



**Condensed Interim Consolidated Financial Statements**

**For the three months ended March 31, 2019  
Unaudited – Prepared by Management**

(Expressed in Canadian dollars)

## **NOTICE TO READER**

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

The condensed interim consolidated financial statements of the Company for the quarter ended March 31, 2019 have been prepared by and are the responsibility of the Company's management.

The Company's independent auditors have not performed a review of these condensed interim consolidated financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of condensed consolidated interim financial statements by an entity's auditor.

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

	March 31, 2019	December 31, 2018
<b>ASSETS</b>		
<b>Current</b>		
Cash (Note 3)	\$ 7,890,578	\$ 243,020
Receivables	64,008	7,076
Prepaid expenses	10,845	41,121
Advances (Note 4)	65,432	289,604
	<u>8,030,863</u>	<u>580,821</u>
<b>Exploration and evaluation assets (Note 4)</b>	4,116,375	2,913,915
<b>Equipment</b>	<u>22,086</u>	<u>-</u>
	<u>\$ 12,169,324</u>	<u>\$ 3,494,736</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Trade and other payables (Note 5, 8)	\$ 562,890	\$ 308,477
	<u>562,890</u>	<u>308,477</u>
<b>Convertible debenture (Note 6)</b>	3,991,609	-
	<u>4,554,499</u>	<u>308,477</u>
<b>Shareholders' equity</b>		
Share capital (Note 7)	16,646,606	12,954,048
Reserves (Note 7)	1,601,901	1,613,959
Equity component of convertible debenture (Note 6)	1,109,932	-
Non-controlling interest	942,607	-
Deficit	<u>(12,695,221)</u>	<u>(11,381,748)</u>
	<u>7,614,825</u>	<u>3,186,259</u>
	<u>\$ 12,169,324</u>	<u>\$ 3,494,736</u>

**Nature and continuance of operations (Note 1)**

**Subsequent events (Note 13)**

**On behalf of the Board on May 24, 2019:**

“Keith Henderson”

Director

“Gord Doerkson”

Director

**VELOCITY MINERALS LTD.****CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

(Expressed in Canadian dollars)

	Three months ended March 31, 2019	Three months ended March 31, 2018
<b>EXPENSES</b>		
Accretion expense	\$ 7,541	\$ -
Consulting (Note 8)	133,903	99,080
Foreign exchange	145,193	62,273
Investor relations	95,035	44,441
Office	20,551	12,087
Professional fees	365,129	74,580
Property investigation	25,489	-
Regulatory fees	58,893	14,587
Rent	5,571	4,513
Salaries (Note 8)	98,022	35,026
Share-based compensation (Note 7)	133,000	-
Travel	62,624	25,992
	<u>(1,150,951)</u>	<u>(372,579)</u>
Bulgarian tax	(162,522)	-
<b>Loss and comprehensive loss for the period</b>	<u>(1,313,473)</u>	<u>(372,579)</u>
Loss and comprehensive loss attributable to:		
Common shareholders	(1,313,473)	(372,579)
Non-controlling interest	-	-
	<u>(1,313,473)</u>	<u>(372,579)</u>
<b>Loss per common share</b>		
-Basic and diluted	\$ (0.02)	\$ (0.01)
<b>Weighted average number of common shares outstanding</b>		
-Basic and diluted	78,490,371	61,188,413

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

**VELOCITY MINERALS LTD.**

## CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)

(Expressed in Canadian dollars)

