VELOCITY MINERALS LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS
SIX MONTHS ENDED DECEMBER 31, 2016

The Management's Discussion & Analysis ("MD&A") is intended to help the reader understand the Velocity Minerals Ltd. ("Velocity" or the "Company") financial statements. The information provided herein should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements for the six months ended December 31, 2016 and audited consolidated financial statements for the year ended June 30, 2016 and related notes attached thereto, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Except as otherwise disclosed, all dollar figures in this report are stated in Canadian dollars ("CAD").

The effective date of this report is February 2, 2017.

Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures and internal controls and to ensure that information used internally or disclosed externally, including the financial statements and MD&A, is complete and reliable. The Company's board of directors follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The board's audit committee meets with management on a quarterly basis to review the financial statements including the MD&A and to discuss other financial, operating and internal control matters.

The financial statements were prepared on a consolidated basis to include the financial information of the Company's wholly-owned subsidiaries, Velocity Exploration Ltd., incorporated in the province of British Columbia, and Velocity USA Ltd., incorporated under the laws of the state of Nevada, U.S.A. All inter-company balances and transactions were eliminated upon consolidation. In March 2016, the Company sold Velocity USA Ltd. for $1 to an arm's length party.

Statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. Readers are cautioned not to put undue reliance on forward-looking statements. See the "Forward-looking Information and Statements" section of this report.

The reader is encouraged to review the Company's statutory filings on www.sedar.com ("SEDAR").

DESCRIPTION OF BUSINESS

The Company owns 100% interests in certain mineral claims known as the Mt. Haskin and Cassiar Moly properties, both located in the Cassiar District of the Liard Mining Division in northwestern British Columbia, Canada, on which it has explored for molybdenum. All costs on these two properties have been written off.

Due to financial conditions, the Company is not currently exploring or developing its mineral properties and has not yet determined whether the properties contain mineral reserves that are economically recoverable. The recoverability of the amounts shown in the financial statements for mineral properties and related deferred exploration costs are dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain necessary financing to complete the development of those mineral reserves and upon future profitable production.

The Company's common shares are currently listed on the NEX under the symbol VLC.H. The NEX is a separate board of the TSX Venture Exchange ("TSX.V") for companies previously listed on the TSX.V or the Toronto Stock Exchange which have failed to maintain compliance with ongoing financial listing standards of those markets. The NEX has been designed to provide a forum for the trading of publically listed shell companies while they seek and undertake transactions in furtherance of their reactivation as companies which will carry on an active business. 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.

OVERALL PERFORMANCE

During the six months ended December 31, 2016 the Company incurred a net loss of $25,844 (2015 – income of $11,955) from operations. As at December 31, 2016, the Company had $11,843 in cash and a working capital surplus of $1,334.

SUMMARY OF QUARTERLY RESULTS

	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016
Total assets	$ 12,827	$ 25,825	$ 3,244	$ 16,641
Working capital (deficiency)	1,334	14,378	(799,581)	(786,481)
Shareholders' equity (deficiency)	1,334	14,378	(799,581)	(786,481)
Revenues	-	-	-	-
Net income (loss)	(13,044)	(12,800)	(23,100)	(12,520)
Loss per share	(0.00)	(0.00)	(0.01)	(0.01)

	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015
Total assets	$ 19,538	$ 40,717	$ 32,164	$ 474,304
Working capital (deficiency)	(773,960)	(772,476)	(870,915)	(846,332)
Shareholders' equity (deficiency)	(773,960)	(747,477)	(845,915)	(379,768)
Revenues	-	-	-	-
Net income (loss)	(26,484)	38,438	(463,163)	(20,029)
Loss per share	(0.01)	0.05	(0.63)	(0.03)

The Company has not paid any dividends on its common shares. The Company has no present intention of paying dividends on its common shares, as it anticipates that all available funds will be used to finance the growth of its business.

DISCUSSION OF EXPLORATION AND EVALUATION ASSETS

The Company has a technical report compliant with National Instrument 43-101 ("NI 43-101") with respect to its Canadian mineral properties. The report, dated June 5, 2009, as amended and filed on SEDAR at www.sedar.com on July 31, 2009, was prepared for the Company by independent geologists David S. Boyer, MSc. R.G. and Erik Ostensoe, P. Geo., both NI 43-101 Qualified Persons. It includes a resource calculation of a polygonal three-dimensional solid model, based on historic and recent diamond drilling information from the Mt. Haskin property, which can reasonably be defined as an Inferred Mineral Resource.

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.

Mt. Haskin - British Columbia, Canada

The Company's wholly-owned subsidiary, Velocity Exploration Ltd., holds a 100% interest in the Mt. Haskin property, a molybdenite prospect located in the Cassiar District of the Liard Mining Division in northwestern British Columbia, Canada and described in the Company's Technical Report dated June 5, 2009 *(a copy of which is available on SEDAR).* The claims are subject to a 3% NSR, which may be acquired by the Company for a cash payment of $1,500,000.

