VELOCITY MINERALS LTD.

Condensed interim consolidated financial statements

Six months ended December 31, 2016

(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		December 31, 2016		June 30, 2016
ASSETS					
Current Assets					
Cash		$	11,843	$	2,405
Receivables	5		984		839
TOTAL CURRENT ASSETS			12,827		3,244
TOTAL ASSETS		$	12,827	$	3,244
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	7	$	11,493	$	778,982
Due to related parties	10		-		23,843
TOTAL LIABILITIES			11,493		802,825
SHAREHOLDERS' DEFICIENCY					
Share capital	9		6,444,756		5,607,997
Share subscriptions received	9		-		10,000
Share-based payment reserve	9		1,145,310		1,145,310
Accumulated deficit			(7,588,732)		(7,562,888)
TOTAL EQUITY			1,334		(799,581)
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		$	12,827	$	3,244

Nature and continuance of operations (Note 1)

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 December 31,		Six Months Ended December 31,	
	Note	**2016**	**2015**	**2016**	**2015**
EXPENSES					
Bank charges and interest		36	162	194	266
Filing and transfer agent fees		2,929	10,467	7,967	14,350
Office and administration	10	7,610	7,753	15,138	8,296
Office rent	10	-	-	-	4,000
Professional fees		2,469	8,101	2,545	30,416
Total expenses		(13,044)	(26,483)	(25,844)	(57,328)
OTHER ITEMS					
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)		$ (13,044)	$ (26,483)	$ (25,844)	$ 11,955
Basic and diluted loss per share		$ (0.00)	$ (0.01)	$ (0.00)	$ 0.01
Weighted average number of shares outstanding, basic and diluted		15,928,237	1,928,324	13,873,889	1,341,368

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

	Common shares					
	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	-	-	-	-	11,955	11,955
Balance, December 31, 2015	**1,928,237**	**5,607,997**	**-**	**1,145,310**	**(7,527,267)**	**(773,960)**
Share subscriptions received	-	-	10,000	-	-	10,000
Net loss for the period	-	-	-	-	(35,621)	(35,621)
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	-	-	(10,000)	-	-	(10,000)
Net loss for the period	-	-	-	-	(25,844)	(25,844)
Balance, December 31, 2016	**15,928,237**	**$ 6,444,756**	**$ -**	**$ 1,145,310**	**$ (7,588,732)**	**$ 1,334**

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)

	Six Months Ended December 31, 2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) for the period	$ (25,844)	$ 11,955
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	(145)	3,282
Decrease in accounts payable and accrued liabilities	(767,489)	(15,233)
Decrease in due to related parties	(23,843)	-
Cash used in operating activities	(817,321)	(69,279)
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 issue costs	(3,241)	-
Cash provided by financing activities	826,759	60,000
Increase in cash during the period	9,438	17,656
Cash, beginning of the period	2,405	330
Cash, end of the period	$ 11,843	$ 17,986

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. (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.

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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 February 2, 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 six months ended December 31, 2016 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 December 31, 2016 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.

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

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

	December 31, 2016	June 30, 2015
GST receivable	$ 984	$ 839

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

6. EXPLORATION AND EVALUATION ASSETS

No expenditures were incurred on the Company's exploration and evaluations assets during the six months ended December 31, 2016 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

		December 30, 2016		**June 30, 2016**
Accounts payable	$	11,493	$	768,343
Accrued liabilities		-		10,639
	$	11,493	$	778,982

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 six months ended December 31, 2016 was based on the loss attributable to common shareholders of $25,844 (2015 – Income of $11,955) and the weighted average number of common shares outstanding of 13,873,889 (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 December 31, 2016, there were 15,928,237 (June 30, 2016 – 1,928,237) common shares issued and outstanding.

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

9. SHARE CAPITAL (cont'd)

Share issuances – Six months ended December 31, 2016

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 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 December 31, 2016	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

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

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 December 31, 2016 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 three months ended December 31, 2016 or the year ended June 30, 2016.

10. RELATED PARTY TRANSACTIONS

Key management personnel compensation

The Company entered into 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.

	Six Months Ended	
	December 31, 2016	**December 31, 2015**
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	15,000	7,500
	$ 15,000	$ 11,500

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 six months ended December 31, 2016, the Company paid rent of $Nil (2015 - $4,000) to a company controlled by an officer of the Company. Effective September 1, 2015, these payments ceased.

During the six months ended December 31, 2016, the Company paid or accrued administration fees of $15,000 (2015 - $7,500) 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.

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 December 31, 2016, 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 December 31, 2016, 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 December 31, 2016, the Company had a cash balance of $11,843 (June 30, 2016 - $2,405) to settle current liabilities of $11,493 (June 30, 2016 - $802,825). All of 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.

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 as a result 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 December 31, 2016 and June 30, 2016, the Company has $nil in guaranteed investment securities.

b) Foreign currency risk

As of March 2016, the Company operates in Canada (before March 2016, in Canada and the United States), and the majority 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 makes adjustments to 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. In order 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.

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 six months ended December 31, 2016 or during the year ended June 30, 2016.

13. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

During the six months ended December 31, 2016, $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 six months ended December 31, 2015, there were no significant non-cash transactions.