	Share Capital		Reserves	Equity component of convertible debenture	Non-controlling interest	Deficit	Total
	Number of common shares	Amount					
Balance, December 31, 2017	61,188,413	\$ 10,891,048	\$ 1,117,994	\$ -	\$ -	(8,957,657)	\$ 3,051,385
Loss and comprehensive loss	-	-	-	-	-	(372,579)	(372,579)
Balance, March 31, 2018	61,188,413	\$ 10,891,048	\$ 1,117,994	\$ 1,117,994	\$ -	(9,330,236)	\$ 2,678,806
Balance, December 31, 2018	74,886,759	\$ 12,954,048	\$ 1,613,959	\$ -	\$ -	(11,381,748)	\$ 3,186,259
Private placement	18,600,000	3,906,000	-	-	-	-	3,906,000
Share issuance costs – cash	-	(360,000)	-	-	-	-	(360,000)
Share issuance costs – common shares	459,418	133,231	(133,231)	-	-	-	-
Warrant exercise	52,500	13,327	(2,827)	-	-	-	10,500
Convertible debenture	-	-	-	1,109,932	-	-	1,109,932
Share-based compensation	-	-	133,000	-	-	-	133,000
Acquisition of Tintyava Exploration EAD	-	-	-	-	942,607	-	942,607
Loss and comprehensive loss	-	-	-	-	-	(1,313,473)	(1,313,473)
Balance, March 31, 2019	93,998,677	\$ 16,646,606	\$ 1,601,901	\$ 1,109,932	\$ 942,607	(12,695,221)	\$ 7,614,825

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

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

	Three months ended March 31, 2019	Three months ended March 31, 2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the period	\$ (1,313,473)	\$ (372,579)
Adjustment for non-cash items items:		
Accretion expense	7,541	
Share-based compensation	133,000	
Changes in non-cash working capital items:		
Receivables	(56,932)	4,345
Prepays	30,276	28,519
Trade and other payables	254,413	27,580
Net cash used in operating activities	<u>(935,784)</u>	<u>(312,135)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of shares	3,916,500	-
Share issue costs	(360,000)	
Convertible debenture	5,094,000	
Net cash provided by financing activities	<u>8,650,500</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Advances – exploration and evaluation expenditures	-	(76,777)
Exploration and evaluation expenditures	(57,767)	(360,828)
Net cash used in investing activities	<u>(57,767)</u>	<u>(437,605)</u>
<b>Change in cash during the period</b>	<b>7,647,558</b>	<b>(749,740)</b>
<b>Cash, beginning of period</b>	<b>243,020</b>	<b>833,898</b>
<b>Cash, end of period</b>	<b>\$ 7,890,578</b>	<b>\$ 84,158</b>
<b>Income taxes paid</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Interest paid</b>	<b>\$ -</b>	<b>\$ -</b>

Supplemental disclosure with respect to cash flows (Note 9)

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)

March 31, 2019

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**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 2300 - 1177 West Hastings Street, Vancouver, BC V6E 2K3. 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 not yet determined whether its 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 March 31, 2019, the Company has working capital of \$7,467,973 and an accumulated deficit of \$12,685,830. The Company expects to incur further losses in the development of its business. These material uncertainties may cast significant doubt on the Company’s ability to continue as a going concern. The Company's ability to continue its operations and to realize its assets at their carrying values is dependent upon obtaining additional financing and generating revenues sufficient to cover its operating costs.

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

**2. SIGNIFICANT ACCOUNTING POLICIES**

**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 (“IASB”) applicable to the preparation of interim financial statements, including International Accounting Standard (“IAS”) 34, “Interim Financial Reporting”. The condensed interim consolidated financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2018, which have been prepared in accordance with IFRS as issued by the IASB. In the opinion of management, all adjustments considered necessary for fair presentation of the Company’s financial position, results of operations and cash flows have been included. Operating results for the three-month period ended March 31, 2019 are not necessarily indicative of the results that may be expected for the year ending December 31, 2019.

These condensed interim consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as held-for-trading, which are stated at their fair value. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting. These condensed interim consolidated financial statements are prepared in Canadian dollars.

