



VELOCITY

MINERALS LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2019

REPORT DATE:
April 27, 2020

This Management Discussion and Analysis (the "MDA") provides relevant information on the operations and financial condition of Velocity Minerals Ltd. (the "Company") as at and for the year ended December 31, 2019 and up to April 27, 2020.

The Company is in the business of mineral exploration, currently focused in Bulgaria, Eastern Europe. Activities include the evaluation, acquisition and exploration of mineral exploration properties in search of economic mineral deposits. The realization of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves and future profitable production or proceeds from the disposition of these assets. The carrying values of exploration and evaluation assets do not necessarily reflect their present or future values.

All monetary amounts in this MDA and in the consolidated financial statements are expressed in Canadian dollars, unless otherwise stated. Financial results are being reported in accordance with International Financial Reporting Standards ("IFRS").

The Company's certifying officers, based on their knowledge, having exercised reasonable diligence, are responsible to ensure that these filings do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by these filings, and there associated consolidated financial statements together with other financial information included therein. The Board of Directors' approves the consolidated financial statements and MDA and ensures that management has discharged its financial responsibilities.

The MDA should be read in conjunction with the Company's consolidated financial statements and notes thereto for the years ended December 31, 2019 and 2018.

The Company is registered in the province of British Columbia. Its principal office is located at Suite 2300 – 1177 West Hastings Street Vancouver, BC, V6E 2K3. Its registered and records office is located at Suite 1170 – 1040 West Georgia Street, Vancouver, BC, V6E 4H1.

FORWARD LOOKING AND CAUTIONARY STATEMENTS

This MDA contains forward-looking statements and forward-looking information (collectively, "forward-looking statements") within the meaning of applicable Canadian and U.S. securities legislation, including the United States Private Securities Litigation Reform Act of 1995 concerning the business, operations and financial performance and condition of the Company. All statements, other than statements of historical fact, included herein including, without limitation, statements regarding future capital expenditures and financings (including the amount and nature thereof), anticipated content, commencement, and cost of exploration programs in respect of the Company's projects and mineral properties, anticipated exploration program results from exploration activities, the discovery and delineation of mineral deposits, resources and/or reserves on the Company's projects and mineral properties, and the anticipated business plans and timing of future activities of the Company, are forward-looking statements. Although the Company believes that such statements are reasonable, it can give no assurance that such expectations will prove to be correct.

Often, but not always, forward looking information can be identified by words such as "pro forma", "plans", "expects", "may", "should", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", "believes", "potential" or variations of such

words including negative variations thereof, and phrases that refer to certain actions, events or results that may, could, would, might or will occur or be taken or achieved.

Forward looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to differ materially from any future results, performance or achievements expressed or implied by the forward-looking information. Such risks and other factors include, among others;

- the Company's strategies and objectives, both generally and in respect of its specific mineral properties or exploration and evaluation assets
- the ability of the Company to obtain sufficient financing to fund its business activities and plans on an ongoing basis
- operating and technical difficulties in connection with mineral exploration or development or mine development activities for the Company's projects generally, including the geological mapping, prospecting, drilling and sampling programs for the Company's projects
- actual results of exploration activities, including exploration results, the estimation or realization of mineral resources and mineral reserves, the timing and amount of estimated future production, costs of production, capital expenditures, and the costs and timing of the development of new deposits,
- possible variations in ore grade or recovery rates, possible failures of plants, equipment or processes to operate as anticipated, accidents, labour disputes and other risks of the mining industry
- delays in obtaining governmental and regulatory approvals (including of the TSX Venture Exchange), permits or financing or in the completion of development or construction activities
- changes in laws, regulations and policies affecting mining operations, hedging practices, currency fluctuations, title disputes or claims limitations on insurance coverage and the timing and possible outcome of pending litigation, environmental issues and liabilities, risks related to joint venture operations, and risks related to the integration of acquisitions
- requirements for additional capital, future prices of precious metals, changes in general economic conditions, changes in the financial markets and in the demand and market price for commodities
- those factors discussed under the headings "Risk and Uncertainties" and "Financial Instruments and Risk Management" in this MDA and other filings of the Company with the Canadian Securities Authorities, copies of which can be found under the Company's profile on the SEDAR website at www.sedar.com.

Readers are cautioned not to place undue reliance on forward-looking statements. The Company undertakes no obligation to update any of the forward-looking information in this presentation or incorporated by reference herein, except as otherwise required by law.

DESCRIPTION OF BUSINESS

Velocity Minerals Ltd. is a gold exploration and development company focused on Eastern Europe. The Company's management and board include mining industry professionals with experience spanning Europe, Africa, Australasia, and the Americas as employees of major mining companies as well as founders and senior executives of junior to mid-tier public companies. The teams' experience includes all aspects of mineral exploration, resource definition, feasibility, finance, mine construction and mine operation as well as a track record in managing publicly listed companies.

The Company is currently focused on exploration assets in Bulgaria, which is a member of the European Union (2007) with a mining law that was established in 1999 and updated in 2011. The local currency (BGN) has been tied to the Euro since 1999 (1.956 BGN/EUR). The country is served by modern European infrastructure including an extensive network of paved roads. Mining royalties compare favourably with more established mining countries like Canada, Peru, and Chile. Bulgaria also boasts an exceptionally low corporate tax rate of only 10% and the country's education system is excellent with good availability of experienced mining professionals in a favourable cost environment. Foreign mining companies are successfully operating in Bulgaria. Despite the positive operating environment, the number of established mining companies is low and Velocity is among the first movers in a new influx of foreign mining investment.

The Company's management and board believe that local knowledge and experience are essential components of successful mining investment in a foreign jurisdiction. Velocity Minerals has entered into one joint venture and three property option agreements with Gorubso Kardzhali A.D. ("Gorubso"), an established and respected mining company in Bulgaria. In addition, the Company and Gorubso have entered into an Exploration and Mining Alliance as outlined in more detail below. Gorubso operates the underground Chala Gold Mine (since 2006) and the Kardzhali Carbon In Leach (CIL) plant ("CIL Plant") (since 2011), which produces gold doré. Gorubso is the first and only company in Bulgaria to have secured a permit for cyanide-related processing of gold ores. Velocity's management has a long-standing relationship with Gorubso as well as abundant previous experience in Bulgaria and elsewhere in the region.

COVID-19

The Company's priority is the health and safety of its workforce. No positive COVID-19 cases have been reported among the Company's employees, consultants, contractors or their families. Company employees and consultants in Canada and Bulgaria are working from home where possible and where personal family circumstances dictate this to be necessary. For most field-based technical personnel in Bulgaria, exploration work continues but with strict operating protocols in line with national and local government guidance and directives, and advice from leading medical experts. Aside from restrictions common throughout the world such as physical distancing and increased personal hygiene, the Company has also modified work rosters to prevent mixing of work groups and introduced temperature and health screening at the work sites.

The longer-term effects of the ongoing COVID-19 pandemic on Velocity's exploration business is uncertain and the Company is reviewing strategies to reduce costs where appropriate. Management and Board are meeting on an approximately monthly basis to review operating protocols and exploration strategy as they relate to the COVID-19 crisis and financial market conditions.

EXPLORATION PROJECTS

The Company is focused on gold exploration and development. All of the Company's material projects are located in southeastern Bulgaria.

In July 2017, Velocity's wholly-owned Bulgarian subsidiary, Kibela Minerals AD ("Kibela") entered into an option agreement, under the terms of which Kibela had the right to acquire an undivided 70% legal and beneficial interest in the Tintyava prospecting and exploration licence ("Tintyava Property") through delivery to Gorubso of a preliminary economic assessment on the Tintyava Property (the "PEA") prepared under National Instrument 43-101. Following delivery of the PEA on October 31, 2019, Velocity has earned an undivided 70% interest in the Tintyava Property. The Tintyava Property is held by a Bulgarian corporation, Tintyava Exploration AD ("Tintyava Exploration"), which during the option period was owned 100% by Gorubso. On March 1, 2019, the Company (through its subsidiary Kibela) entered into a shareholder's agreement with Gorubso regarding Tintyava Exploration and 70% of the shares of Tintyava Exploration were transferred to Kibela.

The Rozino gold project ("Rozino"), located within the Tintyava Property, is currently the Company's most advanced asset.

In January 2018, Velocity entered into a binding letter agreement with its Bulgarian partner Gorubso, which sets out the terms by which Velocity and Gorubso will form an exploration and mining alliance (the "Alliance") covering all existing and future Gorubso and Velocity projects (the "Projects") within an area of 10,400km² (the "Alliance Area"). In September 2018, the Company and Gorubso entered into a definitive "Exploration and Mining Alliance Agreement" (the Alliance Agreement), which outlined the terms of the Alliance in more detail.

Highlights of the Agreement include:

- *Alliance Objectives* -- The Agreement contemplates the exploration, development, and mining, as applicable, of the Projects and provides for an option/joint venture mechanism by which Velocity and Gorubso will partner to maximize value for both parties.
- *Access to Processing Plant* -- Gorubso will make its central gold processing plant available to all Projects to process all future mined material as necessary. Securing use of the processing plant provides Velocity and the Alliance with reduced project risk, as well as potential capital and time savings.
- *Advanced Exploration Properties* -- On March 5, 2019 the Company signed option agreements for two additional Projects, Nadezhda and Momchil. On September 25, 2019, the Company signed an option agreement for the Sedefche Project.

