VELOCITY MINERALS LTD.

Consolidated Financial Statements

December 31, 2020 and 2019

(Expressed in Canadian dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Velocity Minerals Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Velocity Minerals Ltd. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Other Information

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

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

1200 - 609 Granville Street, P.O. Box 10372, Pacific Centre, Vancouver, B.C., Canada V7Y 1G6
Telephone (604) 687-0947 Davidson-co.com

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Erez Bahar.

Davidson & Company LLP

Vancouver, Canada

Chartered Professional Accountants

April 29, 2021

VELOCITY MINERALS LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)
As at December 31,

	2020	2019
ASSETS		
Current		
Cash and cash equivalents (Note 3)	**$ 10,543,821**	$ 3,217,419
Receivables	**262,743**	76,123
Prepaid expenses	**152,253**	42,637
	10,958,817	3,336,179
Property and equipment (Note 4)	**150,241**	83,649
Exploration and evaluation assets (Note 5)	**17,901,671**	10,605,352
	$ 29,010,729	$ 14,025,180
LIABILITIES AND EQUITY		
Current		
Trade and other payables (Note 6)	**$ 904,189**	$ 816,396
Lease liabilities, current (Note 7)	**26,413**	22,889
	930,602	839,285
Lease liabilities, long term (Note 7)	**42,207**	21,923
Convertible debenture (Note 8)	**4,209,589**	4,002,933
	5,182,398	4,864,141
Shareholders' equity		
Share capital (Note 9)	**33,738,027**	17,783,183
Reserves (Note 9)	**1,601,716**	1,703,957
Equity component of convertible debenture (Note 8)	**1,106,812**	1,106,812
Non-controlling interest (Note 10)	**3,365,289**	2,484,861
Deficit	**(15,983,513)**	(13,917,774)
	23,828,331	9,161,039
	$ 29,010,729	$ 14,025,180

Nature and continuance of operations (Note 1)
Subsequent events (Note 5, 17)

On behalf of the Board on April 29, 2021

"Keith Henderson" Director *"Michael Hoffman"* Director

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

VELOCITY MINERALS LTD.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian dollars)
For the years ended December 31,

	2020	2019
EXPENSES		
Consulting (Note 11)	**$ 83,839**	$ 210,847
Investor relations	**182,758**	215,999
Office	**97,662**	96,824
Professional fees	**314,394**	470,906
Property investigation	**100,093**	97,144
Regulatory and transfer agent fees	**52,564**	101,614
Rent	**45,523**	27,330
Salaries and benefits (Note 11)	**627,361**	541,776
Share-based compensation (Note 9 and 11)	**125,578**	321,000
Travel	**32,539**	170,469
	(1,662,311)	(2,253,909)
OTHER INCOME (EXPENSES)		
Accretion expense (Note 8)	**(206,656)**	(148,300)
Foreign exchange gain	**51,800**	74,125
Interest expense	**(432,991)**	(346,392)
Interest income	**44,520**	65,604
Impairment of exploration and evaluation assets (Note 5)	**(32,829)**	-
Total other income (expenses)	**(576,156)**	(354,963)
LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	**(2,238,467)**	(2,608,872)
Loss and comprehensive loss attributable to:		
Owners of the Company	**(2,065,739)**	(2,536,026)
Non-controlling interest	**(172,728)**	(72,846)
	(2,238,467)	(2,608,872)
Loss per common share		
-Basic and diluted	**$ (0.02)**	$ (0.03)
Weighted average number of common shares outstanding		
-Basic and diluted	**114,769,920**	92,281,204

