

VELOCITY MINERALS LTD.

Condensed interim consolidated financial statements

Nine months ended March 31, 2017

(Expressed in Canadian dollars)

(Unaudited – prepared by Management)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

"D. Barry Lee"

D. Barry Lee
Chief Financial Officer

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

	Note	March 31, 2017	June 30, 2016
ASSETS			
Current Assets			
Cash		\$ 255,063	\$ 2,405
Receivables	5	788	839
TOTAL CURRENT ASSETS		255,851	3,244
TOTAL ASSETS		\$ 255,851	\$ 3,244
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	7	\$ 20,913	\$ 778,982
Due to related parties	10	-	23,843
TOTAL LIABILITIES		20,913	802,825
SHAREHOLDERS' DEFICIENCY			
Share capital	9	6,444,756	5,607,997
Share subscriptions received	9	250,000	10,000
Share-based payment reserve	9	1,145,310	1,145,310
Accumulated deficit		(7,605,128)	(7,562,888)
TOTAL EQUITY		234,938	(799,581)
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		\$ 255,851	\$ 3,244

Nature and continuance of operations (Note 1)

Proposed transaction (Note 14)

On behalf of the Board:

“Joseph Martin” Director

“Paul Larkin” Director

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

VELOCITY MINERALS LTD.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND
COMPREHENSIVE LOSS
(Expressed in Canadian dollars)

		Three Months Ended March 31,		Nine Months Ended March 31,	
	Note	2017	2016	2017	2016
EXPENSES					
Bank charges and interest		636	73	830	340
Filing and transfer agent fees		6,771	4,714	14,738	19,064
Office and administration	10	8,988	7,733	24,127	16,029
Office rent	10	-	-	-	4,000
Professional fees		-	-	2,545	30,416
Total expenses		(16,395)	(12,520)	(42,240)	(69,849)
OTHER ITEMS					
Gain (Loss) on sale of marketable securities	4	-	-	-	(65)
Gain on settlement of accounts payable	7	-	-	-	69,348
Total other items		-	-	-	69,283
Comprehensive and net income (loss)		\$ (16,395)	\$ (12,520)	\$ (42,240)	\$ (566)
Basic and diluted loss per share		\$ (0.00)	\$ (0.01)	\$ (0.00)	\$ (0.00)
Weighted average number of shares outstanding, basic and diluted		15,928,237	1,928,324	14,548,675	1,535,597

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

VELOCITY MINERALS LTD.**CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (DEFICIENCY)**

Expressed in Canadian dollars

	<u>Common shares</u>						
	Number of shares	Share capital	Share subscriptions received	Share-based payment reserve	Deficit	Total	
Balance, June 30, 2015	7,283,243	\$ 5,547,997	\$ -	\$ 1,145,310	\$ (7,539,222)	\$ (845,915)	
Private placement financing	12,000,000	60,000	-	-	-	60,000	
Share consolidation	(17,355,006)	-	-	-	-	-	
Net income for the period	-	-	-	-	(566)	(566)	
Balance, March 31, 2016	1,928,237	5,607,997	-	1,145,310	(7,539,788)	(786,481)	
Share subscriptions received	-	-	10,000	-	-	10,000	
Net loss for the period	-	-	-	-	(23,100)	(23,100)	
Balance, June 30, 2016	1,928,237	5,607,997	10,000	1,145,310	(7,562,888)	(799,581)	
Private placement financing	14,000,000	840,000	-	-	-	840,000	
Share issue costs	-	(3,241)	-	-	-	(3,241)	
Share subscriptions received	-	-	240,000	-	-	240,000	
Net loss for the period	-	-	-	-	(42,240)	(42,240)	
Balance, March 31, 2017	15,928,237	\$ 6,444,756	\$ 250,000	\$ 1,145,310	\$ (7,605,128)	\$ 234,938	

