able to meet its obligations and to sustain operations for at least the next twelve months.

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 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%
Tintyava Exploration AD	Bulgaria	70%
Velocity Minerals Holdings Ltd.	Malta	100%
Velocity Minerals Malta Ltd.	Malta	100%

The Company established its subsidiaries Kibela and Kabiri in 2017 and 2018 respectively, and effective March 1, 2019, acquired 70% of Tintyava Exploration AD (note 5(a)).

The Company consolidates its subsidiaries on the basis that it controls the subsidiaries through its ability to govern its financial and operating policies. The Company attributes total comprehensive loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

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.

Non-controlling interests are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Company's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Cash and cash equivalents

Cash and cash equivalents consist of highly liquid short-term investments that are readily convertible to cash and have maturities with terms of less than ninety days and/or with original maturities over ninety days but redeemable on demand without penalty.

Property and Equipment

Property and equipment are recorded at cost less depreciation, depletion and accumulated impairment losses, if any. Where significant components of buildings and equipment have different useful lives, the components are accounted for as separate items. Expenditures incurred to replace a component that is accounted for separately, including major inspection and overhaul expenditures, are capitalized. Directly attributable expenses incurred for major capital projects are capitalized until the asset is brought to a working condition for its intended use.

These costs include dismantling and site restoration costs to the extent these are recognized as a provision. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate portion of normal overhead. The costs of day-to-day servicing are recognized in expenses as incurred, as "maintenance and repairs."

The Company depreciates its assets, less their estimated residual values, as follows:

Category	Method	Useful life
Equipment	Straight-line	3-5 years
Office equipment	Straight-line	3-5 years
Right-of-use asset	Straight-line	Earlier of useful life of term of lease

The depreciation method, useful life and residual values are assessed annually.

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Decommissioning and Restoration Provisions (cont'd…)

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

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.

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.

Compound financial instruments

Compound financial instruments issued by the Company comprise convertible notes denominated in Canadian dollar that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of compound financial instruments is initially recognised at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognised at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial instruments (cont'd…)

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured.

Interest related to the financial liability is recognised in profit or loss. On conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recognised.

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.
- Lease liabilities are classified as and measured at amortized cost.
- Convertible debenture is classified as and measured at amortized cost.

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.

Critical accounting estimates and judgements

The preparation of these consolidated financial statements requires management to make certain estimates, judgements 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 judgement 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 judgements regarding the going concern of the Company as previously discussed in Note 1.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Critical accounting estimates and judgements (cont'd…)

Business combinations

Judgement is used in determining whether an acquisition is a business combination or an asset acquisition. Management determines whether assets acquired and liabilities assumed constitute a business. A business consists of inputs and processes applied to those inputs that have the ability to create outputs. Management determines whether assets acquired and liabilities assumed constitute a business. In examining processes and potential outputs, management considers the ability of the acquired and existing processes to adequately be capable of producing the potential outputs; where the processes are insufficient and/or incomplete to produce potential outputs, the Company considers the acquisition to be an asset acquisition. The acquisition of Tintyava Exploraiton AD (Note 5 (a)) was an asset acquisition.

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.

New accounting policy

Leases

The Company has adopted new accounting standard IFRS 16 - Leases. IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all major leases.

Effective January 1, 2019, the Company adopted IFRS 16 using the modified retrospective approach and accordingly the information presented for 2018 has not been restated. It remains as previously reported under IAS 17 and related interpretations.

The details of the changes in accounting policies in respect to the adoption of IFRS 16 are disclosed below.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

New accounting policy (cont'd…)

Leases (cont'd…)

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset (a right-to-use, or "ROU" asset) for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset.
- The Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if it either:
  - has the right to operate the asset; or
  - has designed the asset in a way that predetermines how and for what purpose it will be used.

If a contract is deemed to be, or contains, a lease, the Company recognizes an ROU asset and a lease liability at the lease commencement date. The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The Company has elected not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement, as a practical expedient permissible under IFRS 16.

The ROU asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term. The estimated useful lives of ROU assets are determined on the same basis as those of property and equipment. In addition, the ROU asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Both the current and non-current lease liability are presented as separate lines in the consolidated statement of financial position.

Lease payments to be included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

New accounting policy (cont'd…)

Leases (cont'd…)

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option due to an event within the Company's control.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the ROU asset, or is recorded in profit or loss if the carrying amount of the ROU asset has been reduced to zero.