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

	Share capital						
	Number of common shares	**Amount**	**Reserves**	**Equity component of convertible debenture**	**Non-controlling interest**	**Deficit**	**Total**
Balance, December 31, 2018	74,886,759	$ 12,954,048	$ 1,613,959	$ -	$ -	$ (11,381,748)	$ 3,186,259
Private placement	18,600,000	3,906,000	-	-	-	-	3,906,000
Share issuance costs – cash	-	(463,705)	-	-	-	-	(463,705)
Share issuance costs – common shares	459,418	-	-	-	-	-	-
Warrants exercise	3,350,536	1,149,585	(231,002)	-	-	-	918,583
Shares issued for interest on convertible debenture	495,516	237,255	-	-	-	-	237,255
Convertible debenture	-	-	-	1,106,812	-	-	1,106,812
Share-based payments	-	-	321,000	-	-	-	321,000
Acquisition of 70% of Tintyava Exploration AD	-	-	-	-	946,215	-	946,215
Change in net assets of Tintyava Exploration AD	-	-	-	-	1,611,492	-	1,611,492
Loss and comprehensive loss	-	-	-	-	(72,846)	(2,536,026)	(2,608,872)
Balance, December 31, 2019	**97,792,229**	**$ 17,783,183**	**$ 1,703,957**	**$ 1,106,812**	**$ 2,484,861**	**$ (13,917,774)**	**$ 9,161,039**
Private placement	32,361,687	14,734,075	-	-	-	-	14,734,075
Share issuance costs – cash	-	(345,600)	-	-	-	-	(345,600)
Share issuance costs – finder's warrants	-	(24,000)	24,000	-	-	-	-
Shares issued for interest on convertible debenture	1,227,599	432,991	-	-	-	-	432,991
Warrants exercise	642,500	128,500	-	-	-	-	128,500
Stock options exercise	3,350,000	1,028,878	(382,378)	-	-	-	646,500
Share-based payments	-	-	256,137	-	-	-	256,137
Change in net assets of Tintyava Exploration ADb	-	-	-	-	1,053,156	-	1,053,156
Loss and comprehensive loss	-	-	-	-	(172,728)	(2,065,739)	(2,238,467)
Balance, December 31, 2020	**135,374,015**	**$ 33,738,027**	**$ 1,601,716**	**$ 1,106,812**	**$ 3,365,289**	**$ (15,983,513)**	**$ 23,828,331**

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

	Year ended December 31, 2020	Year ended December 31, 2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	**$ (2,238,467)**	$ (2,608,872)
Adjustments for:		
Accretion expense	**206,656**	148,300
Interest expense, non-cash	**432,991**	346,392
Share-based payments	**125,578**	321,000
Impairment of exploration and evaluation assets	**32,829**	-
Interest paid on leases	**6,546**	6,341
Interest income	**-**	(23,987)
Changes in non-cash working capital items:		
Receivables	**(186,620)**	(45,060)
Prepaid expenses	**(109,616)**	(1,516)
Trade and other payables	**(24,182)**	(22,660)
Net cash used in operating activities	**(1,754,285)**	(1,880,062)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from issuance of common shares	**15,163,475**	4,360,878
Non-controlling interest – equity contributions	**1,053,156**	1,208,453
Net proceeds from issuance of convertible debenture	**-**	4,961,445
Lease payments	**(49,369)**	(32,474)
Net cash provided by financing activities	**16,167,262**	10,498,302
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration and evaluation assets	**(7,005,767)**	(5,541,642)
Cash acquired on acquisition of 70% of Tintyava Exploration EAD	**-**	89,367
Acquisition cost – 70% of Tintyava Exploration EAD	**-**	(159,898)
Acquisition of property and equipment	**(80,808)**	(31,668)
Net cash used in investing activities	**(7,086,575)**	(5,643,841)
Change in cash and cash equivalents during the year	**7,326,402**	2,974,399
Cash and cash equivalents, beginning of year	**3,217,419**	243,020
Cash and cash equivalents, end of year	**$ 10,543,821**	$ 3,217,419

Supplemental disclosure with respect to cash flows (Note 12)

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Velocity Minerals Ltd. ("Velocity" or, the "Company") was incorporated under the laws of the province of Alberta on September 22, 2000 and was continued into British Columbia on December 2, 2004. The head office and principal address of the Company is Suite 850 - 999 West Hastings Street, Vancouver, BC V7L 2B3. The common shares of the Company trade on the TSX Venture Exchange ("TSX-V") with the symbol "VLC.V". The Company is in the business of acquiring, exploring, and evaluating mineral resource properties in Bulgaria.