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

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

	Nine Months Ended March 31,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) for the period	\$ (42,240)	\$ (566)
Items not affecting cash		
Gain on settlement of accounts payable	-	(69,348)
Loss on sale of marketable securities	-	65
Changes in non-cash working capital items:		
(Increase) decrease in receivables	51	2,660
Decrease in accounts payable and accrued liabilities	(758,069)	(5,609)
Decrease in due to related parties	(23,843)	-
Cash used in operating activities	(824,101)	(72,798)
CASH FLOWS FROM INVESTING ACTIVITIES		
Refund of reclamation bond	-	25,000
Sale of marketable securities	-	1,935
Cash provided by investing activities	-	26,935
CASH FLOWS FROM FINANCING ACTIVITIES		
Share capital issued	830,000	60,000
Share subscriptions received in advance	250,000	
Share issue costs	(3,241)	-
Cash provided by financing activities	1,076,759	60,000
Increase in cash during the period	252,658	14,137
Cash, beginning of the period	2,405	330
Cash, end of the period	\$ 255,063	\$ 14,467

Supplemental disclosure with respect to cash flows (Note 13)

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

VELOCITY MINERALS LTD.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars and unaudited – prepared by management)

For the nine months ended March 31, 2017

1. NATURE AND CONTINUANCE OF OPERATIONS

Velocity Minerals Ltd. (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 530 - 625 Howe Street, Vancouver, BC V6C 2T6. The common shares of the Company trade on the NEX level of the TSX Venture Exchange with the symbol “VLC.H”. In November 2015, the Company consolidated its share capital on a 10 to 1 basis. All share and per share amounts have been retroactively restated to reflect the consolidation.

The Company has not yet determined whether the properties contain mineral reserves that are economically recoverable and has no current plans to perform any exploration work on its properties.

These condensed interim consolidated financial statements have been prepared using accounting principles applicable to a going-concern which assumes the Company will continue in operation for the foreseeable future and 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 since inception and the ability of the Company to continue as a going-concern depends upon its ability to continue to raise adequate financing. These matters and conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. Management is continually targeting sources of additional financing through alliances with financial, exploration and mining entities, or other business and financial transactions to ensure continuation of the Company’s operations and exploration programs.

The condensed interim consolidated financial statements were authorized for issue on May 16, 2017 by the Board of Directors of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These condensed interim consolidated financial statements of the Company for the nine months ended March 31, 2017 have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, “Interim Financial Reporting” (“IAS 34”). Accordingly, these condensed interim financial statements follow the same accounting principles and methods of application as the annual financial statements for the year ended June 30, 2016 but may condense or omit certain disclosures that otherwise would be present in annual financial statements prepared in accordance with IFRS. These financial statements should therefore be read in conjunction with the annual financial statements for the year ended June 30, 2016. Results for the period ended March 31, 2017 are not necessarily indicative of future results.

Basis of Presentation

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board effective as of June 30, 2016.

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified at fair value through profit and loss, which are stated at their fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and its subsidiaries is the Canadian dollar, which is also the reporting currency of the Company. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21.

VELOCITY MINERALS LTD.**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian dollars and unaudited – prepared by management)

For the nine months ended March 31, 2017

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)*Principles of consolidation*

These condensed interim consolidated financial statements include the accounts of the Company and its subsidiaries. Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to directly or indirectly govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account in the assessment of whether control exists. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date on which control ceases.

These condensed interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Velocity Exploration Ltd., incorporated in the province of British Columbia, and Velocity USA Ltd., a holding company incorporated under the laws of the state of Nevada, U.S.A. In March 2016, the Company sold Velocity USA Ltd. for \$1 to an arm's length party.

All inter-company balances and transactions have been eliminated upon consolidation.

3. NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET EFFECTIVE

As at the date of these financial statements, the following standard has not been applied in these financial statements:

The completed version of IFRS 9, *Financial Instruments*, was issued in July 2014. The completed standard provides for revised guidance on the classification and measurement of financial assets. It also introduces a new expected credit loss model for calculating impairment for financial assets. The new hedging guidance that was issued in November 2013 is incorporated into this new final standard. This final version of IFRS 9 will be effective for periods beginning on or after January 1, 2018, with early adoption permitted.

4. MARKETABLE SECURITIES

Marketable securities consisted of common shares a company listed on the TSX Venture Exchange with a quoted market value of \$2,000. The Company sold the shares in August 2015 and received net proceeds of \$1,935.