In previous years, the Company had carried out exploration on the property that has resulted in the calculation of an inferred mineral resource of 11,019,100 tons at 0.1012% Mo (at a 0.05% Mo cut-off) as described in the abovementioned NI 43-101. The mineralized zone is only partially delineated and may be expanded by further exploration work. Geophysical surveys and additional diamond drilling are recommended in another section of the abovementioned NI 43-101. No part of the Mt. Haskin Property has been sufficiently explored to enable definition of any measured mineral resources or indicated mineral resources. Possible significant values in tungsten, zinc and lead were also reported, which may be further investigated.

At June 30, 2013, the Company determined that the Mt. Haskin property was impaired and wrote off all associated costs to operations. Since that time, no significant exploration has been carried out on the property.

During the year ended June 30, 2016, the Company completed the reclamation work required by the Government of B.C. and filed a report supporting this work. The work and report were approved by the BC Government which resulted in the refund in full of the $25,000 bond that had been posted with the Government of B.C.

RESULTS OF OPERATIONS – THREE MONTHS ENDED DECEMBER 31, 2016

During the three months ended December 31, 2016, the Company incurred a net loss of $13,044 (2015 – $26,843). Some of the expenses are as follows:

- Filing and transfer agent fees of $2,929 (2015 - $10,467) were paid to maintain the Company's listed status on the TSXV/NEX. The previous year was higher due to fees related to the share consolidation to took place in November 2015.
- Office rent and administration of $7,610 (2015 - $7,753) was paid or accrued for the Company's corporate office, expenses and corporate administration.
- Professional fees of $2,469 (2015 - $8,101) were paid or accrued for legal, audit and consulting fees. The previous year was higher due to fees related to the share consolidation that took place in November 2015.

The Company has no active exploration programs at this time. The Company expects expenses to remain at these levels until exploration activities are reactivated.

LIQUIDITY AND CAPITAL RESOURCES

The financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. The Company draws attention to matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

		December 31, 2016		June 30, 2016
Working capital surplus (deficiency)	$	1,334	$	(799,581)
Deficit		(7,588,732)		(7,562,888)

Net cash used in operating activities during the six months ended December 31, 2016 was $817,321 (2015 – $69,279). The increase in cash used was mainly due to the settlement of accounts payable and amounts due to related parties.

Net cash provided by investing activities during the six months ended December 31, 2016 was $Nil (2015 - $26,935). The previous year was comprised of $1,935 received upon the sale of marketable securities and $25,000 received upon the refund of a reclamation bond.

Net cash provided by financing activities during the three months ended December 31, 2016 was $826,759. 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 issue costs incurred totaled $3,241. At June 30, 2016, $10,000 in subscription receipts had been received by the Company. This amount was reclassified to share capital upon closing the financing.

Net cash provided by financing activities during the six months ended December 31, 2015 was $60,000. The Company completed a non-brokered private placement of 1,200,000 shares at a price of $0.05 per common share for gross proceeds of $60,000.

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

The Company’s future revenues, if any, are expected to be in large part derived from the development of its mineral properties for the mining of certain minerals, particularly molybdenum and gold, or interests related thereto. The economics of developing and producing resource properties are affected by many factors including the cost of operations, variations in the grade of ore discovered or mined and the price of the metals produced. Depending on metal prices, the Company may determine that it is impractical to continue development of its mineral properties or to pursue commercial production. In the case of molybdenum, its price has fallen in recent years. Molybdenum prices are affected by factors that include anticipated changes in international investment patterns and monetary systems, economic growth rates, political developments and shifts in supply and demand. In the case of gold, prices remain moderate to strong for the foreseeable future.

The Company does not currently have sufficient funds to meet anticipated administrative expenses throughout the next fiscal year. Management believes that it has insufficient funds to meet its other current liabilities as they become due until such time as it is able to raise sufficient funds through future financings.

RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties:

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.

OUTSTANDING SHARE DATA

The following table summarizes the Company's outstanding share data as of the date of this MD&A, February 2, 2017:

	Number of shares issued or issuable	Weighted Average	
		Price	Life in Years
Common shares	15,928,324		
Warrants	14,000,000	0.075	0.48
Fully diluted	29,928,324		

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.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

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

OFF-BALANCE SHEET ARRANGEMENTS

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

PROPOSED TRANSACTIONS

As at the date of this report, there are no proposed transactions that the board of directors or senior management has decided to proceed with and that have not been publicly disclosed.

FUTURE ACCOUNTING POLICY CHANGES

A number of new standards, amendments to standards and interpretations are not yet effective as of the date of this report, detailed in the notes to the financial statements, and were not applied in preparing the financial statements. None of these are expected to have a material effect on the consolidated financial statements of the Company.

FINANCIAL INSTRUMENTS

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).