Gorubso owns and operates a modern gold processing plant (the "CIL Plant"), which provides crushing, grinding, gravity, carbon-in-leach, elution, electro-winning, gold doré production and tailings management facilities. The CIL Plant is centrally

located within the Alliance Area. Under the terms of the Alliance Agreement, Gorubso will make the Plant available for the processing of mineralized material from current and future properties. Material processed by the Alliance at the CIL Plant will be charged to any joint venture entities on a cost-plus basis.

Securing the use of the CIL Plant provides significant technical and financial risk reduction, as well as potential capital and time savings. Most importantly, securing the use of the processing facility significantly reduces permitting risk and delays that might otherwise arise if a processing plant had to be permitted and built prior to development of any Projects. The use of the CIL Plant has been included in the NI 43-101 preliminary economic assessment (the “PEA”) completed for Velocity’s Rozino project, Tintyava Property.

Rozino Gold Project, Tintyava Property

Property Description

The Rozino gold deposit is located within the Tintyava Property, which lies within the municipalities of Ivaylovgrad and Krumovgrad in southeast Bulgaria approximately 350 kilometres (km) by road east-southeast of the capital, Sofia. In 2016, Gorubso, won a competitive tender to acquire a prospecting and exploration licence covering the Property.

In July 2017, Velocity’s wholly-owned Bulgarian subsidiary, Kibela, entered into an option agreement, under the terms of which Kibela had the right to acquire an undivided 70% legal and beneficial interest in the Tintyava Property through delivery to Gorubso of a PEA. On October 31, 2018, Velocity delivered to Gorubso a PEA Technical Report prepared under National Instrument 43-101 of the Canadian Securities Administrators. Following delivery of the PEA, Velocity has earned an undivided 70% interest in the Tintyava Licence. Tintyava Exploration was owned 100% by Gorubso during the option period. On March 1, 2019, the Company (through its subsidiary Kibela) entered into a shareholder’s agreement with Gorubso regarding Tintyava Exploration and 70% of the shares of Tintyava Exploration were transferred to 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 fair 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.

The technical information included below is sourced from an independent PEA Technical Report (the “Report”) entitled “Preliminary Economic Assessment - Rozino Project, Tintyava Property, Bulgaria”, which is dated October 26, 2018 (effective date September 17, 2018) and was prepared by CSA Global, an international mining consultancy with experience in Bulgaria, in accordance with National Instrument 43-101 Standards of Disclosure for Mineral Projects. As the information is necessarily summarized, readers are encouraged to review the Technical Report in its entirety, including all qualifications and assumptions. The Report is intended to be read as a whole, and sections should not be read or relied upon out of context. The Report mine plan and economic model include numerous assumptions and the use of Inferred Resources. Inferred Resources are considered to be too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves and to be used in an economic analysis except as allowed for by NI 43-101 in PEA studies. There is no guarantee that Inferred Resources can be converted to Indicated or Measured Resources, and as such, there is no guarantee the project economics described in summary herein will be achieved. The Technical report is available on the Company’s web site and on SEDAR.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

The Tintyava Property is approximately 350 km by road east-southeast of Sofia. It is accessible year-round by sealed roads with forestry roads and historical drill tracks providing year-round access within the property by four-wheel drive vehicle. Evaluation of the project is at an early stage and details of labour sources and infrastructure, power and water for future potential mining have not yet been established. The project climate allows exploration activities can be undertaken throughout the year. In the deposit area, elevation averages around 470 mRL in the north, reducing to approximately 300 mRL in the south. Small villages are dispersed widely throughout the licence area. The other main land use within the licence area is state controlled forestry.

History

Modern exploration of the Tintyava Property commenced by GeoService Engineering AD (“Geoengineering”) in the 1980s. Geoengineering drilled 86 vertical diamond holes for 14,289 m. Hereward began exploration in 2001 and completed three phases of drilling between 2004 and 2007 totalling 7,995 m.

Geology and Deposit Type

Rozino is a low sulphidation epithermal (“LSE”) disseminated gold deposit, predominantly hosted by Palaeogene breccia and conglomerate sedimentary rocks. Drilling has intersected mineralization over an area around 1,000 m by 800 m to a vertical depth of around 190 m. The mineralization is interpreted to be completely oxidized to an average depth of around 8 m, with fresh rock occurring at an average depth of around 19 m.

Resource Sampling and Assaying

The estimates are based on drilling information available on the 30th of May 2018. The sampling database includes 197 diamond holes completed by Velocity, Hereward Ventures Ltd (“Hereward”), and a Joint Venture between Hereward and Asia Gold Corp (“Asia Gold”) during the mid-2000’s, and Bulgarian state company Geoengineering in the 1980’s. Geoengineering drill holes were excluded from the estimation dataset. The estimation dataset includes diamond holes drilled by Hereward, Asia Gold and Velocity and comprises 90 holes for 13,588 m. Samples from Velocity’s diamond drilling provide 67% of the estimation dataset, with Hereward and Asia Gold drilling contributing 28% and 5%, respectively.

Hole spacing varies from around 50 by 50 m and locally closer in central portions of the deposit, to around 100 by 100 m in peripheral areas. For Velocity’s diamond drilling all on-site core handling and sampling was supervised by Velocity geologists. The core was sampled over generally one metre down-hole intervals and generally halved for assaying with a diamond saw. The core samples were collected in sealed plastic bags and placed in plastic drums with tamper-evident seals for transport to ALS Minerals laboratory in Romania by an individual directly employed by Velocity for analysis by thirty-gram fire assay. Information available to demonstrate sample representivity and the reliability of sampling and assaying for Velocity’s diamond drilling includes core recovery measurements, and assay results for field duplicates, coarse blanks and certified reference standards. These data have established that the assaying is representative and free of any biases or other factors that may materially impact the reliability of the analytical results.

Comparison of gold grades from the combined dataset of Hereward and Asia Gold drilling with nearby data from Velocity drilling shows similar average grades and supporting the general reliability of drilling, sampling, and assaying for the Hereward and Asia Gold drilling. Quality control measures adopted for Velocity’s Rozino diamond drilling have established that the sampling and assaying is representative and free of any biases or other factors that may materially impact the reliability of this data. Reliability of the Hereward and Asia Gold data has not been established with the same degree of rigour. This does not significantly affect confidence in the current Inferred Mineral Resource estimates. Sample preparation, security and analytical procedures adopted for the Rozino drilling provide an adequate basis for the current Mineral Resource estimates.

Mineral Processing and Metallurgical Testing

Material collected for metallurgical test-work, is considered representative of the deposit, considering the current stage of project development. Test-work shows the optimal process option for treating the Rozino mineralization is bulk sulphide flotation using conventional flotation reagents at a grind size of nominally 80% passing 75 µm to produce a gold-bearing sulphide concentrate. Pyrite is the dominant sulphide and the concentrate is essentially a pyrite concentrate. The gold-bearing pyrite concentrate is readily amenable to processing in a conventional CIL circuit to extract the gold in the pyrite concentrate with subsequent smelting to produce gold doré.

Mineral Resource Estimation

Mineral Resources included in the PEA were estimated by Multiple Indicator Kriging of 2 m down-hole composited gold grades from diamond drilling by Hereward, Asia Gold and Velocity. Estimated resources include a variance adjustment to give estimates of recoverable resources above gold cut-off grades for selective mining unit (SMU) dimensions of 4 m east by 6 m north by 2.5 m in elevation. Estimated resources are constrained within a mineralized envelope interpreted from composited gold grades and geological logging from diamond drilling and surface trenches. The envelope captures intervals of greater than 0.1 g/t, with the lower boundary reflecting the contact between variably mineralized sedimentary rocks and un-mineralized basement. It covers an area of approximately 700 m by 800 m. Estimated resources extend to the base of mineralized drilling at around 190 m depth, with around 90% of estimates from depths of less than 105 m and less than 1% from below 140 m.

The Mineral Resource estimates have been classified and reported in accordance with NI 43-101 Standards of Disclosure for Mineral Projects and the classifications adopted by the CIM in May 2014. The estimates are classified as Inferred, primarily reflecting the drill-hole spacing and uncertainty over the reliability of sampling data collected prior to Velocity’s involvement. Table 1 presents Mineral Resources estimated for Rozino for selected cut off grades. The figures in this table are rounded to reflect the precision of the estimates and include rounding errors.

Table 1: Rozino Inferred Mineral Resource estimates at selected cut-offs

Effective date of estimates: 10 th September 2018			
Cut-off (Au g/t)	Tonnes (Mt)	Grade (Au g/t)	Metal (Au koz)
0.2	50	0.59	948
0.3	31	0.80	797
0.4	22	0.98	693
0.5	17	1.17	639
0.6	13	1.37	573
0.7	9.7	1.57	490
0.8	7.8	1.78	446
0.9	6.4	1.98	407
1.0	5.4	2.18	378
1.2	4.0	2.56	329
1.5	2.8	3.07	276

Mining Method

The mining method proposed within the PEA is that of conventional open pit mining.