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

During the year ended December 31, 2019, the Company exercised its option to acquire an undivided 70% interest in the Tintyava property. As a result, on March 1, 2019, shares of Tintyava Exploration EAD ("Tintyava"), representing 70% ownership of the Company, have been registered in the name of the Company's subsidiary Kibela Minerals AD (Note 5 (a)).

As at December 31, 2020, the Company has working capital of $10,028,215 (2019 - $2,496,894) and an accumulated deficit of $15,983,513 (2019 - $13,917,774). The Company expects to incur further losses in the development of its business. The Company's ability to continue its operations and to realize its assets at their carrying values is dependent upon obtaining additional financing to successfully explore and evaluate its mineral properties and, ultimately, to achieve profitable operations. Management estimates that the Company will be able to meet its obligations and to sustain operations for at least the next twelve months.

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

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

Basis of presentation

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Basis of consolidation

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

Subsidiary	Location	Ownership Interest
1077076 B.C. Ltd. ("7076 Ltd")	Canada	100%
Kibela Minerals AD ("Kibela")	Bulgaria	100%
Kabiri Minerals EOOD ("Kabiri")	Bulgaria	100%
Tintyava Exploration AD ("Tintyava")	Bulgaria	70%
Tethyan Exploration EOOD ("Tethyan")	Bulgaria	100%
Velocity Minerals Holdings Ltd.	Malta	100%
Velocity Minerals Malta Ltd.	Malta	100%

The Company established its subsidiaries Kibela and Kabiri in 2017 and 2018 respectively, and effective March 1, 2019, acquired 70% of Tintyava Exploration AD. The Company established its subsidiary Tethyan in 2020, and effective March 2, 2021, acquired 100% of Bolkan Minerals Development. Velocity Minerals Holding Ltd, and Velocity Minerals Malta Ltd. are in the process of being wound up.

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

Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All intercompany transactions and balances have been eliminated.

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

Foreign currency transactions

Functional and presentation currency

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

Translation of foreign transactions and balances into the functional currency

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Cash and cash equivalents

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

Property and Equipment

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

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

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

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

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

Exploration and evaluation assets

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Decommissioning and Restoration Provisions

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

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

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

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

Impairment of long-lived assets

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Leases

The Company assesses whether a contract is, or contains, a lease, at the inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets such as office printers. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise of the following:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Company did not make any such adjustments during the periods presented.

Share capital

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial instruments

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

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

- it is held with the objective of collecting contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

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

Financial liabilities are classified as amortised cost, based on the purpose for which the liability was incurred. These liabilities are initially recognised as fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortised cost using the effective interest rate method. This ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Accounts payable and accrued liabilities represent liabilities for goods and services provided to the Company prior to the end of the period, which are unpaid. Accounts payable and accrued liabilities are unsecured and are usually paid within 45 days of recognition.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial instruments (cont'd…)

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

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

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

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

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

- Cash and cash equivalents are classified as FVPL.
- Receivables are classified as and measured at amortized cost.
- Trade and other payables are classified as and measured at amortized cost.
- Lease liabilities are classified as and measured at amortized cost.
- Convertible debenture is classified as and measured at amortized cost.

Income taxes

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

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

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

Loss per share

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Critical accounting estimates and judgements

The preparation of these consolidated financial statements requires management to make certain estimates, judgements and assumptions that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made.