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

(Expressed in Canadian dollars)

March 31, 2019

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

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

<b>Subsidiary</b>	<b>Location</b>	<b>Ownership Interest</b>
Kibela Minerals AD (“Kibela”)	Bulgaria	100%
Kabiri Minerals EOOD (“Kabiri”)	Bulgaria	100%
Tintyava Exploration EAD (“Tintyava”)	Bulgaria	70%
Velocity Minerals Holdings Ltd.	Malta	100%
Velocity Minerals Malta Ltd.	Malta	100%

The Company consolidates its subsidiaries on the basis that it controls the subsidiaries through its ability to govern its 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.

These condensed interim consolidated financial statements do not include all note disclosures required by IFRS for annual financial statements, and therefore should be read in conjunction with the annual financial statements for the year ended December 31, 2018. In the opinion of management, all adjustments considered necessary for fair presentation of the Company’s financial position, results of operations and cash flows have been included. Critical accounting estimates are estimates, and assumptions made by management that may result in a material adjustment to the carrying amounts of assets and/or liabilities within the next financial year and are disclosed in the Company’s annual audited consolidated financial statements for the year ended December 31, 2018. There have been no changes to the Company’s critical accounting estimates and judgments during the three months ended March 31, 2019.

**New accounting policy**

The Company has adopted new accounting standard IFRS 16 - Leases, effective for annual periods beginning on or after January 1, 2019. IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all major leases.

Effective January 1, 2019, the Company adopted IFRS 16 using the modified retrospective approach and accordingly the information presented for 2018 has not been restated. It remains as previously reported under IAS 17 and related interpretations.

On initial application, the Company has determined it does not have any leases and has assessed that there has been no reporting changes as a result of adopting the new standard.

**3. CASH**

The Company’s cash consists of the following:

	<b>March 31, 2019</b>	<b>December 31, 2018</b>
Cash held with banks in Canadian dollars	\$ 6,532,926	\$ 229,702
Cash held with banks in foreign currencies	1,357,652	13,318
<b>Total</b>	<b>\$ 7,890,578</b>	<b>\$ 243,020</b>



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

(Expressed in Canadian dollars)

March 31, 2019

**4. 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 has been granted an option by Gorubso-Kardzhali AD (“Gorubso”) to acquire an undivided 70% legal and beneficial interest in Tintyava Exploration EAD, an entity owned by Gorubso that holds a 100% interest in a prospecting and exploration permit (the “Option”) located in south-eastern Bulgaria (the “Tintyava Option”).

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

- i. Payment of a tender fee of 360,000 BGN (\$266,760) to the Ministry of Energy of the Republic of Bulgaria (paid, during the six months ended June 30, 2017); and
- ii. Deliver an NI 43-101 preliminary economic assessment on the Tintyava Property. The results of the preliminary economic assessment were disclosed on September 17, 2018. The preliminary economic assessment report was filed on SEDAR on October 31, 2018.

During the three month period ended March 31, 2019, the Company exercised its option to acquire an undivided 70% interest in the Tintyava property. As a result, on March 1, 2019, shares of Tintyava, representing 70% ownership of the Company, have been registered in the name of Kibela.

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

The non-controlling interest in the fair value of Tintyava’s net assets on consolidation was calculated to be \$942,607. The consolidated statement of loss and comprehensive loss includes only the profit and loss of Tintyava subsequent to March 1, 2019.

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

Purchase price	\$	3,602,362
Purchase price allocation		
Cash		89,367
Receivables		41,851
Advances		16,543
Exploration and evaluation assets		4,460,694
Equipment		24,937
Trade and other payables		(88,423)
Non-controlling interest		(942,607)
Total purchase price allocated		3,602,362

As at March 31, 2019, the Company had issued 600,000 common shares with a fair value of \$150,000 as a finder’s fee recorded within acquisition costs for the Tintyava Property.