Key input assumptions for the open pit optimization are listed below.

- Waste mining cost of US\$2.65/tonne
- Flotation process cost of US\$4.42/tonne
- CIL process cost of US\$39.03/tonne_{concentrate} (US\$1.72/tonne_{milled})
- Other costs of US\$7.70/tonne ^{Note 1}
- Gold price of US\$1,250/oz
- Overall gold recovery to doré of 79.2%

Note 1: Other costs include On-mine, Off-mine, Environmental Provision, Ore Incremental Costs, Contractor Monthly Management Fee and Sustaining Cost.

Mining by conventional open pit methods such as drill and blast followed by load and haul will be employed. The envisaged scale of mining at the Rozino deposit is relatively small with a peak total material movement of approximately 7 Mtpa. The annual processing plant feed requirement is approximately 1.75 Mtpa. The proposed open pit mining operation at Rozino is considered relatively low risk from a technical mining operations standpoint.

Recovery Methods

The optimal process route for treating the Rozino sulphide mineralization is flotation to produce a gold-bearing sulphide (pyrite) concentrate, followed by cyanidation of the concentrate in a conventional CIL circuit to produce gold doré. The process of gold recovery is to be by a combination of on-site preconcentration in a flotation plant (“Flotation Plant”) and further processing in an existing operating carbon-in-leach plant (“CIL Plant”) located in Kardzhali, 85km by road from Rozino. Saleable gold and silver doré will be produced at Kardzhali.

The Rozino Flotation Plant is designed to process 1.75 Mtpa of ore over the LOM following ramp-up. Being essentially a pyrite concentrator containing gold values, sulphur feed grades are expected to largely dictate concentrate production rates but a final concentrate mass pull of 4.5% by weight has been adopted.

Based on a concentrate mass pull of 4.4% by weight, the CIL Plant is designed to process approximately 80,000 t/a of concentrate.

Project Infrastructure

The Rozino deposit is a brownfield mining prospect and no infrastructure currently exists at the proposed mining operations. The site is currently accessed from the main sealed road via an unsealed dirt road in reasonable repair. The village of Rozino, located 2 km to the north of the Project is electrified with a 22 kV supply stepped down from 110 kV main distribution line located some 22 km to the north. Preliminary surface water and groundwater estimates have indicated that the Project will have a negative water balance and approximately 50% of the mining and processing requirements will be augmented by a planned well field.

The project water management plan is central to maintaining an appropriate environmental and operational performance for the project. The principle adopted for site water management is to intercept and control water flowing within the operational areas to ensure that it stays within a single watershed area located to the east of the mine operations. It is anticipated the project will have a negative water balance on an annual basis and will require additional sources of make-up water to supplement the groundwater and surface runoff quantities.

The concept of the flotation tailings storage facility (“TSF”) is to place flotation tailings into a main storage impoundment (located directly to the east of the main pit within a valley and watershed area) from mine rock and/or dehydrated tailings in place.

Environmental

Velocity is still developing the project design but has initiated the environmental and social impact assessment (“ESIA”) process early, as results can be used to improve the design, as well as maximizing the benefits of the ESIA without incurring excessive costs.

Under the Bulgarian Environment Protection Act, the development of an economically viable mining reserve will require an Environmental Impact Assessment (“OVOS”) which is, in part equivalent to an international ESIA. Furthermore, the project is located within the Eastern Rhodope mountains, which is an area of wide biodiversity. As such, an environmental assessment of the potential mining project “compatibility assessment” is required to comply with Bulgarian Law and the European Union Natura 2000 Habitats Directive. An initial compatibility assessment was conducted for the approved exploration program within the prospecting licence area and a second assessment for exploitation is underway as part of the OVOS and ESIA process.

The ESIA will include an assessment of the environmental and social impacts of the project’s planned development compared to existing conditions. Velocity has commenced baseline monitoring to characterize environmental conditions, including groundwater levels and quality, surface water quality, air quality (specifically airborne dust) and ecology, and will continue to observe any changes in the social environment of the project area. An environmental management plan will be developed to ensure that appropriate control and monitoring measures are in place to deal with all significant impacts of the project. The plan has been designed so that it can be reviewed and updated throughout the life of the project.

Capital and Operating Costs

Capital costs for mining have been calculated from international benchmarked contractor rates for mobilization of equipment and construction on a mine services area. Total Project Capital requirements (including EPCM and contingency) are estimated to be US\$73.2M (CAD\$97.4M). The mine operating costs were estimated from international benchmarked contractor mining rates and calculated per period based on the mine production schedule. Total LOM mine unit cost is estimated to be US\$0.24/t mined (US\$272/gold oz).

Total operating unit cost is estimated to be US\$20.92/t (US\$543.3/gold oz).

Economic Analysis

A standard discounted cash flow (“DCF”) method of financial valuation is used to value the Rozino project. The DCF model is reported at 100% attributable equity. The DCF model has utilised US\$ as the base currency as majority of capital and operating cost estimates are based in US\$. Corporate tax rates in Bulgaria are 10% payable on positive cash flows from operations. A five-year straight-line depreciation method of redeeming capital expenditure has been used to amortise the capital cash flows. Cash flows are discounted at 5% to obtain an NPV of the project. Key financial assumptions are presented in the tables below.

Table 2: Key Project overview and metrics

Project Overview	Units	
Mining		
Total ore production	kt	9,471
Total waste production	kt	23,679
Total mined	kt	33,150
Metal mined	koz	461
Mine life	years	6.1
Steady state ROM production	kt/a	1750
Year at steady state	years	4.0
Average production rate	kt/d	4.3
Average head grades		
Au	g/t	1.51
Processing		
Overall metallurgical recovery	%	79.2%
Payable Au		
	LOM koz	365
	average koz/year	60

Table 3: Summary of LOM operating costs

Operating costs		US\$/tonne	C\$/tonne
Mining	\$/tonne	10.47	13.96
Flotation plant on site	\$/tonne	4.38	5.84
Milling (CIL to doré)	\$/tonne	1.80	2.40
On-mine	\$/tonne	3.09	4.11
Off-mine	\$/tonne	0.00	0.00
Environmental provision	\$/tonne	0.75	1.00
Sustaining capital	\$/tonne	0.43	0.57
All-in opex	\$/tonne	20.92	27.89
All-in opex (AISC)	\$/Au oz _{pay}	543.31	724.41

Table 4: Summary of initial capital costs

Capital costs	US\$M	C\$M
LOM capital	73.2	97.6
Mine infrastructure	4.8	6.3
Flotation plant on site	41.4	55.2
TSF	10.3	13.7
Water treatment plant	0.0	0.0
Gorubso upgrades	0.5	0.7
Study costs	0.0	0.0
Owner's cost	1.9	2.6
Indirects	0.8	1.1
EPCM	6.9	9.1
Contingency	6.7	8.9

Key financial outcomes are presented in the table below:

Table 5: Summary of economic results

Summary of economic results	Units	
Pre-tax		
NPV @ 0%	US\$M	168.2
	C\$M	224.3
NPV @ 5%	US\$M	108.6
	C\$M	144.8
IRR	%	35.1%
Payback (Project Start)	years	4.2
Payback (Production Start)	years	2.2
After-tax		
NPV @ 0%	US\$M	151.4
	C\$M	201.8
NPV @ 5%	US\$M	96.9
	C\$M	129.2
IRR	%	33.1%
Payback (Project Start)	years	4.3
Payback (Production Start)	years	2.3
ROCE	EBIT/CE	3.3

Interpretation and Conclusions

The PEA concludes that, at the current level of study, it is possible to mine the deposit via conventional open pit mining with a 1.51g/t gold LOM grade (at a 0.6g/t gold cut-off grade) and 2.5:1 average strip ratio. Processing by standard flotation suggests it is possible to achieve a gold concentrate grade of 30g/t gold and via transport of concentrate to an existing CIL plant, production of gold doré as a saleable product.

Recommendations

The results of the PEA suggest positive economics for the project, at this level of study. Progression to a Preliminary Feasibility Study is warranted based on the conclusions drawn from the PEA.

Rozino Exploration Program 2019

The 2019 work program was designed to advance the Rozino project from its current PEA through to a Pre-feasibility Study (“PFS”) in Q2 2020. Work completed in 2019 includes drilling 12,474m of diamond drilling. Through the drill program, the Company aims to convert the existing Inferred Resources to an Indicated Resource, as defined by National Instrument 43-101. A program of specific gravity determinations through the various mineral sub-categories and domains (oxide, transition and sulphide zones) has been completed. A systematic QA/QC program has been completed and returned exceptionally high-quality results. Twin hole drilling and re-sampling of historical Asia Gold & Hereward drill results corroborate the use of these data sets in the production of an updated mineral resource estimate. Umpire analysis consisting of more than 1,000 samples has verified assay accuracy and precision to a level in accordance with National Instrument 43-101 guidelines for an Indicated Resource category.