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

Going concern

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

Business combinations

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

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

Income taxes

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

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

Carrying value and recoverability of exploration and evaluation assets

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

3. CASH AND CASH EQUIVALENTS

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

	December 31, 2020	December 31, 2019
Cash	$ 1,743,821	$ 1,167,419
Cash equivalents	8,800,000	2,050,000
Total	$ 10,543,821	$ 3,217,419

	December 31, 2020	December 31, 2019
Cash and cash equivalents held with banks in Canadian dollars	$ 9,646,079	$ 2,222,783
Cash held with banks in foreign currencies	897,742	994,636
Total	$ 10,543,821	$ 3,217,419

4. PROPERTY AND EQUIPMENT

	Right-of-use assets	Office Equipment	Computers	Total
Costs				
Balance at December 31, 2018	$ -	$ -	$ -	$ -
Additions	51,192	20,684	35,920	107,796
Balance at December 31, 2019	51,192	20,684	35,920	107,796
Additions	66,631	33,994	46,814	147,439
Balance at December 31, 2020	117,823	54,678	82,734	255,235
Accumulated depreciation				
Balance at December 31, 2018	-	-	-	-
Additions	(2,154)	(3,724)	(18,269)	(24,147)
Balance at December 31, 2019	(2,154)	(3,724)	(18,269)	(24,147)
Additions	(44,623)	(17,307)	(18,917)	(80,847)
Balance at December 31, 2020	(46,777)	(21,031)	(37,186)	(104,994)
Book value, December 31, 2019	$ 49,038	$ 16,960	$ 17,651	$ 83,649
Book value, December 31, 2020	**71,046**	**33,647**	**45,548**	**150,241**

During the year ended December 31, 2020, the Company capitalized $80,847 (2019 - $24,147) of depreciation to exploration and evaluation assets.

5. EXPLORATION AND EVALUATION ASSETS

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

(Expressed in Canadian dollars)

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

a) Tintyava Property – Bulgaria

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

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

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

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

During the year ended December 31, 2019, the Company exercised its option to acquire an undivided 70% interest in the Tintyava property. As a result, on March 1, 2019, shares of Tintyava Exploration EAD ("Tintyava"), representing 70% ownership by the Company, have been registered in the name of Kibela.

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

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

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

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

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

b) Nadezhda Property – Bulgaria

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

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

c) Momchil Property – Bulgaria

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

d) Sedefche Property – Bulgaria

On September 25, 2019, the Company entered into an option agreement for the Sedefche project ("Sedefche" or the "Project") with Gorubso. The Company can earn a 70% interest in Sedefche by completing 5,000 m of drilling prior to March 31, 2020 (the "Initial Drilling"). The Initial Drilling was completed as at March 31, 2020. Pursuant to the option agreement, the Company made the election to complete an additional drill program (the "Additional Drilling") by September 25, 2020.

On September 25, 2020, the parties amended the terms of the option agreement to extend the term of the option period to October 25, 2020 for the purpose of providing additional time for the parties to negotiate and enter into a relinquishment agreement, whereby the Optionor – Gorubso - shall reimburse the Company for the exploration and evaluation work carried out in the Sedefche property from the commencement of the option agreement to September 24, 2020. On receipt of the reimbursement, the Company shall agree not to exercise and to relinquish the option and all right, title and interest in and to the Sedefche project. In addition, the Company shall provide to Gorubso all of the data related to the project.

On October 22, 2020, the Company executed a relinquishment agreement and received the reimbursement amount of 1,938,931 Bulgarian lev or $1,523,880, and the Company relinquished its interest in Sedefche property. In connection with the relinquishment of Sedefche, the Company recorded recoveries of $1,523,880 to exploration and evaluation assets, and an impairment loss of $32,829.

e) Iglika Property – Bulgaria

On June 26, 2020, the Company entered into a Letter Agreement with Balkan Minerals Development OOD ("BMD"), a Bulgarian private company, and its shareholders, for an exclusive option to acquire a 100% interest in Iglika gold-copper property ("Iglika" or the "Project") through acquiring all of the issued and outstanding shares of BMD.

Under the terms of the Letter agreement, the Company can acquire an initial 51% of BMD shares by completing the following: (i) pay BGN 62,500 to BMD on signing of the Letter Agreement and (ii) incur exploration expenditures in the amount of EUR 300,000 by December 31, 2020. The Company can earn the remaining 49% of BMD shares by incurring additional exploration expenditures in the amount of EUR 500,000 by December 31, 2021.