The Company has elected not to recognize ROU assets and lease liabilities for leases of low-value assets and short-term leases that have a lease term of less than 12 months and where extension clauses within the original contract have been fully utilized. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

In the comparative period, assets held under leases were all classified as operating leases under IAS 17 and were not recognized in the Company's statement of financial position. Payments made under operating leases were recognized in profit or loss on a straight-line basis over the term of the lease. There were no leases in place at the prior year end that would not qualify for the exemptions permissible for short-term leases and leases of low-value assets under IFRS 16.

New Interpretation IFRIC 23 - Uncertainty over Income Tax Treatments

On June 7, 2017, the IASB issued IFRIC Interpretation 23 – Uncertainty over Income Tax Treatments ("IFRIC 23"). IFRIC 23 provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments.

There was no impact to the Company's consolidated financial statements as a result of adopting this new standard.

3. CASH AND CASH EQUIVALENTS

The Company's cash and cash equivalents consists of the following:

	December 31, 2019	December 31, 2018
Cash	$ 1,167,419	$ 243,020
Cash equivalents	2,050,000	-
Total	$ 3,217,419	$ 243,020

	December 31, 2019	December 31, 2018
Cash and cash equivalents held with banks in Canadian dollars	$ 2,222,783	$ 229,702
Cash held with banks in foreign currencies	994,636	13,318
Total	$ 3,217,419	$ 243,020

4. PROPERTY AND EQUIPMENT

	Right-of-use assets	Equipment	Computers	Total
Costs				
Balance at December 31, 2018 and 2017	$ -	$ -	$ -	$ -
Additions	51,192	20,684	35,920	107,796
Balance at December 31, 2019	51,192	20,684	35,920	107,796
Accumulated depreciation				
Balance at December 31, 2018 and 2017	-	-	-	-
Additions	(2,154)	(3,724)	(18,269)	(24,147)
Balance at December 31, 2019	(2,154)	(3,724)	(18,269)	(24,147)
Book value, December 31, 2018	-	-	-	-
Book value, December 31, 2019	$ 49,038	$ 16,960	$ 17,651	$ 83,649

During the year ended December 31, 2019, the Company capitalized $24,147 of depreciation to exploration and evaluation assets.

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.

(Expressed in Canadian dollars)

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

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").

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 2019, the Company exercised its option to acquire an undivided 70% interest in the Tintyava property. As a result, on March 1, 2019, shares of Tintyava Exploration EAD ("Tintyava"), representing 70% ownership by the Company, have been registered in the name of Kibela.

The change in control was recorded as an asset acquisition, and on consolidation, the Company's investment in Tintyava is eliminated. On consolidation, the carrying value of the net assets of Tintyava are combined with the accounts of the Company.

The non-controlling interest in the fair value of Tintyava's net assets on consolidation was calculated to be $946,215. The consolidated statement of loss and comprehensive loss includes only the profit and loss of Tintyava subsequent to March 1, 2019.

A summary of the transaction related to the purchase is as follows:

Forgiveness of debt[1]	$	3,602,362
Acquisition costs		159,898
Total Purchase price:	$	**3,762,260**
Purchase price allocation		
Cash	$	89,367
Advances		16,543
Exploration and evaluation assets		4,612,173
Equipment		24,937
Trade and other payables		(34,545)
Non-controlling interest		(946,215)
Total purchase price allocated	**$**	**3,762,260**

[1] Debt to Tintyava was accounted for as acquisition of exploration and evaluation assets prior to March 1, 2019.

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

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 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.

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 impaired all costs, $634,590, associated with the Chala Property.

d) Nadezhda Property – Bulgaria

On March 5, 2019, the Company entered into an option agreement for the Nadezhda project, which is centered on the Makedontsi deposit. 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 mineral resource estimate prepared under National Instrument 43-101 of the Canadian Securities Administrators. The term of the option agreement is six years.

e) Momchil Property – Bulgaria

On March 5, 2019, the Company entered into an option agreement for the Momchil project, which is centered on the Obichnik deposit. Under the terms of the option agreement, the Company can earn a 70% interest in the Momechill project by delivering certain data and reports including a mineral resource estimate prepared under National Instrument 43-101 of the Canadian Securities Administrators. The term of the option agreement is six years.

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

f) Sedefche Property – Bulgaria

On September 25, 2019, the Company entered into an option agreement for the Sedefche project ("Sedefche" or the "Project") with Gorubso. The Company can earn a 70% interest in Sedefche by completing 5,000 m of drilling prior to March 31, 2020 (the "Initial Drilling"). The Initial Drilling was completed as at March 31, 2020. Pursuant to the option agreement, and subsequently to December 31, 2019, the Company made the election to complete an additional drill program (the "Additional Drilling") by September 25, 2020, before the Company reaches a decision to exercise the Option to earn 70% interest in Sedefche. There is not a requirement for a minimum meters drilling completed for the Additional Drilling.