An extensive program of engineering data collection has been completed in support of the prefeasibility study. Work completed to date includes detailed geotechnical logging of more than 2,000m of diamond drill core, the results of which will help refine optimal open pit dimensions. In addition, 65 drill core samples have been submitted for laboratory rock strength determinations to help determine optimal open pit slope angles. Geotechnical Studies include eight site investigation drill holes and associated penetration tests and pits were completed over the planned infrastructure footprint, including plant, waste dump, tailings management facility and raw water dam. Site Investigation trial pits were completed, and samples were collected for soil laboratory analysis.

Hydrogeological investigations include seven resource drill holes were repurposed for hydrogeological testing, including packer and falling head tests, and a vibrating wire piezometer was installed for ongoing pore pressure monitoring. The

hydrogeological study also includes water exploration aimed to minimize external water requirements and define a sustainable industrial water supply.

Processing and metallurgical testing includes five bulk composite drill core samples have been submitted to Wardel Armstrong for comminution, flotation, gravity and leaching test work. Additionally, six variability samples have been submitted to Eurotest metallurgical laboratories. The products of the test work will be used for ongoing metallurgical test work for flotation, gravity, leaching and tails in order to optimize gold recoveries.

Finally, various engineering and trade-off studies have been initiated to investigate potential haul road routes, electrical transmission supply and routing, on-site infrastructure footprint, project water balance, and process engineering options.

Environmental data collection is ongoing and will continue.

Rozino Exploration Program 2020

Since Velocity commenced drilling at Rozino in mid-2017, the Company has completed approximately 23,000 m of drilling, publishing an initial mineral resource estimate in March 2018 and a preliminary economic assessment in September 2018.

In the immediate Rozino area, 2020 exploration drilling is scheduled to begin in April 2020 to test new targets immediately outboard of the Rozino deposit and in the Rozino South target area, located approximately 800 m south of the deposit. In total a minimum of 3,000 m of drilling will be completed.

Tintyava Property Exploration Program 2020

The licence area at Tintyava is approximately 160km² in area and falls within the JV area. Velocity has defined seven target areas for exploration follow up in 2020. As the Company moves to complete the PFS at Rozino, exploration in the surrounding area has intensified. All targets are located with 8km of the proposed Rozino processing plant and priority targets are generally within 4km. This proximity means that any discovery arising from the current exploration plan and successfully developed would make use of common infrastructure.

To date approximately 50 drainage samples and more than 1,500 detailed soil samples have been taken bringing the total area of geochemical screening to more than 25km². Additional stream sediment and soil sampling in conjunction with mapping is ongoing and planned to be completed in Q2.

A total of 6,000m follow-up drilling is budgeted in 2020, contingent on exploration results and development of drill targets. A total of three drill targets have already been established at the Tumbata target.

Nadezhda Project

The Nadezhda project is located within the municipality of Kardzhali in southeast Bulgaria approximately 280 km by road east-southeast of the capital, Sofia. The Company entered into an option agreement for the Nadezhda project, dated March 5, 2019. Under the terms of the option agreement, Velocity 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 Nadezhda Project is centered on the Makedontsi deposit, which is a geological resource registered on the Bulgarian state balance. Historical estimates at Makedontsi were calculated by Gorubso using the Bulgarian classification scheme, based on manual polygonal methods of resource classification. Estimates were submitted to and accepted by the Bulgarian government, Dragiev H, 2013 "Mlechino Prospecting License, Geological Report at the Nadezhda Prospect, with Resource and Reserve Recalculations of 'Au Ores' at the Makedontsi, Dangovo and Kalina deposits". Historical resources reporting all categories in accordance with the Bulgarian Reserves & Resources classification scheme total approximately 6 million tonnes at 1g/t Au (0.5g/t Au cut-off) for approximately 210,000 ounces of gold.

In order to verify the exploration potential of existing resources at Makedontsi, significant drilling will be required. The Company is not treating the historical resources at Nadezhda as current mineral resources or mineral reserves. Historical resources are not consistent with the standards of disclosure defined by NI 43-101 and may not necessarily be consistent with CIM best practice with respect to reporting mineral resources and reserves. Historical resources are included because they are considered relevant by the Company as they form additional support for the optioning of the Nadezhda project by Velocity. A qualified person has not done sufficient work to classify the historical estimate as current mineral resources or mineral reserves. The inclusion of historical resource estimations provides information as to the potential size and nature of the immediate exploration targets within the Nadezhda project area.

The Nadezhda project has had little if any modern systematic exploration carried out and significant exploration potential exists. A program of modern integrated geochemical and geophysical survey is planned in order to assess 'blind' mineralisation amenable to open pit mining under a thin post mineralization limestone cover sequence. An initial exploration program including surface geophysics was completed in 2019, with initial results being delivered in Q1 2020.

A drill program of 2,500m is budgeted in 2020 contingent on results of geophysical exploration.

Momchil Project

The Momchil project is located within the municipality of Momchilgrad in southeast Bulgaria approximately 310 km by road east-southeast of the capital, Sofia. The Company entered into an option agreement for the Momchil project, dated March 5, 2019. Under the terms of the option agreement, Velocity can earn a 70% interest in the Momchil project by delivering certain data and reports including a mineral resource estimate prepared under National Instrument 43-101 of the Canadian Securities Administrators.

The Momchil project is centered on the Obichnik deposit, which is a geological resource registered on the Bulgarian state balance. Historical estimates at Obichnik were calculated by Gorubso using the Bulgarian classification scheme, based on manual polygonal methods of resource estimation. Estimates were submitted to and accepted by the Bulgarian government, Dragiev, H, 2006, "Momchil Prospecting License, Report at the 'Zvezdel - Pcheloyad Ore Field', Geological Report with Resource And Reserve Recalculation of 'Au-Ag Ores' at Obichnik Deposit". Historical estimates within the Momchil Project reporting all categories in accordance with the Bulgarian Reserves & Resources classification scheme total approximately 880 thousand tonnes at 1.5g/t Au (1.0g/t Au cut-off) for about 46,000 ounces of gold.

In order to verify the potential existence of additional unmined mineralization at Obichnik, significant drilling will be required. The Company is not treating the historical resources at the Obichnik deposit as current mineral resources or mineral reserves. Historical resources are not consistent with the standards of disclosure defined by NI 43-101 and may not necessarily be consistent with CIM best practice with respect to reporting mineral resources and reserves. Historical resources are included because they are considered relevant by the Company as they form additional support for the optioning of the Momchil project by Velocity. A qualified person has not done sufficient work to classify the historical estimate as current mineral resources or mineral reserves. The inclusion of historical resource estimations provides information as to the potential size and nature of the immediate exploration targets within the Momchil project area.

The Momchil Project has had little if any modern systematic exploration carried out and significant exploration potential exists. A program of modern integrated geochemical and geophysical survey is planned in order to test a large area of intense hydrothermal alteration for mineralization amenable to open pit mining within a package of Palaeogene volcanic and intrusive lithologies.

The Obichnik project is interpreted to be an intrusion-related gold and base metal mineralizing system containing structurally controlled epithermal gold prospects which sits within a large 2.5km x 1.5km alteration zone. Targets defined to date include two styles of mineralization being high-grade, near-surface sub-epithermal gold mineralization related to structurally controlled silicification, hosted predominantly within volcanics, and also large-tonnage or bulk mineralization hosted within / adjacent to the intrusives that are the source of the epithermal gold mineralization.

Historical drilling, geological mapping and surface rock sampling have identified steep, high-grade gold zones within the sub-epithermal environment, situated below the near surface epithermal environment which have not been explored at depth. No modern systematic exploration has been carried out at Obichnik consequently the targets are considered under-explored. The style of sub-epithermal mineralization at the Durusu Tepe target supports the potential for significant mineralization at depth.

Ground magnetic and surface geochemical surveys highlight a large area of structurally controlled alteration with anomalous gold mineralization. Results from over 29-line km of ground magnetic survey conducted on 100m spaced lines delineates a number of structurally controlled corridors of relatively low magnetic intensity that are interpreted to result from the destruction of volcanic magnetite by intense gold bearing hydrothermal fluids. These magnetic lows correspond with four discrete gold in soil geochemical anomalies at Targets 1 to 4.

Multi-element soil samples were taken on the same 100m spaced lines at a sample spacing of 50m. The gold in soil anomalies are supported by a broad sweep of base metal and pathfinder element associated anomalism that is supportive of mineralization within an intrusive centered model. The association of molybdenum is of particular note in that molybdenum is often associated

with a focal magmatic event and due to its relative immobility in the weathering environment is an accurate locator of magmatic centers.

The large gold anomaly at Durusu Tepe is situated over previously drilled gold mineralization and was drill tested as part of an initial drill program. Initial drilling at Durusu Tepe returned multiple gold rich drill intercepts including 43.4m grading 3.89g/t gold (including 19.9m grading 7.87g/t gold), and 27.5m grading 1.24g/t gold (including 12.5m grading 2.40g/t gold) in drill hole ODD-001. Expansion drilling confirmed the continuity of high-grade epithermal gold mineralization 100 metres to the east, including 29.1m grading 2.46 g/t gold and 9.3m grading 2.82 g/t gold.