BMD will retain a 2.0% net smelter returns royalty ("Option Royalty"), which will be capped at US$5,000,000. At any time, 1.0% of the Option Royalty can be purchased for €500,000 and an additional 0.5% of the Option Royalty can be purchased for €1,000,000. Notwithstanding the option terms above, the Company can purchase a 100% interest (the "Purchase Option") for US$250,000 until December 31, 2021 or for US$500,000 until June 30, 2022, either of which payments can be paid in cash or 50% cash and 50% Velocity shares. If the Purchase Option is exercised, BMD will instead retain a 0.5% Royalty ("Purchase Royalty"), capped at US$5,000,000. 100% of the Purchase Royalty may be purchased for US$500,000.

On February 19, 2021, the parties entered into a definitive agreement, which amended the terms of the Letter agreement. Pursuant to the terms of the definitive agreement, the Company could acquire 100% of BMD shares by incurring EUR 300,000 in exploration and evaluation by December 31, 2021. On March 2, 2021, the Company acquired 100% of BMD shares. BMD former shareholders have retained a 2% net smelter returns royalty capped at US$5,000,000. At any time, 1.5% of the royalty can be purchased for EUR 1,500,000.

(Expressed in Canadian dollars)

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

f) Exploration and evaluation assets continuity

	Tintyava	Nadezhda	Momchil	Sedefche	Iglika	Total
	$	$	$	$	$	$
Acquisition costs						
Balance, December 31, 2019	2,005,136	-	-	-	-	2,005,136
Additions	35,134	1,384	1,384	-	106,952	144,854
Balance, December 31, 2020	2,040,270	1,384	1,384	-	106,952	2,149,990
Exploration and evaluation						
Balance, December 31, 2019	6,380,152	137,440	1,669,925	412,699	-	8,600,216
Drilling and assays	1,331,164	29,646	2,167,370	734,777	40,137	4,303,094
Geological and studies	1,446,977	130,649	200,996	159,952	120,810	2,059,384
Geochemistry	66,874	-	1,079	-	41,098	109,051
Geophysics	14,563	42,027	90,609	-	282,056	429,255
Field and vehicles	220,484	19,512	90,468	45,636	42,925	419,025
Salaries and travel	482,264	38,708	420,770	182,534	133,530	1,257,806
Share-based compensation	55,466	5,002	48,980	21,111	-	130,559
	3,617,792	265,544	3,020,272	1,144,010	660,556	8,708,174
Balance, December 31, 2020	9,997,944	402,984	4,690,197	1,556,709	660,556	17,308,390
Cash proceeds	-	-	-	(1,523,880)	-	(1,523,880)
Impairment	-	-	-	(32,829)	-	(32,829)
Balance, December 31, 2020	**12,038,214**	**404,368**	**4,691,581**	**-**	**767,508**	**17,901,671**

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

(Expressed in Canadian dollars)

6. TRADE AND OTHER PAYABLES

		December 31, 2020		December 31, 2019
Trade payables	$	795,941	$	707,259
Accrued interest payable (Note 8)		108,248		109,137
	$	904,189	$	816,396

7. LEASE LIABILITY

The Company leases vehicles in Bulgaria to support exploration and evaluation activities on its properties and has identified these leases to have ROU assets (Note 4). As at December 31, 2020 and 2019 these are the only leases identified to have ROU assets. The Company is utilizing an incremental borrowing rate of 15% for calculating lease liabilities and ROU assets.

Lease liabilities		December 31, 2020		December 31, 2019
Opening balance	$	44,812	$	-
Additions		66,631		70,945
Lease payments		(49,369)		(32,474)
Lease interest		6,546		6,341
Ending balance	$	68,620	$	44,812

Lease liabilities *Contractual undiscounted cash flows:*		December 31, 2020		December 31, 2019
Less than one year	$	29,454	$	26,974
One to five years		50,249		24,918
Total undiscounted lease liabilities at December 31, 2019	$	79,703	$	51,892

During the year ended December 31, 2020, the Company expensed $45,523 (2019 - $27,330) in short term and low value leases.