5. RECEIVABLES

	March 31, 2017	June 30, 2016
GST receivable	\$ 788	\$ 839

VELOCITY MINERALS LTD.**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian dollars and unaudited – prepared by management)

For the nine months ended March 31, 2017

6. EXPLORATION AND EVALUATION ASSETS

No expenditures were incurred on the Company's exploration and evaluations assets during the nine months ended March 31, 2017 or the year ended June 30, 2016.

Title to mineral property interests 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 characteristics of many mineral claims. The Company has investigated title to all of its mineral property interests and, to the best of its knowledge, title to all of its interests are in good standing. The mineral properties in which the Company has committed to earn an interest are located in Canada.

Mt. Haskin

The Company holds a 100% interest in the Mt. Haskin property, which is located in the Cassiar District of Liard Mining Division in northwestern British Columbia, Canada. The claims are subject to a 3% net smelter return ("NSR") royalty, which may be acquired by the Company for a cash payment of \$1,500,000. The Company has maintained its title to these claims but has no current plans to perform any exploration work on them.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2017	June 30, 2016
Accounts payable	\$ 10,913	\$ 768,343
Accrued liabilities	-	10,639
	<u>\$ 10,913</u>	<u>\$ 778,982</u>

In August 2015, the Company settled \$110,348 of outstanding payables with various vendors for the sum of \$41,000 cash resulting in a gain of \$69,348. In August 2015, \$584,485 in amounts due to related parties was assigned to arm's length parties to facilitate the reactivation of the Company. This amount was reclassified to accounts payable at that time.

8. BASIC AND DILUTED LOSS PER SHARE

The calculation of basic and diluted loss per share for the nine months ended March 31, 2017 was based on the loss attributable to common shareholders of \$42,240 (2015 – Income of \$11,955) and the weighted average number of common shares outstanding of 14,548,675 (2015 – 1,341,368). See Note 10.

9. SHARE CAPITAL***Authorized share capital***

Unlimited number of common shares without par value.

On November 18, 2015, the Company consolidated its share capital on a 10 to 1 basis. All share and per share amounts have been retroactively restated to reflect the consolidation.

As at March 31, 2017, there were 15,928,237 (June 30, 2016 – 1,928,237) common shares issued and outstanding.

VELOCITY MINERALS LTD.**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian dollars and unaudited – prepared by management)

For the nine months ended March 31, 2017

9. SHARE CAPITAL (cont'd)***Share issuances – Nine months ended March 31, 2017***

In August 2016, the Company completed a non-brokered private placement (the “Private Placement”). The Company raised gross proceeds of \$840,000 through the issuance of 14,000,000 units (“Unit”) at a price of \$0.06 per Unit. Each Unit consisted of one common share and one common share purchase warrant (“Warrant”) entitling the holder to purchase one additional common share at an exercise price of \$0.075 per share until July 27, 2017.

Share subscriptions received

Share subscriptions received at March 31, 2017 consisted of \$250,000 related to a private placement that has not closed. This amount will be reclassified to share capital upon closing of the financing.

Share issuances – Year ended June 30, 2016

On September 28, 2015, the Company closed a non-brokered private placement of 1,200,000 common shares at a price of \$0.05 per share for gross proceeds of \$60,000.

Share subscriptions received

Share subscriptions received at June 30, 2016 consisted of \$10,000 related to the private placement that closed in August 2016. This amount was reclassified to share capital upon closing of the financing.

Reserves

The share-based payment reserve consists of amounts recorded to account for the vesting of stock options granted to various officers, directors and consultants.

Share purchase warrants

Share Purchase warrant transactions are summarized as follows:

	Number	Weighted Average Exercise Price
Balance, at June 30, 2016 and 2015	-	\$ -
Issued	14,000,000	0.075
Balance, at March 31, 2017	14,000,000	\$ 0.075

Share purchase warrants outstanding are summarized as follows:

Number of Shares	Exercise Price	Expiry Date
14,000,000	\$0.075	July 27, 2017

VELOCITY MINERALS LTD.**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian dollars and unaudited – prepared by management)

For the nine months ended March 31, 2017

9. SHARE CAPITAL (cont'd)**Stock options**

The Company, in accordance with its stock option plan, is authorized to grant options to directors, employees and consultants, to acquire up to 10% of its issued and outstanding common stock. The exercise price of each option equals the market price of the Company's stock as calculated on the date of grant. The options can be granted for a maximum term of 10 years. Options granted vest at the discretion of the Board.