At December 31, 2016, the carrying values of receivables, prepaid expenses and accounts payable and accrued liabilities approximate their fair values due to their short terms to maturity. The Company's cash and marketable securities under the 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 primarily attributable to cash and equivalents and receivables. 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. Financial instruments included in receivables consist of amounts due from government agencies. The Company limits its exposure to credit loss for cash by placing its cash with 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 held cash of $11,483 (June 30, 2016 - $2,405) to settle current liabilities of $11,493 (June 30, 2016 - $802,825). All of the Company's financial 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.

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

b) Foreign currency risk

The Company principally operates in Canada 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 receivables and accounts payable and accrued liabilities and due to related party 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.

The Company holds investments in publicly traded securities. The Company closely monitors those prices to determine the appropriate course of action to be taken by the Company. However, there can be no assurance that the Company can exit these positions if required, resulting in proceeds approximating the carrying value of these securities.

BUSINESS RISKS

Natural resources exploration, development, production and processing involve a number of business risks, some of which are beyond the Company's control. These can be categorized as operational, financial and regulatory risks.

- Operational risks include finding and developing reserves economically, marketing production and services, product deliverability uncertainties, changing governmental law and regulation, hiring and retaining skilled employees and contractors and conducting operations in a cost effective and safe manner. The Company continuously monitors and responds to changes in these factors and adheres to all regulations governing its operations. Insurance may be maintained at levels consistent with prudent industry practices to minimize risks, but the Company is not fully insured against all risks, nor are all such risks insurable.
- Financial risks include commodity prices, interest rates and the Canadian/United States exchange rate, all of which are beyond the Company's control.
- Regulatory risks include the possible delays in getting regulatory approval of the transactions that the Board of Directors believe to be in the best interest of the Company, and include increased fees for filings, the introduction of ever more complex reporting requirements, the cost of which the company must meet in order to maintain its exchange listing.

OUTLOOK

The Company's primary focus for the foreseeable future will be to continue the development of the Mt. Haskin property and to seek out additional mineral properties of promise. The Company does not presently have sufficient working capital to carry out its planned development work on the mineral property and to meet administrative expenses for the foreseeable future. The Company is currently assessing future financing opportunities. However, management will continue to review the Company's financial position and will continue to assess its ability to finance new business ventures in the mineral resource industry.

GOING CONCERN

To date the Company has not generated any significant revenues and is considered to be in the development stage. The Company has sustained operating losses since inception and, at December 31, 2016, has an aggregate operating deficit totaling $7,588,732 (June 30, 2016 - $7,562,888). The continuing operations of the Company are dependent upon its ability to raise adequate financing. Management is also aware that material uncertainties exist, related to current economic conditions, which cast doubt about the entity's ability to continue to finance its activities. As a result, the Company will need to seek additional equity financing as there are insufficient cash reserves to continue operations for the ensuing twelve months.

FORWARD-LOOKING INFORMATION AND STATEMENTS

This MD&A may contain “forward-looking statements” which reflect the Company’s current expectations regarding the future results of operations, performance and achievements of the Company, including but not limited to statements with respect to the Company’s plans or future financial or operating performance, the estimation of mineral reserves and resources, conclusions of economic assessments of projects, requirements for additional capital, sources and timing of additional financing, realization of unused tax benefits and future outcome of legal and tax matters.

The Company has tried, wherever possible, to identify these forward-looking statements by, among other things, using words such as “anticipate,” “believe,” “estimate,” “expect”, “budget”, or variations of such words and phrases or state that certain actions, events or results “may”, “could”, “would”, “might” or “will be taken”, “occur” or “be achieved”.

The statements reflect the current beliefs of the management of the Company, and are based on currently available information. Accordingly, these statements are subject to known and unknown risks, uncertainties and other factors, which could cause the actual results, performance, or achievements of the Issuer to differ materially from those expressed in, or implied by, these statements. These uncertainties are factors that include but are not limited to risks related to international operations; risks related to general economic conditions and credit availability, uncertainty related to the resolution of legal disputes and lawsuits; actual results of current exploration activities, unanticipated reclamation expenses; fluctuations in prices of gold; fluctuations in foreign currency exchange rates, increases in market prices of mining consumables, possible variations in mineral resources, grade or recovery rates; accidents, labour disputes, title disputes, claims and limitations on insurance coverage and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities, changes in national and local government regulation of mining operations, tax rules and regulations, and political and economic developments in countries in which the Company operates.

The Company’s management periodically reviews information reflected in forward-looking statements. The Company has and continues to disclose in its Management Discussion and Analysis and other publicly filed documents, changes to material factors or assumptions underlying the forward-looking statements and to the validity of the statements themselves, in the period the changes occur.

Historical results of operations and trends that may be inferred from the above discussions and analysis may not necessarily indicate future results from operations.

ADDITIONAL INFORMATION

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