8. CONVERTIBLE DEBENTURE

On March 14, 2019, the Company issued a convertible debenture valued at $5,094,000 with an interest rate of 8.5% per annum compounded semi-annual, convertible into common shares at $0.25 per share, with a maturity date of March 14, 2024. For accounting purposes, the convertible debenture is separated into a liability and equity component by first valuing the liability component. The fair value of the liability component at the time of issue was calculated as the discounted cash flows for the convertible debenture assuming an 15% discount rate, which was the estimated rate for a similar debenture without a conversion feature.

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

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

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

(Expressed in Canadian dollars)

8. CONVERTIBLE DEBENTURE (cont'd…)

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

Continuity of Convertible debenture, liability portion		**December 31, 2020**		**December 31, 2019**
Opening balance	$	4,002,933	$	-
Additions		-		3,854,633
Accretion		206,656		148,300
Ending balance	$	4,209,589	$	4,002,933

9. SHARE CAPITAL AND RESERVES

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

<u>Year ended December 31, 2020:</u>

On November 24, 2020, the Company closed a non-brokered private placement of 17,894,000 common shares for gross proceeds of $8,947,000 or $0.50 per common share. ("November 2020 financing").

In connection with the November 2020 financing, the Company incurred $173,339 in legal and regulatory fees.

On February 12, 2020, the Company closed a non-brokered private placement of 14,467,687 units for gross proceeds of $5,787,075 ("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 valued at $0.11 ("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 $80,001 in legal and regulatory fees in connection with the February 2020 financing.

During the year ended December 31, 2020, the Company issued 1,227,599 common shares for the semi-annual interest of $432,991 on the convertible debenture. The interest was for the period October 1, 2019 to September 30, 2020.

During the year ended December 31, 2020 the Company issued 3,350,000 common shares pursuant to stock options exercises for aggregate gross proceeds of $646,500, and in connection with this, the Company transferred $382,378 from reserves to share capital. In addition, the Company issued 642,500 shares for gross proceeds of $128,500 pursuant to warrants exercises.

(Expressed in Canadian dollars)

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

Issued share capital (cont'd…)

Year ended December 31, 2019;

On March 14, 2019, the Company completed a non-brokered private placement of 18,600,000 units issued at $0.21 per unit for gross proceeds of $3,906,000. Each unit consists of one common share and one-half of one common share purchase warrant. Each warrant will entitle the holder thereof to purchase one common share of the Company at an exercise price of $0.25 until March 14, 2022. Cash finders' fees in the amount of $360,000 were paid, and 459,418 common shares with a fair value of $133,231 were issued as advisory fees. Professional fees paid in connection with the non-brokered private placement were $103,705.

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

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

Stock options

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

As at December 31, 2020, the Company had stock options outstanding and exercisable enabling the holder to acquire common shares as follows:

Number of Stock options Outstanding	Number of Stock options Exercisable	Exercise Price	Expiry Date	Remaining life in years
2,850,000	2,850,000	$0.31	July 31, 2022	1.6
500,000	500,000	$0.35	September 26, 2022	1.7
50,000	50,000	$0.31	November 14, 2022	1.9
725,000	725,000	$0.28	March 29, 2021	0.2
150,000	150,000	$0.28	May 1, 2021	0.3
900,000	900,000	$0.46	November 19, 2021	0.9
1,500,000	1,500,000	$0.34	April 7, 2022	1.3
905,000	-	$0.48	August 11, 2025	4.6
7,580,000	6,675,000	$0.35		1.7

(Expressed in Canadian dollars)

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

Stock options (cont'd…)

Stock option transactions are summarized as follows:

	Number of Options		**Weighted Average Exercise Price**
As at December 31, 2018	7,100,000	$	0.26
Granted	1,975,000	$	0.36
As at December 31, 2019	9,075,000	$	0.28
Granted	2,405,000	$	0.39
Exercised	(3,350,000)	$	0.19
Forfeited	(550,000)	$	0.32
As at December 31, 2020	7,580,000	$	0.35
Number of options currently exercisable	6,675,000	$	0.34

During the year ended December 31, 2020, the Company recognized share-based payments expense of $256,137 (December 31, 2019 - $321,000) regarding the vesting of stock options granted. The weighted average remaining contractual life of options outstanding at December 31, 2020 was 1.7 (December 31, 2019 – 1.8) years.