As at March 31, 2017 and June 30, 2016, there were no options outstanding.

Share-based payments

The Company uses the Black-Scholes valuation model for stock options. No share-based payments were made during the nine months ended March 31, 2017 or the year ended June 30, 2016.

10. RELATED PARTY TRANSACTIONS**Key management personnel compensation**

The Company entered the following transactions with key management personnel, being those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including directors and management.

	Nine Months Ended	
	March 31, 2017	March 31, 2016
Rent charged by a company controlled by an officer of the Company	\$ -	\$ 4,000
Administration fees charged by a company controlled by an Officer of the Company	23,750	15,000
	<u>\$ 23,750</u>	<u>\$ 19,000</u>

The amounts recorded as due to related parties of \$Nil (June 30, 2016 - \$23,843) are payable to directors and officers and to companies controlled by directors of the Company. These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

During the nine months ended March 31, 2017, the Company paid rent of \$Nil (2016 - \$4,000) to a company controlled by an officer of the Company.

During the nine months ended March 31, 2017, the Company paid or accrued administration fees of \$23,750 (2016 - \$15,000) to a company controlled by the President and CEO of the Company.

These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

VELOCITY MINERALS LTD.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars and unaudited – prepared by management)

For the nine months ended March 31, 2017

11. FINANCIAL RISK MANAGEMENT

International Financial Reporting Standards 7, *Financial Instruments: Disclosures*, establishes a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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 (i.e. as prices) or indirectly (i.e. derived from prices); and

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

As at March 31, 2017, the carrying values of accounts payable, accrued liabilities and due to related parties approximate their fair values due to their short terms to maturity. The Company's cash and marketable securities under the fair value hierarchy are based on level one quoted prices in active markets for identical assets or liabilities.

Financial Risks

The Company has exposure to the following risks from its use of financial instruments:

Credit risk

The Company's credit risk is attributable to cash. The Company has no significant concentration of credit risk arising from operations. Cash consists of chequing accounts at a reputable financial institution, from which management believes the risk of loss to be remote. Federal deposit insurance covers balances up to \$100,000 in Canada. The Company limits its exposure to credit loss for cash by placing its cash with a high quality financial institution. At March 31, 2017, the Company's exposure to credit risk is minimal.

Liquidity risk

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

At March 31, 2017, the Company had a cash balance of \$255,063 (June 30, 2016 - \$2,405) to settle current liabilities and loan of \$20,913 (June 30, 2016 - \$802,825). All the Company's accounts payable and accrued liabilities are subject to normal trade terms.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

VELOCITY MINERALS LTD.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars and unaudited – prepared by management)

For the nine months ended March 31, 2017

11. FINANCIAL RISK MANAGEMENT (cont'd)

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 commodity and equity prices.

a) Interest risk

The Company's interest rate risk is limited to the risk that the fair value of future cash flows from a financial instrument will fluctuate because of changes in market prices. The Company's financial assets and liabilities are not exposed to significant interest rate risk due to their short-term nature. The Company's investment policy focuses on the preservation of capital and limits investments of excess cash into high grade Canadian debt securities. The Company periodically monitors the investments it makes and is satisfied with the credit rating of its banks. As of March 31, 2017, and June 30, 2016, the Company has \$nil in guaranteed investment securities.

b) Foreign currency risk

As of March 2017, the Company operates in Canada (before March 2016, in Canada and the United States), and much of its transactions are incurred in Canada, and is therefore not exposed to currency fluctuations denominated in currencies other than the Canadian dollar, the Company's functional currency. The Company's cash, accounts payable and accrued liabilities and due to related parties are held in Canadian dollars and are therefore not subject to foreign exchange fluctuations.

c) Price risk

The Company is exposed to price risk with respect to commodity prices as it is in the resource industry. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company. The Company's future operations are affected by changes in the market prices for commodities. The supply and demand for commodities, the level of interest rates, the rate of inflation, investment decisions by large holders of commodities including governmental reserves and stability of exchange rates can all cause significant fluctuations in commodity prices. Such external economic factors are in turn influenced by changes in international investment patterns and monetary systems and political developments.