If the Company elects not to exercise the Option, it will be entitled to a 1% Net Smelter Returns ("NSR") royalty on any gold and silver mined from the Project in excess of that set out in the historical geological resources and reserves registered with the Bulgarian Ministry of Energy as of July 6, 2016 (the "Historical Bulgarian Resources"), that are identified or estimated as a result of the Initial Drilling and, if applicable, or the Additional Drilling at the Project. Subject to the Company's acceptance, half of the 1% NSR royalty (being 0.5%) can be purchased from the Company for US$1,000,000.

Upon the exercise of the Option, the Company will be deemed to have entered a joint venture (the "Joint Venture"), at which time a joint venture company ("JVCo") will be established. The Company will be required to make the following payments upon the exercise of the Option:

(i) a fee of US$800,000 payable to Gorubso, on entering the Joint Venture. The Company shall pay the fee in common shares in the capital of the Company (the "Velocity Shares") at a deemed value per Velocity Share equal to the market price of the Velocity Shares on the TSXV") on the date of incorporation of JVCo.
(ii) a second US$800,000 to Gorubso, will be payable in Velocity Shares upon the production of the first doré from ore extracted from the Project. The deemed value per Velocity Share shall be equal to the market price of the Velocity Shares on the TSXV on the date of the initial doré production.

Upon the formation of the Joint Venture, a 2% NSR royalty will deem to have been granted to Gorubso on products from the Project, which will be limited to the Historical Bulgarian Resources. The Company, with approval from Gorubso, will have the ability to purchase 50% (being 1%) of the NSR royalty for US$2,000,000. Gorubso may opt to continue mine site preparation during the term of the Option at its expense, provided that upon the Company's exercise of the Option and the formation of the Joint Venture, the Company will be responsible for covering 70% of up to BGN 500,000 in site preparation costs incurred by Gorubso.

If Velocity elects to abandon its interest in the Joint Venture following the formation of the Joint Venture and the acquisition of a 70% interest therein, Velocity will be entitled to a 1% NSR royalty on:

(iii) all gold and silver mined from the Project in excess of that set out in the Bulgarian Historical Estimate that is identified or estimated as a result of the Initial Drilling and, if applicable, the Additional Drilling, at the Project or

(iv) all mineral resources and reserves discovered at the Project, if two years have passed from the formation of the Joint Venture and if Velocity completes BGN 2,000,000 in aggregate expenditures on the Project prior to termination.

(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	Nadezhda	Momchil	Sedefche	Total
	$	$	$	$	$
Acquisition costs					
Balance, December 31, 2018	450,712	-	-	-	450,712
Acquisition of Tintyava	1,554,424	-	-	-	1,554,424
Balance, December 31, 2019	2,005,136	-	-	-	2,005,136
Deferred exploration costs					
Balance, December 31, 2018	2,463,203	-	-	-	2,463,203
Drilling	1,618,787	52,105	1,051,098	309,449	3,031,439
Geological	1,234,643	12,559	46,834	-	1,294,036
Geochemistry	60,803	-	16,397	5,432	82,632
Salaries and field	1,002,716	72,776	555,596	97,818	1,728,906
	3,916,949	137,440	1,669,925	412,699	6,137,013
Balance, December 31, 2019	6,380,152	137,440	1,669,925	412,699	8,600,216
Balance, December 31, 2019	**8,385,288**	**137,440**	**1,669,925**	**412,699**	**10,605,352**

	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**

(Expressed in Canadian dollars)

6. TRADE AND OTHER PAYABLES

		December 31, 2019		December 31, 2018
Trade payables	$	707,259	$	308,477
Accrued interest payable (Note 8)		109,137		-
	$	816,396	$	308,477

7. LEASE LIABILITY

The Company leases vehicles in Bulgaria to support exploration and evaluation activities on its properties and has identified these leases to have ROU assets (Note 4). As at December 31, 2019 these are the only leases identified to have ROU assets. The Company is utilizing an incremental borrowing rate of 15% for calculating lease liabilities and ROU assets.

