VELOCITY
MINERALS LTD.

Consolidated Financial Statements

for the years ended on

December 31, 2022 and 2021

(Expressed in Canadian dollars)

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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, 2022 and 2021, 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, 2022 and 2021, 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 audit 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 audit is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matter described below to be the key audit matter to be communicated in our audit report.

Assessment of Impairment Indicators of Exploration and Evaluation Assets ("E&E Assets")

As described in Note 6 to the consolidated financial statements, the carrying amount of the Company's E&E Assets was $24,728,444 as of December 31, 2022. As more fully described in Note 2 to the consolidated financial statements, management assesses E&E Assets for indicators of impairment at each reporting period.

The principal considerations for our determination that the assessment of impairment indicators of the E&E Assets is a key audit matter are that there was judgment made by management when assessing whether there were indicators of impairment for the E&E Assets, specifically relating to the assets' carrying amount which is impacted by the Company's intent and ability to continue to explore and evaluate these assets. This in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures to evaluate audit evidence relating to the judgments made by management in their assessment of indicators of impairment that could give rise to the requirement to prepare an estimate of the recoverable amount of the E&E Assets.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. Our audit procedures included, among others:

- Obtaining an understanding of the key controls associated with evaluating the E&E Assets for indicators of impairment.
- Evaluating management's assessment of impairment indicators.
- Evaluating the intent for the E&E Assets through discussion and communication with management.
- Reviewing the Company's recent expenditure activity and expenditure budgets for future periods.
- Obtaining from legal counsel, confirmation of title to ensure mineral rights underlying the E&E Assets are in good standing.

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Davidson & Company LLP

Vancouver, Canada — Chartered Professional Accountants

April 21, 2023

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

	2022	2021
ASSETS		
Current		
Cash and cash equivalents (Note 3)	**$ 1,067,763**	$ 4,676,562
Receivables (Note 4)	**292,480**	303,006
Lease receivable, current (Note 7)	**26,920**	-
Prepaid expenses	**49,038**	53,667
	1,436,201	5,033,235
Lease receivable, long-term (Note 7)	**47,018**	-
Property and equipment (Note 5)	**295,803**	244,223
Exploration and evaluation assets (Note 6)	**24,728,444**	23,203,534
	$ 26,507,466	$ 28,480,992
LIABILITIES AND EQUITY		
Current		
Trade and other payables (Note 12)	**$ 353,426**	$ 368,479
Lease liabilities, current (Note 7)	**108,408**	61,147
	461,834	429,626
Lease liabilities, long term (Note 7)	**156,652**	44,776
	618,486	474,402
Shareholders' equity		
Share capital (Note 9)	**40,309,367**	40,309,367
Reserves (Note 9)	**2,083,722**	1,711,765
Deficit	**(21,133,013)**	(18,473,479)
	21,260,076	23,547,653
Non-controlling interest (Note 10)	**4,628,904**	4,458,937
	25,888,980	28,006,590
	$ 26,507,466	$ 28,480,992

Nature and continuance of operations (Note 1)
Subsequent events (Note 18)

On behalf of the Board on April 21, 2023

"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,

	2022	2021
EXPENSES		
Consulting	$ 54,587	$ 71,408
Depreciation (Note 5)	40,133	11,244
Investor relations	66,790	120,893
Office	163,492	188,428
Professional fees	564,913	399,772
Project evaluation (Note 11 and 12)	561,605	246,079
Regulatory and transfer agent fees	63,446	65,294
Salaries and benefits (Note 12)	873,900	859,118
Share-based compensation (Note 9 and 12)	246,952	143,932
Travel	90,894	71,802
	(2,726,712)	(2,177,970)
OTHER INCOME (EXPENSES)		
Accretion expense (Note 8)	-	(49,294)
Foreign exchange loss	3,738	(140,720)
Interest expense (Note 7 and 8)	(16,618)	(103,900)
Interest income	26,514	22,400
Other expense	(40,655)	(58,123)
	(27,021)	(329,637)
LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	(2,753,733)	(2,507,607)
Loss and comprehensive loss attributable to:		
Owners of the Company	(2,659,534)	(2,489,966)
Non-controlling interest	(94,199)	(17,641)
	(2,753,733)	(2,507,607)
Loss per common share		
-Basic and diluted	$ (0.02)	$ (0.02)
Weighted average number of common shares outstanding		
-Basic and diluted	160,278,919	153,434,269