Following positive drill results in 2019, the Company has completed 4,200m of drilling at Obichnik during Q1 2020, with drilling currently ongoing. Highlights include drill hole ODD-025, which intersected 17.1m grading 2.29 g/t gold. Additional results will be available in due course.

In Q2 2020, exploration at Obichnik will focus on collection of induced polarization and magnetotellurics geophysical data. This survey is designed to help with the definition of porphyry drill targets and an additional 4,000m of drilling is budgeted in 2020, contingent on positive results.

Sedefche Project

The Sedefche deposit is located in southeast Bulgaria, approximately 39 km by road from the gold processing plant, located in Kardzhali. The Project has been explored through 45 surface exploration trenches, 41 exploratory shafts and pits, 122 drill holes of diamond drilling, 3 mega trenches with 86 vertical channel samples, and a metallurgical bulk sample excavated and processed at Gorubso's gold processing plant. The Project has been advanced through feasibility and environmental permitting in Bulgaria, resulting in the issuance of a mining concession. The historical Bulgarian resources at Sedefche were calculated by Gorubso using the Bulgarian classification scheme, based on manual sectional polygonal methods of resource estimation. Bulgarian resource categories 111 and 211 at Sedefche are considered by Velocity to be broadly equivalent to Indicated and Inferred Resources, respectively, mineral resources categories under CIM Definition Standards on Mineral Resources and Mineral Reserves, as adopted by National Instrument 43-101 ("NI 43-101"). Resources were submitted to and accepted by the Bulgarian government, Dragiev, H, 2006, "Momchil Prospecting License, Report at the 'Zvezdel - Pcheloyad Ore Field', Geological Report with Resource And Reserve Recalculation of 'Au-Ag Ores' at the Sedefche Deposit". Reporting all categories in accordance with the Bulgarian Reserves & Resources classification scheme total approximately 1.2 million tonnes at 2.0g/t Au (0.8g/t Au cut-off) and 68g/t Sg for about 76,000 ounces of gold and 2.6 million ounces of silver (all classified under category 111).

The Company cautions that it is not treating the Historical Bulgarian Resources as current mineral resources and/or mineral reserves and that a qualified person has not done sufficient work to classify the Historical Bulgarian Resources as current mineral resources and/or mineral reserves. To upgrade the Historical Bulgarian Resources to a current NI 43-101 mineral resource and/or mineral reserve estimate, the model and estimation will have to be reviewed and repeated by a "qualified person", and the Project will need to be at least partially re-drilled with updated sampling procedures put in place. The Historical Bulgarian Resources are included in this management discussion and analysis because they are considered relevant by the Company, as they (i) confirm the presence of significant gold mineralization on the Project which has not been fully delineated; and (ii) provides information as to the potential size and nature of the immediate exploration targets within the Project. Readers should regard the Historical Bulgarian Resources as conceptual in nature as to quantity and grade and that it is uncertain if further exploration will result in the targets on the Project being delineated as a current mineral resources and/or mineral reserves.

The Option to earn a 70% interest in Sedefche is subject to the completion by the Company of 5,000 m of drilling prior to March 31, 2020 (the "Initial Drilling"). If Velocity has not reached a decision to exercise the Option on completion of the Initial Drilling, Velocity can extend the expiry of the Option by completing an additional drill program (the "Additional Drilling"), provided that the Additional Drilling must be completed within 12 months from the effective date of the Option Agreement. The Company completed more than 5,000 m of drilling on Sedefche as at March 31, 2020 and elected to complete the Additional Drilling before September 25, 2020. There is no requirement for a minimum-meters drilled for the Additional Drilling.

If Velocity 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, the Additional Drilling at the Project. Subject to Velocity's acceptance, half of the 1% NSR royalty (being 0.5%) can be purchased from Velocity by Gorubso for US\$1,000,000.

Upon the exercise of the Option, Velocity will be deemed to have entered into a joint venture with Gorubso (the “Joint Venture”), at which time a joint venture company (“JVCo”) will be established. Given the advanced, fully permitted nature of the Project, Velocity will be required to make the following payments upon the exercise of the Option. On entering into the Joint Venture, Velocity will be required to pay a fee of US\$800,000 to Gorubso, payable in common shares in the capital of Velocity (the “Velocity Shares”) at a deemed value per Velocity Share equal to the market price of the Velocity Shares on the TSX Venture Exchange (the “TSXV”) on the date of incorporation of JVCo. Upon the production of the first doré from ore extracted from the Project, a second US\$800,000 will be payable to Gorubso in 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 the initial doré production. Upon the formation of the Joint Venture, Gorubso will be deemed to have been granted a 2% NSR royalty on products from the Project, which will be limited to the Historical Bulgarian Resources. Velocity, with Gorubso’s approval, will have the ability to purchase 50% (being 1%) of the NSR royalty for US\$2,000,000. During the term of the Option a joint operational steering committee will be formed for overseeing the mine site preparation activities conducted by Gorubso at the Project, which committee will include two Velocity nominees. Gorubso may opt to continue mine site preparation during the term of the Option at its expense, provided that upon Velocity’s exercise of the Option and the formation of the Joint Venture, Velocity 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 (i) 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 (ii) 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.

Velocity has drilled more than 5,000 m to date, including 4,400m in Q1 2020 and drilling is currently ongoing. Most recent results include drill hole SDD-019 intersecting 25.2 m grading 5.45 g/t gold and 57.8 g/t silver. Results are currently outstanding and expected in due course for approximately 27 drill holes.

An additional 3,000m of drilling is budgeted in 2020, contingent on results of the current drilling and other due diligence work. The Company has been completing a range of due diligence activities including detailed metallurgical testing and review of the mine plan.

Mt. Haskin Molybdenum Property

The Company’s wholly-owned subsidiary, Velocity Exploration Ltd., holds a 100% interest in the Mt. Haskin property, a molybdenite prospect located in the Cassiar District of the Liard Mining Division in northwestern British Columbia, Canada. The claims are subject to a 3% NSR, which may be acquired by the Company for a cash payment of \$1,500,000.

At June 30, 2013, the Company determined that the Mt. Haskin property was impaired and wrote off all associated costs to operations. Since that time, no significant exploration has been carried out on the property. During the year ended June 30, 2016, the Company completed the reclamation work required by the Government of B.C. and filed a report supporting this work. The work and report were approved by the BC Government which resulted in the refund in full of the \$25,000 bond that had been posted with the Government of B.C.

Quality Assurance and Quality Control

The work programs in Bulgaria are designed and supervised by Stuart A. Mills, CGeol, the Company’s Vice-President Exploration, who is responsible for all aspects of the work, including the quality control/quality assurance program. On-site personnel at the project rigorously collect and track samples which are then security sealed and shipped to ALS Global laboratory in Romania.

For the purposes of Mineral Resource Estimation samples are prepared and analyzed by fire assay using a 30-gram charge in compliance with industry standards at ALS’ Romanian laboratory. Where necessary a sample split of the milled material is shipped to ALS’ Irish laboratory for multi-element analysis using an inductively coupled Mass Spectrometer. Field duplicate samples, blanks and independent controlled reference material (standards) are added to every batch.

Geochemical survey samples are collected for shipment together with 10% blank samples and 10% field duplicates for low temperature drying prior to an appropriate weighted sample being sent to ALS laboratories in Ireland for Aqua Regia digest and ICP-MS finish to determine gold plus 39 multi-elements.

Geophysical surveys are carried out by geophysical consultants using up-to-date technologies, with the results checked by a third-party independent geophysicist for quality control. Raw data is processed and corrected and the results are interpreted by 2 independent groups of geophysicists under the direction of Velocity staff.

Qualified Person

Stuart Mills, the Vice President Exploration for the Company, and a Qualified Person as defined by National Instrument 43-101, has approved the scientific and technical information concerning the Company discussed in this MDA. Mr. Mills is not independent of the Company as he is an officer, a shareholder and holds incentive stock options.

Exploration and evaluation assets

As at December 31, 2019, the company had a balance of exploration and evaluation assets of \$10,605,352 (2018 - \$2,913,915) which is further detailed in the table below:

	Tintyava	Nadezhda	Momchil	Sedefche	Total
	\$	\$	\$	\$	\$
Acquisition costs					
Balance, December 31, 2018	450,712	-	-	-	450,712
Acquisition of 70% 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

During the year ended December 31, 2018, the Company incurred \$1,422,452 in exploration and evaluation costs on its mineral properties (Tintyava, Ekuzya, Chala) and recognized an impairment of \$731,227 for Ekuzya and Chala (\$96,637 and \$634,590 respectively).

SELECTED ANNUAL INFORMATION

The following selected financial data have been prepared in accordance with IFRS unless otherwise noted and should be read in conjunction with the Company's financial statements. The following table sets forth selected annual financial information appears below.