Lease liabilities		**December 31, 2019**
December 31, 2018 and 2017	$	-
Additions		70,945
Lease payments		(32,474)
Lease interest		6,341
December 31, 2019	$	44,812

Lease liabilities *Contractual undiscounted cash flows:*		**December 31, 2019**		**December 31, 2018**
Less than one year	$	26,974	$	-
One to five years		24,918		-
Total undiscounted lease liabilities at December 31, 2019	$	51,892	$	-

8. CONVERTIBLE DEBENTURE

On March 14, 2019, the Company issued 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, with a maturity date of March 14, 2024. For accounting purposes, the convertible debenture is separated into a liability and equity component by first valuing the liability component. The fair value of the liability component at the time of issue was calculated as the discounted cash flows for the convertible debenture assuming an 15% discount rate, which was the estimated rate for a similar debenture without a conversion feature.

Transaction costs of $132,555, were incurred and have been recorded pro rata against the liability and equity components. The liability balance of the transaction costs will be amortized over the life of the debenture.

The Company's convertible debenture is broken down as follows:

Proceeds received	$	5,094,000
Transaction costs		(132,555)
Proceeds received, net	$	4,961,445

(Expressed in Canadian dollars)

8. CONVERTIBLE DEBENTURE (cont'd…)

Net proceeds allocated to equity portion	$	1,106,812
Net proceeds allocated to liability portion		3,854,633
	$	4,961,445

Liability portion as at December 31, 2018	$	-
Additions		3,854,633
Accretion expense for the year		148,300
Liability portion as at December 31, 2019	$	4,002,933

9. SHARE CAPITAL AND RESERVES

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

<u>During the period ended December 31, 2019;</u>

On March 14, 2019, the Company completed 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. Cash finders' fees in the amount of $360,000 were paid, and 459,418 common shares with a fair value of $133,231 were issued as advisory fees. Professional fees paid in connection with the non-brokered private placement were $103,705.

The Company had 3,350,536 warrants exercised for proceeds of $918,583 as follows; 380,084 warrants exercised at a price of $0.15 per warrant for proceeds of $57,013, 106,750 warrants exercised at a price of $0.20 per warrant for proceeds of $21,350, 377,790 warrants exercised at a price of $0.25 per warrant for proceeds of $94,447 and 2,485,912 warrants exercised at a price of $0.30 per warrant for proceeds of $745,773.

The Company issued 495,516 common shares for the semi-annual interest of $237,255 on the convertible debenture. Interest of $20,760 was for the interest due March 31, 2019 and $216,495 was for interest due September 30, 2019.

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

On May 3, 2018, 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.

(Expressed in Canadian dollars)

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

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.

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, 2019, the Company had stock options outstanding and exercisable enabling the holder to acquire common shares as follows:

Number of Shares	Exercise Price	Expiry Date	Remaining life in years
1,300,000	$0.18	May 3, 2020	0.34
1,550,000	$0.17	November 5, 2020	0.85
3,300,000	$0.31	July 31, 2022	2.58
700,000	$0.35	September 26, 2022	2.74
250,000	$0.31	November 14, 2022	2.87
925,000	$0.28	March 29, 2021	1.24
150,000	$0.28	May 1, 2021	1.33
900,000	$0.46	November 19, 2021	1.89
9,075,000	$0.28		1.76

Stock option transaction are summarized as follows:

	Number of Options	Weighted Average Exercise Price
As at December 31, 2017	4,450,000	$ 0.32
Granted	2,850,000	$ 0.17
Expired	(200,000)	$ 0.31
As at December 31, 2018	7,100,000	$ 0.26
Granted	1,975,000	$ 0.36
As at December 31, 2019	9,075,000	$ 0.28
Number of options currently exercisable	9,075,000	$ 0.28

(Expressed in Canadian dollars)

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

Stock options (cont'd…)

During the year ended December 31, 2019, the Company recognized share-based payments expense of $321,000 (December 31, 2018 - $269,561) regarding the vesting of stock options granted. The weighted average remaining contractual life of options outstanding at December 31, 2019 was 1.76 (December 31, 2018 – 2.84) years.

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

	December 31, 2019	December 31, 2018
Expected life of options (years)	2.00	2.00
Annualized volatility	100%	100%
Dividend rate	-	-
Risk-free rate	1.56%	2.08%
Weighted average fair value per option granted	$ 0.16	$ 0.10

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, 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
Issued	9,300,000	0.25
Exercised	(3,350,536)	0.27
Expired	(825,000)	0.30
As at December 31, 2019	12,650,217	$ 0.24

The weighted average remaining contractual life of warrants outstanding and exercisable at December 31, 2019 was 2.09 (December 31, 2018 – 1.46) years.