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

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

	Share capital												
	Number of common shares		**Amount**		**Reserves**		**Equity component of convertible debenture**		**Non-controlling interest**		**Deficit**		**Total**
Balance, December 31, 2020	**135,374,015**	**$**	**33,738,027**	**$**	**1,601,716**	**$**	**1,106,812**	**$**	**3,365,289**	**$**	**(15,983,513)**	**$**	**23,828,331**
Shares issued on conversion of debentures – principal and interest	21,211,136		5,574,477		-		(1,106,812)		-		-		4,467,665
Stock option exercises	775,000		347,365		(125,865)		-		-		-		221,500
Warrant exercises	2,918,768		649,498		(23,533)		-		-		-		625,965
Share-based compensation	-		-		259,447		-		-		-		259,447
Change in net assets of Tintyava Exploration AD	-		-		-		-		1,111,289		-		1,111,289
Loss and comprehensive loss	-		-		-		-		(17,641)		(2,489,966)		(2,507,607)
Balance, December 31, 2021	**160,278,919**	**$**	**40,309,367**	**$**	**1,711,765**	**$**	**-**	**$**	**4,458,937**	**$**	**(18,473,479)**	**$**	**28,006,590**
Share-based compensation	-		-		371,957		-		-		-		371,957
Change in net assets of Tintyava Exploration AD	-		-		-		-		264,166		-		264,166
Loss and comprehensive loss	-		-		-		-		(94,199)		(2,659,534)		(2,753,733)
Balance, December 31, 2022	**160,278,919**	**$**	**40,309,367**	**$**	**2,083,722**	**$**	**-**	**$**	**4,628,904**	**$**	**(21,133,013)**	**$**	**25,888,980**

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

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

	Year ended December 31, 2022	Year ended December 31, 2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	**$ (2,753,733)**	$ (2,507,607)
Adjustments for:		
Accretion expense	**-**	49,294
Depreciation	**40,133**	11,244
Depreciation included in project evaluation	**14,007**	-
Foreign exchange gain, unrealised	**(1,451)**	-
Interest expense, non-cash	**-**	100,536
Share-based compensation	**246,952**	143,932
Lease receivable interest	**(5,956)**	-
Lease liability interest	**16,618**	2,797
Interest income	**(26,514)**	(22,400)
Changes in non-cash working capital items:		
Receivables	**18,690**	(41,002)
Prepaid expenses	**4,629**	98,586
Trade and other payables	**134,459**	(163,631)
Net cash used in operating activities	**(2,312,166)**	(2,328,251)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from issuance of common shares	**-**	847,465
Non-controlling interest – equity contributions	**264,166**	1,111,289
Lease payments received	**15,000**	-
Lease payments	**(90,020)**	(56,300)
Net cash provided by financing activities	**189,146**	1,902,454
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**18,350**	23,139
Exploration and evaluation assets	**(1,493,810)**	(5,405,872)
Acquisition of property and equipment	**(10,319)**	(58,729)
Net cash used in investing activities	**(1,485,779)**	(5,441,462)
Change in cash and cash equivalents during the year	**(3,608,799)**	(5,867,259)
Cash and cash equivalents, beginning of year	**4,676,562**	10,543,821
Cash and cash equivalents, end of year	**$ 1,067,763**	$ 4,676,562

Cash	**$ 552,296**	$ 848,395
Cash equivalents	**430,367**	3,766,575
Restricted cash	**85,100**	61,592
	$ 1,067,763	$ 4,676,562

Supplemental disclosure with respect to cash flows (Note 13)

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 890 - 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.

As at December 31, 2022, the Company has working capital of $974,367 (2021 - $4,603,609), including restricted cash of $85,100 (December 31, 2021 - $61,592) and an accumulated deficit of $21,133,013 (2021 - $18,473,479).