Financial Year Ended	December 31, 2019	December 31, 2018	December 31, 2017
Loss and comprehensive loss for the year attributed to owners of the Company	(\$2,536,026)	(\$2,424,091)	(\$8,548,196)
Loss and comprehensive loss for the year attributed to non-controlling interests	(\$72,846)	-	-
Exploration and evaluation assets	\$10,605,352	\$2,913,915	\$2,207,796
Total assets	\$14,025,180	\$3,494,736	\$3,190,123
Working capital	\$2,496,894	\$272,344	\$843,589
Net loss per share	(\$0.03)	(\$0.04)	(\$0.15)

RESULTS FROM OPERATIONS

Three months ended December 31, 2019 and 2018 (Q4 2019 and Q4 2018)

During the three months ended December 31, 2019, the Company reported net loss for the period of \$580,096, of which \$507,250 attributed to the owners of the Company and \$72,846 to the non-controlling interest, compared to a net loss of \$842,489 for the three months ended December 31, 2018, of which all was attributed to the owners of the Company. Loss per share was \$0.01 and \$0.01 for the quarter ended December 31, 2019 and 2018 respectively.

The Company's general and administrative costs were \$491,568 (2018 - \$575,412), and an analysis of the major items are as follows:

- Consulting fees of \$56,464 in Q4 2019 as compared to \$135,503 in Q4 2018 decreased due the fact that in Q4 2019 significant portion of consulting fees are capitalized to exploration and evaluation properties.
- Professional fees incurred during Q4 2019 was a recovery of \$84,842 compared to \$52,688 in Q4 2018. Professional fees were higher in 2019 compared to 2018 due to the increased need of legal services in respect to the Company's joint venture and property option agreements, as well as general corporate legal services. During Q4 2019, the Company reclassified \$234,196 of legal fees to share issuance costs and convertible debenture transaction costs.
- Salaries increased to \$233,472 in Q4 2019 compared to \$68,761 in Q4 2018 due to hiring an additional employee, payment of directors' fees and overall increase in the Company's activity.
- Investor relations of \$28,157 in Q4 2019 was in line with the expenses incurred in Q4 2018 - \$25,487.
- Share-based compensation of \$167,000 (2018 - \$140,000) increased as the Company issued 900,000 options, fair-valued at \$0.186 each in Q4 2019, versus 1,550,000 options fair-valued at \$0.09 in Q4 2018.
- The Company recorded foreign exchange gain of \$103,707 in Q4 2019 compared to a foreign exchange loss of \$199,690 in Q4 2018. The increase in foreign exchange gain was due to strengthening of the Canadian dollar in respect to the Bulgarian lev in 2019.

Year ended December 31, 2019 and 2018

During the year ended December 31, 2019, the Company reported net loss for the period of \$2,608,872, of which \$2,536,026 attributed to the owners of the Company and \$72,846 to the non-controlling interest, compared to a net loss of \$2,424,091 for the year ended December 31, 2018, of which all was attributed to the owners of the Company. Loss per share was \$0.03 and \$0.04 for the year ended December 31, 2019 and 2018 respectively.

- The Company recorded \$210,847 of consulting fees in the statement of loss and comprehensive loss for 2019 (2018 - \$521,669). Overall consulting remained consistent from 2018 to 2019, however, a portion of consulting fees in 2019 were capitalised to exploration and evaluation assets.
- Investor relations of \$215,999 (2018 - \$97,232) increased because the Company started an investor relations program in line with the increased activities of the Company.
- The Company recorded professional fees of \$470,906 (2018 - \$278,465) consisting of legal, accounting and auditing. Legal fees increased due to an increase of the need for legal services in respect to entering and execution of property option agreements in 2019
- Salaries of \$541,776 (2018 - \$178,188) increased due to hiring on additional personnel at the Company's head office, payment of directors' fees as well as general increase in salary levels commensurate with the increased level of activities of the Company.
- Travel expenses were \$170,469 in 2019 compared to \$70,213 in 2019 due to the increased need of travel to Bulgaria for negotiating option agreement and integrating joint venture operations and reporting.

- Share-based compensation of \$321,000 increased in 2019 compared to \$269,561 in 2018. The small increase is due to the higher weighted average fair value of the options granted in 2019 - \$0.16 compared to 2018 - \$0.09. The Company granted 1,975,000 options in 2019 vs 2,850,000 in 2018.
- Foreign exchange gain of \$74,125 (2018 – foreign exchange loss of (\$65,309)) increased as the exchange rate of Bulgarian lev weakened in 2019.

SUMMARY OF QUARTERLY RESULTS

The following selected financial data have been prepared in accordance with IFRS and should be read in conjunction with the Company's consolidated financial statements. The following is a summary of selected financial data for the Company for its eight completed financial quarters ended December 31, 2019.

Quarter Ended Amounts in 000's	Dec. 31, 2019	Sept. 30, 2019	June 30, 2019	Mar. 31, 2019	Dec. 31, 2018	Sept. 30, 2018	June 30, 2018	Mar. 31, 2018
Net income (loss)	(507)	(410)	(306)	(1,313)	(842)	(942)	(267)	(372)
Earnings (loss) per share – basic and diluted	(0.01)	(0.00)	(0.00)	(0.02)	(0.01)	(0.01)	(0.00)	(0.01)
Total assets	14,025	13,451	13,967	12,169	3,495	3,162	4,071	2,845
Working capital	2,497	5,216	6,980	7,468	272	53	417	(44)

The changes in the Company's financial results on a quarter-by-quarter basis are due primarily to fluctuations in the level of activity of Company's exploration programs and administration. The Company is a mineral exploration company and does not earn any revenue.

During the period ended September 31, 2018, the Company recorded an impairment of its Chala property in the amount of \$663,840. In the quarter ended December 31, 2018, the Company recorded an impairment of \$93,191 of its Ekuzia property.

The significant increase in net loss for the quarter ended March 31, 2019 was driven by higher professional fees incurred in respect to execution of option property agreements, and a strategic corporate investment including an equity financing, and issuance of convertible debentures.

FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES

The Company has been historically financing its operations to issuance of shares or debt. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favorable. If adequate financing is not available when required, the Company may be required to delay, scale back or eliminate various programs and may be unable to continue in operation. The Company may seek such additional financing through debt or equity offerings, but there can be no assurance that such financing will be available on terms acceptable to the Company or at all. Any equity offering could result in dilution to the ownership interests of the Company's shareholders and may result in dilution to the value of such interests.

The Company's future revenues, if any, are expected to be in large part derived from the development of its mineral properties for the mining of certain minerals, particularly gold, or interests related thereto. The economics of developing and producing resource properties are affected by many factors including the cost of operations, variations in the grade of ore discovered or mined and the price of the metals produced. Depending on metal prices, the Company may determine that it is impractical to continue development of its mineral properties or to pursue commercial production.

Gold prices are affected by factors that include anticipated changes in international investment patterns and monetary systems, economic growth rates, political developments and shifts in supply and demand. Gold prices remain moderate to strong for the foreseeable future.

The financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of

the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future.

	December 31, 2019	December 31, 2018
Working capital surplus	\$2,496,894	\$272,344
Deficit	(\$13,917,774)	(\$11,381,748)

Net cash used in operating activities during the year ended December 31, 2019 was \$1,880,062 (2018– \$1,221,150).

Net cash used in investing activities during the year ended December 31, 2019 was \$5,643,841 (2018 - \$1,598,958). This included cash used for exploration and evaluation assets of 5,541,642 for 2019 (2018 – 1,437,346).

Net cash provided by financing activities during the year ended December 31, 2019 was \$10,498,302 (2018 - \$2,229,230). This included cash contributions of \$1,208,453 by the Company’s joint venture partner for Tintyava’s exploration program.

Financings during year ended December 31, 2019 and up to April 27, 2019

Non-brokered private placements:

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 February 2020 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 February 2020 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.

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 (“the March 2019 Financing”). 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.

Convertible debenture:

On March 14, 2019, the Company issued to Atlantic Gold Corp. (“Atlantic”), through its wholly owned subsidiary Artemis Gold Inc. (“Artemis”), 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. On May 14, 2019, Atlantic announced that it had entered into an arrangement with St. Barbara Limited (“St Barbara”) pursuant to which St Barbara would acquire 100% of all issued and outstanding shares of Atlantic (the “Arrangement”). As part of the Arrangement, Atlantic distributed 100% of the common shares of Artemis to Atlantic shareholders and on September 30, 2019, Artemis commenced trading on the TSX-V.

During the year ended December 31, 2019, 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.

Subsequent to December 31, 2019, 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.

Proceeds from exercise of warrants and options

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.

During the year ended December 31, 2019, the Company received net proceeds of \$918,583 from the exercise of 3,350,536 warrants. No warrants were exercised during the year ended December 31, 2018.

As at December 31, 2019, all of the Company's 12,650,217 outstanding warrants at an average exercise price of \$0.24 were in-the-money, and 8,175,000 of the outstanding options at an average exercise price of \$0.26 were in-the-money. There is no assurance, however, that the Company can rely on proceeds from the exercise of outstanding warrants and stock options or the timing of exercises.

Capital Management

The Company defines capital that it manages as shareholders' equity, consisting of issued common shares, stock options and warrants included in reserve, and subscriptions receivable.

The Company manages its capital structure and adjusts it, based on the funds available to the Company, in order to support the acquisition, exploration and development of exploration and evaluation assets. 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 property in which the Company currently has an interest is in the exploration stage; as such the Company has historically relied on the equity markets to fund its activities. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to externally imposed capital restrictions. There were no changes to the Company's approach to capital management during the year.