Warrants outstanding are as follows:

Number of Warrants	Exercise Price	Expiry Date
3,350,217	$ 0.20	October 12, 2021
9,300,000	$0.25	March 14, 2022
12,650,217		

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

	December 31, 2019	December 31, 2018
Expected life of warrants(years)	-	1
Annualized volatility	-	100%
Dividend rate	-	-
Discount rate	-	2.14%
Weighted average fair value per warrant granted	$ -	$ 0.06

(Expressed in Canadian dollars)

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, 2019 and 2018 and, were:

		December 31, 2019		December 31, 2018
Short-term benefits paid or accrued:				
Consulting fees[1]	$	472,165	$	385,780
Salaries and directors' fees		548,100		150,000
		1,020,265		535,780
Share-based payments:				
Share-based payments		140,589		117,419
Total remuneration	$	1,160,854	$	653,199

[1]$383,300 of consulting fees are included in exploration and evaluation assets.

As at December 31, 2019, the Company had accrued liabilities to key management personnel of $204,481 included in trade payables (2018- $41,600).

No post-employment benefits, termination benefits, or other long-term benefits were paid to or recorded for key management personnel during the years ended December 31, 2019 and 2018.

11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	December 31, 2019	December 31, 2018
Acquisition of Tintyava included in exploration and evaluation assets	$ 1,554,424	$ -
Exploration and evaluation assets included in accounts payable	386,897	-
Finder's warrants and shares	133,231	27,749
Advances reclassified to exploration and evaluation assets	306,147	- -
Settlement of accounts payable in subsidiary through the issuance of common shares	-	60,174

(Expressed in Canadian dollars)

12. INCOME TAXES

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

		2019		2018
Loss for the year	$	(2,608,872)	$	(2,424,091)
Expected income tax expense (recovery)	$	(704,000)	$	(655,000)
Change in statutory tax rates and other		332,000		208,000
Permanent differences		70,000		57,000
Share issue costs		(161,000)		(27,000)
Adjustment to prior years provisions versus statutory tax returns and expiry of non-capital losses		130,000		5,000
Change in unrecognized deductible temporary differences		333,000		412,000
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:

		2019	Expiry dates		2018	Expiry dates
Exploration and evaluation assets	$	757,000	No expiry date	$	1,488,000	No expiry date
Investment tax credit		64,000	2028 to 2032		64,000	2028 to 2032
Property and equipment		14,000	No expiry date		14,000	No expiry date
Share issue costs		712,000	2040 to 2043		199,000	2039 to 2042
Allowable capital loss		-	N/A		211,000	No expiry date
Non-capital losses		8,540,000	2022 to 2039		7,008,000	2022 to 2038
Canada		7,944,000	2023 to 2039		6,930,000	2023 to 2038
Bulgaria		596,000	2022 to 2024		78,000	2022 to 2023

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.

The Company's financial instruments consist of cash and cash equivalents, receivables, trade and other payables, lease liabilities, and convertible debentures.

As at December 31, 2019, 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 and cash equivalents 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 cash equivalents and receivables. Cash and cash equivalents consist 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, 2019, 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, 2019, the Company had a cash balance of $3,217,419 (2018- $243,020) to settle current liabilities of $839,285 (2018- $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 issuance of shares or convertible debenture. 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, which are exposed to interest rate fluctuations and convertible debentures with fixed interest rate. 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, 2019, 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 result in $67,600 decrease or increase in profit or loss.

f) 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, 2019.

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) On February 12, 2020, the Company closed a non-brokered private placement of 14,467,687 units for gross proceeds of $5,787,075 ("the Financing"). 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 thereof to purchase one common share at a price of $0.55 per common share for a period of 18 months from the issue date.

In connection with the Financing, the Company paid aggregate finder's fees consisting of $92,260 in cash and issued 215,250 non-transferrable finder's warrants ("Finder's Warrant"). Each Finder's Warrant entitles the holder to purchase one common share at a price of $0.40 per common share for a period of 12 months from the issue date. The Company incurred approximately $30,000 in legal fees in connection with the Financing.

b) On April 1, 2020, the Company issued 742,184 common shares for the semi-annual interest of $216,495 on the convertible debenture. The interest was for the period October 1, 2019 to March 31, 2020.

c) On April 7, 2020, the Company announced it had granted 1,500,000 common share stock options to various employees and consultants of the company and its affiliates. The options entitle the holder to purchase shares at a price of $0.34 per share for a period of 24 months from the issue date.

16. SUBSEQUENT EVENTS (cont'd)

d) On April 24, 2020, the Company received gross proceeds of $69,000 in aggregate from the exercise of 75,000 warrants at $0.20 and 300,000 stock options at $0.18.

e) On March 11, 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies and financial markets globally, potentially leading to an economic downturn. It is not possible for the company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or results of operations at this time.