These consolidated financial statements have been prepared under the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company has incurred losses from inception, expects to incur further losses in the development of its business, and does not currently have financial resources to sustain operations in the long term. The ability to continue as a going concern remains dependent upon the Company's ability to obtain the financing necessary to successfully explore and evaluate its mineral properties and, ultimately, to achieve profitable operations. There is no assurance, however, that future financings will be available on favourable terms. An inability to raise additional financing may impact the future assessment of the Company as a going concern. These material uncertainties may cast significant doubt about the Company's ability to continue as a going concern.

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. Such adjustments could be material.

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	
		2022	2021
Velocity Exploration Ltd. ("Velocity Exploration")	Canada	100%	100%
Kibela Minerals AD ("Kibela")	Bulgaria	100%	100%
Kabiri Minerals EOOD ("Kabiri")	Bulgaria	100%	100%
Tintyava Exploration AD ("Tintyava")	Bulgaria	70%	70%
Tintyava AgriBio EOOD ("Tintyava AgriBio")	Bulgaria	70%	70%
Tethyan Exploration EOOD ("Tethyan")	Bulgaria	100%	100%
Balkan Minerals Development EOOD ("BMD")	Bulgaria	100%	100%
Velocity Minerals Holdings Ltd.	Malta	-	100%
Velocity Minerals Malta Ltd.	Malta	-	100%

The Company established its subsidiary Tethyan in 2020 and Tintyava AgriBio in 2021; effective March 2, 2021, the Company acquired 100% of BMD, which holds the exploration and evaluation permit for Iglika property (Note 6 (e)). Velocity Minerals Holding Ltd, and Velocity Minerals Malta Ltd. were wound up on February 10, 2022.

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 restricted cash and 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 and vehicles	Straight-line	3-5 years
Computers and software	Straight-line	1-3 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. 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 and the Company's board of directors have approved a construction decision, 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.

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Leases (cont'd…**)**

Right-of-use assets, which are included in property and equipment, are recognized at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs and decommissioning and restoration costs, less any lease incentives received. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

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 years presented.

Leases for which the Company is a lessor, are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

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 of grant.

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.

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 that are not contingent consideration of an acquirer in a business combination, held for trading, or designated as at FVTPL, are measured at amortized cost using the effective interest method. 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.

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.

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.

Share-based payments

The Company has an employee stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to reserves. The fair value of options is determined using a Black–Scholes option pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. The proceeds received, net of any directly attributable transaction costs, are credited to share capital when the options are exercised.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

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.

Non-controlling interest

Non-controlling interest in the Company's less than wholly owned subsidiary is classified as a separate component of equity. On initial recognition, non-controlling interests are measured at their proportionate share of the acquisition date fair value of identifiable net assets of the related subsidiary acquired by the Company. Subsequent to the original transaction date, adjustments are made to the carrying amount of non-controlling interest for the non-controlling interest's share of changes to the subsidiary's equity.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are recorded as equity transactions. The carrying amount of non-controlling interest is adjusted to reflect the change in the non-controlling interest's relative interest in the subsidiary, and the difference between the adjustment to the carrying amount of non-controlling interests and the Company's share of proceeds received and/or consideration paid is recognized directly in equity and attributed to owners of the Company.

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 and estimation uncertainty 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 Balkan Minerals Development OOD (Note 6 (e)) was an asset acquisition.

Carrying amounts of value added taxes receivable
Management applies judgement in determining the possible outcome of appeals when there is uncertainty in collection of VAT receivables (Note 4).

Income taxes
The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and deferred income tax provisions or recoveries could be affected. To the extent that any of management's assumptions change, there could be a significant impact on the Company's future financial position, profit or loss and cash flows.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Critical accounting estimates and judgements (cont'd…)

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 viable 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.

Lease
The right of use assets and liabilities are measured at the present value of future lease payments discounted using the rate implicit in the lease or incremental borrowing rate for the Company if the rate implicit in the lease is not readily determined. These assumptions will impact the valuation of right of use assets and liabilities and leases receivable and finance cost and income.