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 was as follows:

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

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

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

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.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Areas requiring a significant degree of estimation and judgment relate to the recoverability of the carrying value of exploration and evaluation assets, determining whether an acquisition is a business combination or an assets acquisition, fair value measurements for financial instruments and share-based compensation and other equity-based payments, the recognition and valuation of provisions for restoration and environmental liabilities, and the recoverability and measurement of deferred tax assets and liabilities. Actual results may differ from those estimates and judgments.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

The Company has adopted the following new accounting standards and policies effective January 1, 2019:

- *IFRS 16 - Leases*

IFRS 16, Leases ("IFRS 16") was issued by the IASB on January 13, 2016, and will replace IAS 17, Leases. It is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, IFRS 16 requires a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets.

The Company has made the following elections under IFRS 16:

- to apply the available exemptions as permitted by IFRS 16 to recognize a lease expense on a straight-line basis for short term leases (lease term of 12 months or less) and low value assets;
- to apply the practical expedient whereby leases whose term ends within 12 months of the date of initial application would be accounted for in the same way as short-term leases.
- to apply the practical expedient whereby any lease and associated non-lease components are accounted for as a single arrangement.

The adoption of IFRS 16 did not have a material impact on the Company's financial statements. Due to the seasonality of the Company's exploration programs, its exploration and other contracts are short-term in nature and therefore are exempt from the recognition provisions of 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*. The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments.

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

OFF-BALANCE SHEET ARRANGEMENTS

The Company has not entered into any off-balance sheet financing arrangements.

PROPOSED TRANSACTIONS

Currently the Company is not a party to any material proceedings. The Company continually evaluates new opportunities, including new properties by staking, acquisition or joint venture, and corporate consolidation or merger opportunities.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial Risk Factors

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 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs 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 liability, and convertible debenture.

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 exposures and the impact on the Company's financial instruments are summarized below:

Credit Risk

Credit risk is the risk of loss associated with a counter party's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and receivables. Management believes that the credit risk concentration with respect to receivables is remote as they are due from the Government of Canada. The Company's cash is deposited in accounts held at a large financial institution in Canada. As such, the Company believes the credit risk with cash is remote. Receivables comprise input tax receivables due from the Government of Canada. The Company considers the credit risk of receivables to be low.

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 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.

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

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.

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, the ability to obtain financing, or the ability to obtain a public listing 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.

OUTSTANDING SHARE DATA

	April 27, 2020	December 31, 2019
Common shares issued and outstanding	113,377,100	97,792,229
Options outstanding	10,275,000	9,075,000
Warrants outstanding	20,024,311	12,650,217
Shares issuable on conversion of Convertible debenture ¹	20,376,000	20,376,000
Total	164,052,411	139,893,446

¹ Calculated by dividing the principal of the convertible debenture of \$5,094,000 at December 31, 2019 and April 27, 2020 by the conversion share price of \$0.25.

RISKS AND UNCERTAINTIES

The Company is subject to a number of significant risks due to the nature of its business and the present stage of its business development. Only those persons who can bear risk of the entire loss of their investment should invest in the Company's common shares, convertible debentures, warrants, options or other securities.

The Company's failure to successfully address such risks and uncertainties could have a material adverse effect on its business, financial condition and/or results of operations, and the future trading price of its common shares may decline and investors may lose all or part of their investment. The Company cannot give assurance that it will successfully address these risks or other unknown risks that may affect its business. Estimates of mineral resources and mineral reserves are inherently forward-looking statements subject to error. Although mineral resource and mineral reserve estimates require a high degree of assurance in the underlying data when the estimates are made, unforeseen events and uncontrollable factors can have significant adverse or positive impacts on the estimates. Actual results will inherently differ from estimates. The unforeseen events and uncontrollable factors include: geologic uncertainties including inherent sample variability, metal price fluctuations, variations in mining and processing parameters, and adverse changes in environmental or mining laws and regulations. The timing and effects of variances from estimated values cannot be accurately predicted.

Below is a brief summary of some of the Company's risks and uncertainties. These risk factors are not a definitive list of all risk factors associated with an investment in the common shares of the Company or in connection with the Company's operations.

Mineral Exploration and Development

The exploration and development of minerals is highly speculative in nature and involves a high degree of financial and other risks over a significant period of time, which even a combination of careful evaluation, experience and knowledge may not eliminate.

The Company's is in a process of completing a pre-feasibility study for its Rozino Gold project, and Nadezhda, Momchil and Sedefche properties are currently in the early exploration stage. While discovery of a mineral deposit may result in significant rewards, few properties which are explored are ultimately developed into producing mines. Whether a mineral deposit will be commercially viable depends on a number of factors, including the particular attributes of the deposit, financing costs, the cyclical nature of commodity prices, and government regulations (including those related to prices, taxes, currency controls, royalties, land tenure, land use, importing and exporting of mineral products, and environmental protection). The effect of these factors or a combination thereof, cannot be accurately predicted but could have an adverse impact on the Company. The Company's operations are also subject to all of the hazards and risks normally encountered in mineral exploration and

development. These risks include unusual and unexpected geological formations, seismic activity, rock bursts, cave-ins, water inflows and other conditions involved in the drilling and removal of material, environmental hazards, industrial accidents, periodic interruptions due to adverse weather conditions, labour disputes, political unrest and theft. The occurrence of any of the foregoing could result in damage to, or destruction of, mineral properties or interests, production facilities, personal injury, damage to life or property, environmental damage, delays or interruption of operations, increases in costs, monetary losses, legal liability and adverse government action.

Financing Risks

The Company has limited financial resources and there is no assurance that sufficient additional funding will be available to enable it to fulfill the Company's existing obligations or for further exploration and development on acceptable terms or at all. The Company does not generate revenue or cash flow and there can be no assurance that the Company will be able to obtain sufficient financing in the future on terms acceptable to it. The ability of the Company to arrange additional financing in the future will depend, in part, on prevailing capital market conditions as well as the business performance of the Company. The most likely source of future financing presently available to the Company is through the sale of additional common shares, which would mean that each existing shareholder would own a smaller percentage of the common shares then outstanding. Also, the Company may issue or grant warrants or options in the future pursuant to which additional common shares may be issued. Exercise of such warrants or options will result in dilution of equity ownership to the Company's existing shareholders. Failure to obtain additional funding on a timely basis could result in delay or indefinite postponement of further exploration and development and could cause the Company to forfeit its interests in its mineral resource properties or to reduce or terminate its operations.

Uncertainty in the Estimation of Mineral Resources

The Company has delineated mineral resources at the Rozino project and has published mineral resource estimates, in accordance with NI 43-101 PEA Technical Report entitled "Preliminary Economic Assessment - Rozino Project, Tintyava Property, Bulgaria", which is dated October 26, 2018 (effective date September 17, 2018) and available on SEDAR and the Company's website.

Mineral resources are estimates only and no assurance can be given that the anticipated tonnages and grades will be achieved or that assumptions on recovery will be realized. Investors are cautioned not to assume that any part or all of those mineral deposits classified as a mineral resource will ever be converted into mineral reserves or that that the anticipated tonnages and grades will be achieved. Estimation is a subjective process, and the accuracy of any mineral resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. Further, these resource estimates are classified as "inferred mineral resources." Inferred mineral resources have a great amount of uncertainty as to their existence, and economic and legal feasibility. There can be no assurance that the Company will be able to increase the confidence level of all or any of the inferred resources. If the Company's actual mineral resources are less than current estimates or if the Company fails to develop its resource base through the realization of identified mineralized potential, its results of operations or financial condition may be materially and adversely affected.

Price of Gold

The ability of the Company to develop its mineral resource properties will be significantly affected by changes in the market price of gold. The price of gold is affected by numerous factors beyond the Company's control. The level of interest rates, the rate of inflation, the world supply of and demand for gold, as well as the stability of currency exchange rates can all cause fluctuations in price. Such external economic factors are influenced by changes in international investment patterns and monetary systems as well as various political developments. A drop in the price of gold would adversely impact the Company's future prospects. The price of gold has historically fluctuated widely, and future price declines could cause the development of (and any future commercial production from) the Company's properties to be impracticable. In addition, sustained low gold prices could result in a halt or delay the exploration and development of the Company's properties; and reduce the potential for financings required for further exploration and development activities. These developments could have a material adverse impact on the Company's financial performance and results of operations.

Potential Profitability and Factors Beyond the Control of the Company

The potential profitability of mineral properties is dependent upon many factors beyond the Company's control. For instance, world prices of and markets for gold are unpredictable, highly volatile, potentially subject to governmental fixing, pegging and/or controls and respond to changes in domestic, international, political, social and economic environments. Profitability also depends on the costs of operations, including costs of labour, equipment, electricity, environmental compliance or other

production inputs. Such costs may fluctuate in ways the Company cannot predict and are beyond the Company's control, and such fluctuations will impact profitability and may eliminate profitability altogether. Additionally, due to worldwide economic uncertainty, the availability and cost of funds for development have become increasingly difficult, if not impossible, to project. These changes and events may materially affect the financial performance of the Company.