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

		December 31, 2020		December 31, 2019
Expected life of options (years)		2.75		2.00
Annualized volatility		77%		100%
Dividend rate		-		-
Risk-free rate		0.39%		1.56%
Weighted average fair value per option granted	$	0.18	$	0.16

Warrants

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

	Number of Warrants		**Weighted Average Exercise Price**
As at December 31, 2018	7,525,753	$	0.24
Issued	9,300,000		0.25
Exercised	(3,350,536)		0.27
Expired	(825,000)		0.30
As at December 31, 2019	12,650,216	$	0.24
Issued	7,449,094		0.53
Exercised	(642,500)		0.20
As at December 31, 2020	**19,456,810**	**$**	**0.36**

The weighted average remaining contractual life of warrants outstanding and exercisable at December 31, 2020 was 1 year (December 31, 2019 – 2.1 years).

(Expressed in Canadian dollars)

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

Warrants outstanding are as follows:

Number of Warrants	Exercise Price	Expiry Date
2,707,716	$ 0.20	October 12, 2021
9,300,000	$0.25	March 14, 2022
7,233,844	$0.55	August 12, 2021
215,250	$0.40	February 12, 2021
19,456,810		

The 215,250 finders' warrants issued in connection with the February 2020 financing were valued using weighted average Black-Scholes inputs as follows:

		February 12, 2020
Expected life of warrants (years)		1.0
Annualized volatility		62%
Dividend rate		-
Discount rate		1.54%
Weighted average fair value per warrant granted	$	0.11

10. NON-CONTROLLING INTEREST

Non-controlling interest ("NCI") in the net assets of consolidated subsidiaries are identified separately from the Company's equity therein. Total comprehensive loss of the Company's subsidiary is attributed to the equity holders of the Company and to the non-controlling interest even if this results in the non-controlling interest having a deficit balance. For the year ended December 31, 2020 and 2019, 30% of the net assets of the Company's consolidated subsidiary, Tintyava, which holds the Tintyava mineral property, were attributable to its non-controlling interest.

The following is summarized financial information of the consolidated subsidiary Tintyava, prepared in accordance with IFRS, modified for fair value adjustments on acquisition and differences in the Company's accounting policies. The information is before inter-company eliminations.

		December 31, 2020		December 31, 2019
Total loss and comprehensive loss	$	(575,760)	$	(242,820)
Total loss and comprehensive loss allocated to NCI		(172,728)		(72,846)

		December 31, 2020		December 31, 2019
Current assets	$	695,256	$	676,224
Non-current assets		11,835,141		7,879,125
Current liabilities		(1,270,560)		(250,556)
Non-current liabilities		(42,207)		(21,923)
Net assets		11,217,630		8,282,870
Net assets attributable to NCI		3,365,289		2,484,861

(Expressed in Canadian dollars)

11. 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, 2020 and 2019 and, were:

		December 31, 2020		December 31, 2019
Short-term benefits paid or accrued:				
Consulting fees[1]	$	530,300	$	472,165
Salaries and directors' fees		458,167		548,100
		988,467		1,020,265
Share-based payments:				
Share-based payments		155,485		140,589
Total remuneration	$	1,143,952	$	1,160,854

[1]$411,807 of consulting fees was included in exploration and evaluation assets (note 5(f) and $75,312 in property investigation (2019 - $383,300 and $Nil respectively).

As at December 31, 2020, the Company had accounts payable and accrued liabilities to key management personnel of $21,885 (2019- $204,481).

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, 2020 and 2019.

12. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

		December 31, 2020		December 31, 2019
Acquisition of Tintyava included in exploration and evaluation assets	$	-	$	1,554,424
Acquisition of right-of-use asset		66,631		51,192
Advances reclassified to exploration and evaluation assets		-		306,147
Depreciation capitalized to exploration and evaluation assets		80,847		24,147
Exploration and evaluation assets included in accounts payable		498,872		386,897
Finder's warrants and shares		24,000		133,231
Share-based compensation included in exploration and evaluation assets		130,559		-
Shares issued for interest		432,991		346,392
Interest paid		-		-
Income taxes paid		-		-

(Expressed in Canadian dollars)

13. INCOME TAXES

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

	2020	2019
Loss for the year	$ (2,238,467)	$ (2,608,872)
Expected income tax expense (recovery)	$ (631,000)	$ (704,000)
Change in statutory tax rates and other	228,000	332,000
Permanent differences	25,000	70,000
Share issue costs	(100,000)	(161,000)
Adjustment to prior years provisions versus statutory tax returns and expiry of non-capital losses	(262,000)	130,000
Change in unrecognized deductible temporary differences	740,000	333,000
Total income tax expense (recovery)	$ -	$ -

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

	2020	Expiry dates	2019	Expiry dates
Exploration and evaluation assets	$ 242,000	No expiry date	$ 757,000	No expiry date
Investment tax credit	64,000	2028 to 2032	64,000	2028 to 2032
Property and equipment	14,000	No expiry date	14,000	No expiry date
Share issue costs	807,000	2041 to 2044	712,000	2039 to 2042
Non-capital losses	13,712,000	2022 to 2039	8,540,000	2022 to 2038
Canada	9,912,000	2022 to 2040	7,944,000	2023 to 2038
Bulgaria	3,800,000	2022 to 2025	596,000	2022 to 2023

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

14. FINANCIAL RISK MANAGEMENT

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

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

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

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

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

As at December 31, 2020, the carrying values of receivables and trade and other payables approximate their fair values due to their short terms to maturity. The Company's cash and cash equivalents under the fair value hierarchy is based on level 1 quoted prices in active markets for identical assets or liabilities.

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

14. FINANCIAL RISK MANAGEMENT (cont'd…)

Credit risk

The Company's credit risk is attributable to cash and cash equivalents and receivables. Cash and cash equivalents consist of balances held at reputable financial institutions, from which management believes the risk of loss to be remote. Federal deposit insurance covers balances up to $100,000 in Canada. Management believes that the credit risk concentration with respect to receivables is equal to its carrying value. Receivables comprises amounts due from the Government of Canada and Bulgaria. As at December 31, 2020, the Company's exposure to credit risk is minimal.

Liquidity risk

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

As at December 31, 2020, the Company had a cash balance of $10,543,821 (2019- $3,217,419) to settle current liabilities of $930,602 (2019- $839,285). All the Company's trade and other payables are subject to normal trade terms.

Historically, the Company's sole source of funding has been issuance of shares or convertible debenture. The Company's access to financing is always uncertain. There can be no assurance of continued access to funding. The Company will seek to complete further equity financing to continue its programs on its exploration and evaluation assets.

Market risk

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

a) Interest risk

Interest rate risks is the risk that the fair value of future cash flows from a financial instrument will fluctuate because of changes in market prices. The Company has cash balances, which are exposed to interest rate fluctuations and convertible debentures with fixed interest rate. The Company is not subject to significant exposure to interest rate risk.

b) Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to assets and liabilities that are denominated in United States dollars and Bulgarian Lev. As at December 31, 2020, 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 $49,100 decrease or increase in profit or loss.

d) Price risk

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

15. CAPITAL MANAGEMENT

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

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year ended December 31, 2020.

16. SEGMENT INFORMATION

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

17. SUBSEQUENT EVENTS

a) Convertible Debenture conversion

On March 26, 2021 Convertible Debentures in the aggregate principal of $5,094,000 and accrued interest of $208,784 for a total debt of $5,302,784 were converted to 21,211,136 common shares of the Company.

b) Options and warrants exercises

Subsequent to December 31, 2020, 775,000 stock options and 561,384 share purchase warrants were exercised for gross proceeds of $221,500 and $154,487 respectively.