Share-based payments
Share-based payments are determined using the Black-Scholes option pricing model based on estimated fair values of all share-based awards at the date of grant and are expensed to net loss over each award's vesting period. The Black-Scholes option pricing model utilizes subjective assumptions such as expected price volatility and expected life of the option/warrant. Changes in these input assumptions can significantly affect the fair value estimate.

3. CASH AND CASH EQUIVALENTS

	December 31, 2022	December 31, 2021
Cash and cash equivalents held with banks in Canadian dollars	$ 475,697	$ 3,879,495
Cash and restricted cash held with banks in foreign currencies	592,066	797,067
Total	$ 1,067,763	$ 4,676,562

4. RECEIVABLES

	December 31, 2022	December 31, 2021
Receivables and other	$ 18,063	$ 819
Value added taxes receivable	274,417	302,187
Total	$ 292,480	$ 303,006

The Company's subsidiary Kibela has a VAT Receivable of $253,759 (BGN 341,717) that relates to a VAT claim from 2021. The VAT claim was rejected by Bulgarian authorities on February 10, 2023. The Company appealed the decision on March 20, 2023, and is confident the appeal will be accepted, and the funds received in full.

(Expressed in Canadian dollars)

5. PROPERTY AND EQUIPMENT

	Right-of-use assets	Equipment and vehicles	Computers and software	Total
Costs				
Balance at December 31, 2020	$ 117,823	$ 54,678	$ 82,734	$ 255,235
Additions	96,168	28,779	29,950	154,897
Balance at December 31, 2021	213,991	83,457	112,684	410,132
Additions	151,008	5,388	4,931	161,327
Transfers	(40,020)	40,020	-	-
Balance at December 31, 2022	324,979	128,865	117,615	571,459
Accumulated depreciation				
Balance at December 31, 2020	$ (46,777)	$ (21,031)	$ (37,186)	$ (104,994)
Additions	(17,476)	(5,665)	(37,774)	(60,915)
Balance at December 31, 2021	(64,253)	(26,696)	(74,960)	(165,909)
Additions	(63,730)	(21,274)	(24,743)	(109,747)
Transfers	32,674	(32,674)	-	-
Balance at December 31, 2022	(95,309)	(80,644)	(99,703)	(275,656)
Book value, December 31, 2021	$ 149,738	$ 56,761	$ 37,724	$ 244,223
Book value, December 31, 2022	**229,670**	**48,221**	**17,912**	**295,803**

The Company recognized right-of-use assets in respect to vehicles leases and site office lease in Bulgaria, and a right-of-use asset for a 3-year lease of office space in Canada that commenced on August 1, 2022 (Note 7).

During the year ended December 31, 2022, the Company capitalized $55,607 (2021 - $49,671) of depreciation to exploration and evaluation assets, included in line-item Field and vehicles (Note 6(g)), and included $14,007 of depreciation in project evaluation expense, included in line-item Field and vehicles (2021 - $nil).

6. EXPLORATION AND EVALUATION ASSETS

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

a) Tintyava Property – Bulgaria

On July 19, 2017, the Company, through its subsidiary Kibela, entered into an Option Agreement whereby the Company was granted an option by Gorubso-Kardzhali AD ("Gorubso") to acquire an undivided 70% legal and beneficial interest in Tintyava, 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 make the payment of a tender fee of 360,000 BGN ($266,760) to the Ministry of Energy of the Republic of Bulgaria and deliver an NI 43-101 preliminary economic assessment on the Tintyava Property. During 2019, the Company met the obligations of the Option Agreement and exercised its option to acquire an undivided 70% interest in the Tintyava property. As a result, on March 1, 2019, shares of Tintyava, representing 70% ownership by the Company, were 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.

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

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.

On November 16, 2021, the Company announced that it had met its obligation under the option agreement and had exercised its option and is deemed to have earned a 70% interest in the Nadezhda project and to be in joint venture with Gorubso for the further development of the Nadezhda project. As at December 31, 2022 the joint venture entity had not been formed.

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 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 term of the agreement is six years.

On June 23, 2021, the Company announced that it had met its obligation under the option agreement and had exercised its option and is deemed to have earned a 70% interest in the Momchil project and to be in joint venture with Gorubso for the further development of the Momchil project. As at December 31, 2022 the joint venture entity had not been formed.