**4. EXPLORATION AND EVALUATION ASSETS (cont'd...)**

b) Ekuzya Property – Bulgaria

On March 22, 2017, the Company, through its subsidiary Kabiri Minerals EOOD (“Kabiri”), entered into an Option Agreement whereby the Company has been granted an option by Gorubso to acquire an undivided 50% legal interest in a mining concession owned 100% by Gorubso (the “Ekuzya Property”), located in south-eastern Bulgaria within an existing project known as the Chala Project (the “Ekuzya Option”).

For the Company to exercise the Ekuzya Option, it was required to complete the following:

- i. Incur prospecting and exploration expenditures of USD \$1,000,000, over a two-year period as follows:
  - a. \$500,000 on or before July 2018;
  - b. \$500,000 on or before July 2019.

The Ekuzya Option was superseded by the Chala Option (signed on May 11, 2018) and became included in the Chala property (described below). As a result, during the year ended December 31, 2018, the Company has impaired all costs, \$96,637, associated with the Ekuzya Property.

c) Chala Property – Bulgaria

On May 11, 2018, the Company entered into an Option Agreement (the “Chala Option”) whereby the Company was granted an option by Gorubso to acquire an undivided 50% legal interest in a mining concession owned 100% by Gorubso (the “Chala Property”), located in south-eastern Bulgaria. The Ekuzya Property is located within the Chala Property and the Chala Option superseded the Ekuzya Option.

For the Company to exercise the Chala Option, it was required to complete the following:

- i. Incur prospecting and exploration expenditures of \$1,000,000, over a two-year period as follows:
  - a. \$500,000 on or before February 22, 2019;
  - b. \$500,000 on or before February 22, 2020.

During the year ended December 31, 2018, the Company decided to terminate its option to acquire an undivided 50% legal interest in the Chala Property.

d) 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.

e) 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 Nadezhda project by delivering certain data and reports including a mineral resource estimate prepared under National Instrument 43-101 of the Canadian Securities Administrators.

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

(Expressed in Canadian dollars)

March 31, 2019

**4. EXPLORATION AND EVALUATION ASSETS (cont'd...)**

Exploration and evaluation costs incurred by the Company on a per project basis are as follows:

		<b>Tintyava</b>		<b>Nadezhdai</b>		<b>Momchil</b>		<b>Total</b>
<b>Acquisition costs</b>								
Balance, December 31, 2018	\$	450,712	\$	-	\$	-	\$	450,712
Acquisition of Tintyava		912,614		-		-		912,614
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Balance, March 31, 2019	\$	1,363,326	\$	-	\$	-	\$	1,363,326
<b>Deferred exploration costs</b>								
Balance, December 31, 2018	\$	2,463,203	\$	-	\$	-	\$	2,463,203
Drilling		17,718		-		-		17,718
Geological		45,979		-		-		45,979
Geochemistry		7,545		-		-		7,545
Field		164,050		49,618		4,936		218,604
		235,292		49,618		4,936		289,846
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Balance, March 31, 2019	\$	2,698,495	\$	49,618	\$	4,936	\$	2,753,049
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<b>Balance, March 31, 2019</b>	<b>\$</b>	<b>4,061,821</b>	<b>\$</b>	<b>49,618</b>	<b>\$</b>	<b>4,936</b>	<b>\$</b>	<b>4,116,375</b>

		<b>Tintyava</b>		<b>Ekuzya</b>		<b>Chala</b>		<b>Total</b>
<b>Acquisition costs</b>								
Balance, December 31, 2017	\$	436,499	\$	2,765	\$	-	\$	439,264
Property acquisition fee		14,213		681		-		14,894
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Balance, December 31, 2018	\$	450,712	\$	3,446	\$	-	\$	454,158
<b>Deferred exploration costs</b>								
Balance, December 31, 2017	\$	1,675,341	\$	93,191	\$	-	\$	1,768,532
Drilling		337,504		-		349,832		687,336
Geological		348,102		-		46,204		394,306
Geochemistry		34,631		-		-		34,631
Field		67,625		-		238,554		306,179
		787,862		-		634,590		1,422,452
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Balance, December 31, 2018	\$	2,463,203	\$	93,191	\$	634,590	\$	3,190,984
Impairment		-		(96,637)		(634,590)		(731,227)
<hr/>								
<b>Balance, December 31, 2018</b>	<b>\$</b>	<b>2,913,915</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>2,913,915</b>

As at the three months ended March 31, 2019, advances of \$65,432 (December 31, 2018 - \$289,604), comprised of amounts advanced by the Company to Gorubso for expenditures to be incurred on behalf of the Company on the Tintyava and Ekuzya properties.