12. 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 development of mineral 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' deficiency. The Company is not exposed to any externally imposed capital requirements.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company has historically relied on the equity markets to fund its activities. To carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

VELOCITY MINERALS LTD.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars and unaudited – prepared by management)

For the nine months ended March 31, 2017

12. CAPITAL MANAGEMENT (cont'd)

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 nine months ended March 31, 2017 or during the year ended June 30, 2016.

13. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

During the nine months ended March 31, 2017, \$10,000 in subscription receipts received was reclassified to share capital upon closing of the private placement financing in August 2016. (See note 9).

During the nine months ended March 31, 2016, there were no significant non-cash transactions.

14. PROPOSED TRANSACTION

In February 2017, the Company signed a Share Purchase and Sale Agreement (the "SPA") with 1077076 B.C. Ltd., a private British Columbia corporation ("TargetCo"), and the shareholders of TargetCo (the "Sellers"), whereby Velocity will acquire all of the outstanding shares of TargetCo in exchange for common shares (the "Payment Shares") of Velocity, at a deemed price of \$0.25 per Payment Share (the "Transaction"). On completion of the Transaction, Velocity will hold (through TargetCo) options to acquire interests in the Tintyava Property and the Ekuzya Property located in south-eastern Bulgaria. TargetCo is a private British Columbia company, which is arm's length to Velocity.

TargetCo has entered into letter agreements with "Gorubso-Kardzhali" AD ("Gorubso") which provide for the grant by Gorubso to TargetCo of: (i) an option to acquire a 50% interest in the Ekuzya Property ("Ekuzya"), and (ii) an option to acquire a 70% interest in the Tintyava Property ("Tintyava PL"), which includes the Rozino Gold Deposit ("Rozino"). The projects are located in southeast Bulgaria, Eastern Europe. The underlying owner of both Ekuzya and Tintyava PL is Gorubso, which is a gold producer in the region. Ekuzya is located south and adjacent to Gorubso's producing Chala Gold Mine, within Gorubso's Chala mining concession. Rozino is situated within the 163 km² area comprising the Tintyava PL.

Velocity proposes to acquire all of the issued and outstanding shares of TargetCo in exchange for issuing 18,000,000 Payment Shares to the Sellers. As a result, the Sellers will hold approximately 45.08% of the common shares of Velocity on closing assuming completion of the Financing referred to below.

The Transaction was negotiated at arm's length. The Transaction will constitute a reviewable transaction under the policies of the TSX-V, and as such it will require approval of the Exchange. As no change of control will result, Velocity will not be required to seek the approval of its shareholders. As a term of the Transaction, all of the Payment Shares will be subject to escrow restrictions whereby such shares will be released over three years as to 10% on closing and an additional 15% every six months over 36 months.

In conjunction with the Transaction, Velocity will undertake, subject to the acceptance of the Exchange, a private placement of at least \$1,500,000 in gross proceeds (the "Financing") through the issuance by Velocity of at least 6,000,000 units at a price of \$0.25 per unit. Each unit will consist of one common share of Velocity and one-half of one common share purchase warrant, with each whole warrant entitling the holder to purchase one common share of Velocity for a period of 12 months at the exercise price of \$0.40 per share; provided that in the event the closing price of Velocity's common shares on the Exchange is equal to greater than \$0.60 per share for ten consecutive trading days at any time following four months after the date of closing of the Financing, Velocity may, by notice to the warrant holders reduce the remaining exercise period of the warrants to not less than 30 days following the date of such notice. The funds will be used to undertake the initial phase of exploration work on the Ekuzya and Tintyava PL, and for general working capital purposes.

Please see the Company's news release dated February 6, 2017 for the full details of the transaction.