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 the Iglika gold-copper property ("Iglika") through acquiring all of the issued and outstanding shares of BMD.

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.

The acquisition was accounted for as an asset acquisition. No value was ascribed to the Option Royalty due to the early stage of exploration. There were insignificant assets or liabilities transferred, other than the mineral property.

f) Dangovo Property – Bulgaria

The Dangovo property was acquired by staking and the prospecting license contract with the Ministry of Energy entered into force in late 2022, after the approval of the 3-year work program was received. All costs incurred before the effective date of the contract, August 23, 2022, with the Ministry of Energy were expensed within project evaluation.

The Dangovo property is contiguous with the Company's Nadezhda property (Makedontsi project), where a historical resource is registered with the Bulgarian State. Dangovo was acquired to explore for potential extensions of known gold mineralization at Makedontsi project.

(Expressed in Canadian dollars)

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

g) Exploration and evaluation assets continuity

	Tintyava	Nadezhda	Momchil	Iglika	Total
	$	$	$	$	$
Acquisition costs					
Balance, December 31, 2021	2,097,757	6,635	1,384	146,132	2,251,908
Additions – legal and claim fees	5,568	102,034	40,697	1,029	149,328
Balance, December 31, 2022	**2,103,325**	**108,669**	**42,081**	**147,161**	**2,401,236**
Exploration and evaluation					
Balance, December 31, 2021	13,307,608	655,365	5,462,854	1,525,799	20,951,626
Community relations	32,734	-	-	8,473	41,207
Drilling and assays	-	-	-	211,237	211,237
Metallurgy, engineering, environmental studies	196,908	-	-	-	196,908
Field and vehicles	171,614	-	-	72,799	244,413
Geological consulting and other	149,216	-	6,194	37,453	192,863
Geochemistry	1,363	-	-	634	1,997
Salaries	241,626	-	-	120,326	361,952
Share-based compensation	46,828	11,916	17,572	48,689	125,005
	840,289	11,916	23,766	499,611	1,375,582
Balance, December 31, 2022	**14,147,897**	**667,281**	**5,486,620**	**2,025,410**	**22,327,208**
Balance, December 31, 2022	**16,251,222**	**775,950**	**5,528,701**	**2,172,571**	**24,728,444**

	Tintyava	Nadezhda	Momchil	Iglika	Total
	$	$	$	$	$
Acquisition costs					
Balance, December 31, 2020	2,040,270	1,384	1,384	106,952	2,149,990
Additions – legal and claim fees	57,487	5,251	-	39,180	101,918
Balance, December 31, 2021	**2,097,757**	**6,635**	**1,384**	**146,132**	**2,251,908**
Exploration and evaluation					
Balance, December 31, 2020	9,997,944	402,984	4,690,197	660,556	15,751,681
Community relations	18,129	-	-	24,610	42,739
Drilling and assays	1,951,090	131,903	469,382	4,926	2,557,301
Feasibility study	79,865	12,684	27,931	-	120,480
Field and vehicles	281,409	15,646	45,003	96,619	438,677
Geological consulting and other	247,645	32,148	73,662	308,676	662,131
Geochemistry	61,949	-	20,296	67,367	149,612
Geophysics	1,740	-	-	101,043	102,783
Reclamation	46,782	-	-	-	46,782
Salaries	595,750	59,368	135,751	173,056	963,925
Share-based compensation	25,305	632	632	88,946	115,515
	3,309,664	252,381	772,657	865,243	5,199,945
Balance, December 31, 2021	**13,307,608**	**655,365**	**5,462,854**	**1,525,799**	**20,951,626**
Balance, December 31, 2021	**15,405,365**	**662,000**	**5,464,238**	**1,671,931**	**23,203,534**

(Expressed in Canadian dollars)

7. LEASES

Lease liabilities

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 5). In addition, the Company recognized ROU assets in respect to long-term site office lease in Bulgaria (Note 5) and, during the year ended December 31, 2022, the Company recognized a long-term head office lease in Canada (Note 5). The Company is utilizing an incremental borrowing rate in the range of 5% to 18% for calculating site office lease liabilities and ROU assets and implicit interest rates in the range of 2.22%-2.90% for vehicles lease liabilities and ROU assets.