**VELOCITY MINERALS LTD.**

## NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

March 31, 2019

**5. TRADE AND OTHER PAYABLES**

	<b>March 31, 2019</b>	<b>December 31, 2018</b>
Trade payables	\$ 562,890	\$ 308,477
	\$ 562,890	\$ 308,477

**6. CONVERTIBLE DEBENTURE**

On March 14, 2019, the Company issued Atlantic Gold Corp. (“Atlantic”), a convertible debenture valued at \$5,094,000 with an interest rate of 8.5% per annum compounded semi-annual, convertible into common shares at \$0.25 per share, with a maturity date of March 14, 2024.

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

Proceeds received	\$ 5,094,000
Allocated to equity portion	<u>(1,109,932)</u>
Allocated to liability portion	3,984,068
Liability portion as at December 31, 2018	-
Additions	3,984,068
Accretion expense for the period	<u>7,541</u>
Liability portion as at March 31, 2019	<u>3,991,609</u>

**7. SHARE CAPITAL AND RESERVES*****Authorized share capital***

Unlimited number of common shares without par value.

***Issued share capital*****During the period ended March 31, 2019:**

On March 14, 2019, the Company completed a non-brokered private placement with Atlantic of 18,600,000 units issued at \$0.21 per unit for gross proceeds of \$3,906,000. Each unit consists of one common share and one-half of one common share purchase warrant. Each warrant will entitle the holder thereof to purchase one common share of the Company at an exercise price of \$0.25 until March 14, 2022.

Cash finders’ fees in the amount of \$360,000 were paid and issued 459,418 common shares valued at \$133,231 were also issued as finder’s fees.

The Company had 52,500 warrants exercised for proceeds of \$10,500.

**During the year ended December 31, 2018:**

The Company issued 6,621,824 units at a price \$0.20 per unit for gross proceeds of \$1,324,400. 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 to purchase one share at a price of \$0.30 per share for a period of 12 months from the issue date. The expiry of the warrants will be accelerated if the closing price of the shares on the TSX-V is at least \$0.50 for a minimum of 10 consecutive trading days during the term commencing after four months and one day from the issue date (the “Triggering Event”). The expiry of the warrants will be automatically accelerated upon the occurrence of the Triggering Event and the holders' rights to exercise their warrants will automatically expire and terminate 30 days following notice by the Company to the holders of the occurrence of the Triggering Event. The warrants have a residual value of \$198,655 and was recorded as an offset to share capital. In connection with the financing, the Company paid aggregate finder’s fees consisting of \$21,350 in cash and 106,750 non-transferable finder’s warrants entitling the holder to purchase one share at a price of \$0.20 per share for a period of 12 months from the issue date valued at \$5,749.

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

(Expressed in Canadian dollars)

March 31, 2019

**7. SHARE CAPITAL AND RESERVES (cont'd...)**

On October 12, 2018, the Company closed a non-brokered private placement and raised aggregate gross proceeds of \$1,005,065 through the issuance of 6,700,433 units at a price of \$0.15 per unit. 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 to purchase one share at a price of \$0.20 per share for a period of 36 months from the issue date. In connection with the financing, the Company paid aggregate finder's fees consisting of \$57,013 in cash and 380,084 finder's warrants entitling the holder to purchase one share at a price of \$0.15 per share for a period of 12 months from the issue date valued at \$22,000. Additionally, professional fees of \$21,872 were incurred in connection with this financing, and was recorded as an offset to share capital, as share issue costs.