Environmental Risks and Hazards

All phases of the Company's operations are subject to extensive environmental regulations. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation, provide for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry activities and operations. They also set forth limitations on the generation, transportation, storage and disposal of hazardous waste. A breach of these regulations may result in the imposition of fines and penalties. In addition, certain types of mining operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. The cost of compliance with changes in governmental regulations has the potential to reduce the viability or profitability of operations. Environmental hazards may exist on the properties in which the Company holds its interests or on properties that will be acquired which are unknown to the Company at present and which have been caused by previous or existing owners or operators of those properties.

Title Risks

While the Company has investigated title to its current mineral resource properties under joint-venture and option agreements, there is a risk that title to the property will be challenged or impugned. The property may be subject to prior unregistered agreements or transfers and title may be affected by undetected defects. If title defects do exist, it is possible that the Company may lose all or a portion of its rights, title, estate and interest in and to the properties, when and if earned, to which the title defects relate.

Competition

The mineral exploration business is competitive in all of its phases. The Company competes with numerous other companies and individuals, including competitors with greater financial, technical, and other resources, in the search for and the acquisition of attractive mineral properties. The Company's ability to acquire properties in the future will depend not only on the Company's ability to develop its properties, but also on the Company's ability to select and acquire suitable prospects for mineral exploration or development. In addition, the mining industry periodically faces a shortage of equipment and skilled personnel and there can be intense competition for experienced geologists, engineers, field personnel and other contractors. There is no assurance that the Company will be able to compete successfully with others in acquiring prospective properties, equipment or personnel.

Foreign Operations

The Company's operations consist of the acquisition, exploration, development and investment in mineral resource properties. The majority of the Company's operations and business are outside of Canada, and as such, the Company's operations are exposed to various political and other risks and uncertainties. The Company conducts its operations through foreign subsidiaries and substantially all of its assets are held in such entities. Accordingly, any limitation on the transfer of cash or other assets between or among such entities could restrict or impact the ability to fund its operations. Any such limitations, or the perception that such limitations may exist now or in the future, could have an adverse impact on the Company's business, financial condition and results of operations.

Foreign Country Political Environment

The Company operates in Bulgaria and the Company's operations may be subject to geopolitical, economic and other risks that may affect the Company's future operations and financial position. There is sovereign risk in investing in foreign countries, including the risk that the resource concessions may be susceptible to revision or cancellation by new laws or changes in direction by the government in question. It is possible that changes in applicable laws, regulations, or changes in their enforcement or regulatory interpretation could result in adverse changes to mineral operations. These are matters over which the Company has no control. There is no assurance that future political and economic conditions in such countries will not result in the adoption of different policies or attitudes respecting the development and ownership of resources. Any such changes in policy or attitudes may result in changes in laws affecting ownership of assets, land tenure and resource

concessions, taxation, royalties, rates of exchange, environmental protection, labour relations, repatriation of income and return of capital, which may affect both the ability to undertake exploration and development on the properties on which the Company holds or will be entitled to royalty or other interests. Any changes in governmental laws, regulations, economic conditions or shifts in political attitudes or stability are beyond the control of the Company and such changes may result in a material and adverse effect on the Company's results of operation and financial condition. Investors should assess the political risks of investing in a foreign country. Any variation from the current regulatory, economic and political climate could have an adverse effect on the affairs of the Company. In addition, the enforcement by the Company of its legal rights to exploit its properties may not be recognized by the government of the foreign country or by its court system.

Infrastructure

Development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources, and water supply are important determinants for capital and operating costs. The lack of availability on acceptable terms or the delay in the availability of any one or more of these items could prevent or delay exploration or development of our mineral resource properties. If adequate infrastructure is not available in a timely manner, there can be no assurance that the exploration or development of our projects will be commenced or completed on a timely manner, if at all. In addition, unusual weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect our exploration and development activities.

Price Volatility and Lack of Active Market

The market price of a publicly traded stock, especially a junior resource issuer such as the Company, is affected by many variables in addition to those directly related to exploration successes or failures. Such factors include the general condition of markets for resource stocks, the strength of the economy generally, the availability and attractiveness of alternative investments, and the breadth of the public markets for the stock. As a result, the market price of the common shares is highly volatile and there can be limited liquidity in the market. Therefore, holding common shares involves a high degree of risk and investors could suffer significant losses if the Company's common shares are depressed or illiquid when an investor seeks liquidity.

Key Executives

The Company is dependent on the services and technical expertise of several key executives, including the directors of the Company and a small number of highly skilled and experienced executives and personnel. Due to the relatively small size of the Company, the loss of any of these individuals may adversely affect the Company's ability to attract and retain additional highly skilled employees and may impact its business and future operations.

Internal Controls

Internal controls over financial reporting are procedures designed to provide reasonable assurance that transactions are properly authorized, assets are safeguarded against unauthorized or improper use, and transactions are properly recorded and reported. A control system, no matter how well designed and operated, can provide only reasonable, and not absolute, assurance with respect to the reliability of financial reporting and financial statement preparation. The Company is undertaking to put into place a system of internal controls appropriate for its size, and reflective of its level of operations, however, given the size of the Company and its limited resources, these controls may be inadequate to identify all errors.

Conflicts of Interest

Certain of the Company's directors, officers and other members of management do, and may in the future, serve as directors, officers, promoters and members of management of other mineral exploration and development companies and, therefore, it is possible that a conflict may arise between their duties as a director, officer, promoter or member of the Company's management team and their duties as a director, officer, promoter or member of management of such other companies. The Company's directors and officers are aware of the laws establishing the fiduciary duties of directors and officers including the requirement that directors disclose conflicts of interest and abstain from voting on any matter where there is a conflict of interest. The Company will rely upon these laws in respect of any directors' and officers' conflicts of interest or in respect of any breaches of duty by any of its directors or officers.

Surface Rights

The Company does not own all of the surface rights at its properties and there is no assurance that surface rights owned by the government will be granted, nor that they will be on reasonable terms if granted. Failure to acquire surface rights may impact the Company's ability to access its properties, as well as its ability to commence and/or complete construction or production, any of which would have a material adverse effect on the profitability of the Company's future operations.

Uninsured Risks

The Company's business is subject to a number of risks and hazards including adverse environmental effects and technical difficulties due to unusual or unexpected geologic formations. Such risks could result in personal injury, environmental damage, damage to and destruction of the facilities, delays in exploration and development and liability. For some of these risks, the Company maintains insurance to protect against these losses at levels consistent with industry practice. However, the Company may not be able to maintain current levels of insurance, particularly if there is a significant increase in the cost of premiums. Insurance against environmental risks is generally expensive and may not continue to be available for the Company and other companies in the industry. The Company's current policies may not cover all losses. The Company's existing policies may not be sufficient to cover all liabilities arising under environmental law or relating to hazardous substances. Moreover, in the event that the Company is unable to fully pay for the cost of remedying an environmental problem, the Company might be required to suspend or significantly curtail its activities or enter into other interim compliance measures.

COVID-19 Pandemic

The Company has not fully assessed the potential impacts, if any, that COVID-19 may have on its business and operations, which could include the Company's ability to purchase products and/or services at reasonable costs in the operation of its business and to stay on schedule due to the reliance on external parties in the permitting process. In order to minimize potential impacts on the Company's personnel and operations, it introduced a 'work from home' policy at its offices in Canada, has reduced travel and transitioned to virtual meetings where feasible. The Company has and will continue to take other measures recommended by Health Canada and the World Health Organisation, as appropriate.

Cyber Security Incident

Information systems and other technologies, including those related to the Company's financial and operational management, and its technical and environmental data, are an integral part of the Company's business activities. Network and information systems related events, such as computer hacking, cyber-attacks, computer viruses, worms or other destructive or disruptive software, process breakdowns, denial of service attacks, or other malicious activities or any combination of the foregoing or power outages, natural disasters, terrorist attacks, or other similar events could result in damages to the Company's property, equipment and data. These events also could result in significant expenditures to repair or replace damaged property or information systems and/or to protect them from similar events in the future. Furthermore, any security breaches such as misappropriation, misuse, leakage, falsification, accidental release or loss of information contained in the Company's information technology systems including personnel and other data that could damage its reputation and require the Company to expend significant capital and other resources to remedy any such security breach. Insurance held by the Company may mitigate losses however in any such events or security breaches may not be sufficient to cover any consequent losses or otherwise adequately compensate the Company for any disruptions to its business that may result and the occurrence of any such events or security breaches could have a material adverse effect on the business of the Company. There can be no assurance that these events and/or security breaches will not occur in the future or not have an adverse effect of the business of the Company.

Joint Venture Partners

The Company's primary asset is held through a joint venture, which exposes the Company to risks inherent to joint ventures, including disagreements with joint venture partners and similar risks.

Exploration and Mine Permitting Process

The regulatory processes related to permitting of exploration programs and major mining projects are subject to uncertainty and risks as to the information required, the timeframes to analyze information provided and the outcomes of such analysis.

APPROVAL

The Board of Directors of the Company has approved the disclosures in this MDA.

Additional information related to the Company is available on SEDAR at www.sedar.com.