Lease liabilities	**December 31, 2022**	**December 31, 2021**
Opening balance	$ 105,923	$ 68,620
Additions	233,990	96,168
Lease payments	(90,020)	(56,300)
Lease interest	16,618	2,797
Foreign exchange	(1,451)	(5,362)
Ending balance	$ 265,060	$ 105,923
Current portion	$ 108,408	$ 61,147
Long-term portion	156,652	44,776
	$ 265,060	$ 105,923

Lease liabilities *Contractual undiscounted cash flows:*	**December 31, 2022**	**December 31, 2021**
Less than one year	$ 140,265	$ 62,675
One to five years	177,904	57,043
Total undiscounted lease liabilities	$ 318,169	$ 119,718

During the year ended December 31, 2022, the Company expensed $52,934 (2021 - $55,696) in short term and low value leases.

Lease receivable

The Company lease receivable for the years ended December 31, 2022 and 2021 are as follows:

	December 31, 2022
Opening balance	$ -
Additions	82,982
Accretion	5,956
Payments received	(15,000)
Ending balance	$ 73,938
Current portion	26,920
Long-term portion	47,018
	$ 73,938

Lease receivable is in respect to an office sub-lease agreement that the Company entered into effective August 1, 2023 with a related party (Note 12).

The Company fair valued the lease receivable by present valuing the expected lease receivable payments over the life of the lease (3 years), utilizing an incremental borrowing rate of 18%. Minimum undiscounted sublease payments receivable are: $36,000 during 2023 and $57,000 for the remaining period to the end of the lease.

(Expressed in Canadian dollars)

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-annually, convertible into common shares at $0.25 per share, with a maturity date of March 14, 2024. On March 26, 2021, all of the Company's Convertible Debentures with a carrying value of $4,258,883 (aggregate principal of $5,094,000) and accrued interest of $208,782 for the period October 1, 2020 to March 26, 2021, were converted to 21,211,136 common shares of the Company. For the year ended December 31, 2022 the Company incurred $nil (2021 - $103,900) in interest expense and $nil (2021 - $49,294) in accretion expense.

9. SHARE CAPITAL AND RESERVES

Authorized share capital

Unlimited number of common shares without par value and an unlimited number of preferred shares without par value.

Issued share capital

Year ended December 31, 2022

There were no share issuances during the year ended December 31, 2022.

Year ended December 31, 2021

On March 26, 2021, the Company issued 21,211,136 common shares of the Company on the conversion of Convertible Debentures with a carrying value of $4,258,883 (aggregate principal of $5,094,000) and accrued interest of $208,782.

During the year ended December 31, 2021 the Company issued 775,000 common shares pursuant to stock options exercises for aggregate gross proceeds of $221,500, and in connection with this, the Company transferred $125,865 from reserves to share capital. In addition, the Company issued 2,918,768 shares for gross proceeds of $625,965 pursuant to warrants exercises and in connection with this, the Company transferred $23,533 from reserves to share capital.

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, 2022, 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
860,000	571,040	$0.48	August 11, 2025	2.6
1,186,000	590,628	$0.45	May 12, 2026	3.4
4,280,000	710,480	$0.30	May 31, 2027	4.4
200,000	-	$0.25	August 16, 2027	4.6
6,526,000	1,872,148	$0.35		4.0

(Expressed in Canadian dollars)

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

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
As at December 31, 2020	7,580,000	$ 0.35
Granted	1,204,000	0.45
Cancelled	(200,000)	0.35
Exercised	(775,000)	0.29
Expired	(1,150,000)	0.42
Forfeited	(5,000)	0.48
As at December 31, 2021	6,654,000	$ 0.37
Granted	4,550,000	0.30
Expired	(4,300,000)	0.32
Forfeited	(378,000)	0.38
As at December 31, 2022	**6,526,000**	**$ 0.35**

The Company recognized share-based compensation as follows:

	December 31, 2022	December 31, 2021
Included in statement of loss and comprehensive loss	$ 246,952	$ 143,932
Included in exploration and evaluation assets	125,005	115,515
Total share-based compensation expense	$ 371,957	$ 259,447

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

	December 31, 2022	December 31, 2021
Expected life of options (years)	4.00	4.00
Annualized volatility	64%	93%
Dividend rate	-	-
Risk-free rate	2.71%	0.79%
Forfeiture rate	0%	0%
Weighted average exercise price per option	$ 0.30	$ 0.45
Weighted average fair value per option granted	$ 0.12	$ 0.30

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, 2020	19,456,812	$ 0.25
Exercised	(2,918,768)	0.21
Expired	(7,238,044)	0.55
As at December 31, 2021	9,300,000	$ 0.25
Expired	(9,300,000)	0.25
As at December 30, 2022	-	$ -

(Expressed in Canadian dollars)

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, 2022 and 2021, 30% of the net assets of the Company's consolidated subsidiary, Tintyava, which holds the Tintyava mineral property and Tintyava AgriBio, were attributable to its non-controlling interest.

The following is summarized financial information of the consolidated subsidiaries 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, 2022		December 31, 2021
Total loss and comprehensive loss	$	(313,997)	$	(58,803)
Total loss and comprehensive loss allocated to NCI		(94,199)		(17,641)

		December 31, 2022		December 31, 2021
Current assets	$	296,524	$	381,613
Non-current assets		15,626,936		15,023,645
Current liabilities		(474,588)		(517,992)
Non-current liabilities		(19,193)		(24,143)
Net assets		15,429,679		14,863,123
Net assets attributable to NCI	$	4,628,904	$	4,458,937

During the year ended December 31, 2022, the NCI partner made contributions of $264,166 (2021 - $1,111,289) in cash in the capital of Tintyava, which represented 30% of the capital increase of Tintyava for the period.

11. PROJECT EVALUATION

				Year ended December 31
		2022		2021
Field and vehicles	$	26,240	$	6,064
Geological consulting and other (Note 12)		268,098		122,062
Geochemistry		2,782		-
Permit application fees		13,398		1,255
Salaries		251,087		116,698
	$	**561,605**	**$**	**246,079**

Field and vehicles expense includes depreciation expense of $14,007 for the year ended December 31, 2022 (2021 - $nil).

12. 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.

(Expressed in Canadian dollars)

12. RELATED PARTY TRANSACTIONS (Cont'd...)

Key management

Key management compensation for the years ended December 31, 2022 and 2021 is presented below:

		December 31, 2022		December 31, 2021
Short-term benefits paid or accrued:				
Consulting fees[1]	$	288,750	$	470,799
Salaries, benefits and directors' fees[2]		542,219		573,822
		830,969		1,044,621
Share-based payments:				
Share-based payments		189,144		114,831
Total remuneration	$	1,020,113	$	1,159,452

[1]$154,365 of consulting fees was included in exploration and evaluation assets (Note 6 (f)) and $134,385 in property evaluation (2021 - $342,673 and $128,126 respectively), within line-item Geological consulting and other.

[2]Includes $18,462 of termination benefits (2021- $nil)

As at December 31, 2022, the Company had $nil included in trade and other payables due to key management personnel (2021- $21,490).

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, 2022 and 2021, except as disclosed in sub-note 2 of the table above.

Related party

Effective August 1, 2022, the Company entered into an office sub-lease agreement with a term of three years, with Latin Metals Inc. ("Latin Metals"). The Company and Latin Metals share a common officer and director. Prior to this agreement, the Company was reimbursed by Latin Metals for office rent on a month-to-month basis with no fixed term commitment.

		December 31, 2022		December 31, 2021
Rent	$	29,000	$	18,000

13. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

		December 31, 2022		December 31, 2021
Acquisition of right-of-use asset	$	158,225	$	96,168
Depreciation capitalized to exploration and evaluation assets		62,824		49,671
Exploration and evaluation assets included in trade and other payables		80,165		229,677
Share-based compensation included in exploration and evaluation assets		125,005		115,515
Shares issued for interest		-		208,782
Interest paid		937		2,797
Income taxes paid		-		-

(Expressed in Canadian dollars)

14. INCOME TAXES

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

		December 31, 2022		December 31, 2021
Loss for the year	$	(2,753,733)	$	(2,507,607)
Expected income tax expense (recovery)	$	(744,000)	$	(677,000)
Change in statutory tax rates and other		147,000		(146,000)
Permanent differences		222,000		272,000
Share issue costs		-		-
Adjustment to prior years provisions versus statutory tax returns and expiry of non-capital losses		(4,000)		(31,000)
Change in unrecognized deductible temporary differences		343,000		582,000
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:

		2022	Expiry dates		2021	Expiry dates
Exploration and evaluation assets	$	-	No expiry date	$	-	No expiry date
Investment tax credit		64,000	2027 to 2031		64,000	2027 to 2031
Property and equipment		24,000	No expiry date		21,000	No expiry date
Share issue costs		284,000	2042 to 2044		519,000	2042 to 2044
Non-capital losses		18,887,000			16,974,000	
Canada		14,110,000	2023 to 2042		12,234,000	2022 to 2041
Bulgaria		4,777,000	2023 to 2027		4,740,000	2022 to 2026

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

15. 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.

As at December 31, 2022, 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:

15. 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 of December 31, 2022, the Company's exposure to credit risk in Canada is minimal. As of December 31, 2022 the Company is exposed to credit risk in Bulgaria in respect to the full amount of value-added tax receivable that is currently under appeal (Note 4).

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 of December 31, 2022, the Company had a cash and cash equivalents balance of $1,067,763 (2021- $4,676,562) to settle current liabilities of $461,834 (2021- $429,626). All of 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. 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, 2022, 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 $33,300 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.

16. 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, 2022.

17. 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, with the exception of a right-of-use-asset with a carrying balance of $130,476 in respect to an office lease in Canada.

18. SUBSEQUENT EVENTS

a) Zlatusha Property option agreement

The Company entered into a binding letter agreement with Zelenrok EOOD ("Zelenrok"), a wholly-owned subsidiary of Raiden Resources Limited (collectively with Zelenrok, "Raiden"), on January 23, 2023, as amended on April 10, 2023, whereby the Company has been granted an exclusive option to acquire, in two stages, up to a 75% interest in and to the prospecting and exploration license Zlatusha copper-gold property ("Zlatusha") located in Bulgaria. The Option consists of a first option to acquire up to a 51% interest (the "First Option") and a second option (the "Second Option") to acquire an additional 24% (aggregate 75%) interest in and to the property.

To exercise the First Option and acquire a 51% interest in the Property, the Company must fulfill the following requirements within a period of three years: (i) make cash payments in the aggregate amount of $250,000; (ii) make payments in the aggregate amount of $300,000, payable in cash or common shares of the Company, of which $220,000 is payable within 10 business days of the commencement date and are to be paid in shares; (iii) complete 28,000m of drilling on the Property; (iv) deliver an Inferred Mineral Resource estimate on a deposit on the Property prepared in accordance with National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101");

To exercise the Second Option and acquire an additional 24% interest in the Property (for an aggregate of 75%), the Company must fulfill the following requirements within a period of two years after exercising the First Option: (i) make cash payments in the aggregate amount of $350,000; (ii) make payments in the aggregate amount of $100,000, payable in cash or common shares of the Company ; (iii) complete 12,000m of drilling on the Property; (iv) deliver a Preliminary Economic Assessment on a deposit on the Property prepared in accordance with NI 43-101.

The Company cannot terminate the First Option prior to having completed 3,000m of drilling on or prior to September 23, 2024. The Company will be under no obligation to fulfill any other of the earn-in requirements, which will be at the sole discretion of the Company.

b) Non-brokered private placement

On March 29, 2023, the Company closed its previously announced non-brokered private placement by the issuance of 10,000,000 units of the Company priced at $0.15 per unit for total gross proceeds of $1,500,000. 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 share at a price of $0.25 per share for a period of 18 months.

In connection with the Financing, the Company paid finder's fees consisting of $28,000 in cash and issued 186,666 non-transferable finder's warrants. Each finder's warrant entitles the holder thereof to purchase one common share in the capital of the Company at a price of $0.15 per share for a period of 12 months.