On July 17, 2018, the Company issued 376,089 common shares with a fair value of \$60,174 to settle accounts payable of \$50,772. The Company recognized a loss on settlement of accounts payable of \$9,402 as a result of this transaction.

**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 March 31, 2019, the Company had stock options outstanding enabling the holder to acquire common shares as follows:

Number of Shares	Exercise Price	Expiry Date
1,550,000	\$0.17	November 5, 2020
3,300,000	\$0.31	July 31, 2022
700,000	\$0.35	September 26, 2022
250,000	\$0.31	November 14, 2022
1,300,000	\$0.18	May 3, 2020
925,000	\$0.28	March 29, 2021
8,025,000		

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
As at December 31, 2017	4,450,000	\$ 0.32
Granted	2,850,000	\$ 0.17
Expired	(200,000)	\$ 0.31
As at December 30, 2018	7,100,000	\$ 0.26
Granted	925,000	\$ 0.28
As at March 31, 2019	8,025,000	\$ 0.26
Number of options currently exercisable	8,025,000	\$ 0.26

During the period ended March 31, 2019, the Company recognized share-based payments expense of \$133,000 (March 31, 2018 - \$Nil) regarding the vesting of stock options granted. The weighted average remaining contractual life of options outstanding at March 31, 2019 was 2.51 (December 31, 2018 – 2.84) years.

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

(Expressed in Canadian dollars)

March 31, 2019

**7. SHARE CAPITAL AND RESERVES (cont'd...)**

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

	March 31, 2019	December 31, 2018
Expected life of options	2.00	2.00
Annualized volatility	100%	100%
Dividend rate	-	-
Discount rate	1.56%	2.08%
Weighted average fair value per option granted	\$ 0.14	\$ 0.10

**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, 2017	6,919,278	\$ 0.42
Issued	7,147,963	0.24
Expired	(6,541,488)	0.43
As at December 31, 2018	7,525,753	0.24
Issued	9,300,000	0.25
Exercised	(52,500)	0.20
As at March 31, 2019	16,773,253	\$ 0.25

The weighted average remaining contractual life of warrants outstanding at March 31, 2019 was 2.18 (December 31, 2018 – 1.46) years.

Warrants outstanding are as follows:

Number of Warrants	Exercise Price	Expiry Date
380,084	\$ 0.15	October 12, 2019
3,350,217	\$ 0.20	October 12, 2021
377,790	\$ 0.25	July 21, 2019
3,310,912(1)	\$ 0.30	April 30, 2019
54,250(2)	\$ 0.20	April 30, 2019
9,300,000	\$0.25	March 14, 2022
16,773,253		

(1) Subsequent to March 31, 2019 2,485,912 warrants were exercised and 825,000 warrants expired unexercised (Note 13).

(2) Subsequent to March 31, 2019 54,250 warrants were exercised.

The finders' warrants were valued using weighted average Black-Scholes inputs as follows:

	March 31, 2019	December 31, 2018
Expected life of warrants	-	1
Annualized volatility	-	100%
Dividend rate	-	-
Discount rate	-	2.14%
Weighted average fair value per warrant granted	\$ -	\$ 0.06

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**8. RELATED PARTY TRANSACTIONS**

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers. Key management personnel compensation for the three months periods ended March 31, were:

	2019	2018
<b>Short-term benefits paid or accrued:</b>		
Consulting fees	\$ 81,020	\$ 87,330
Salaries	103,000	37,500
	<u>184,020</u>	<u>124,830</u>
<b>Share-based payments:</b>		
Share-based payments	<u>75,486</u>	<u>-</u>
<b>Total remuneration</b>	<b>\$ 259,506</b>	<b>\$ 124,830</b>

The Company engaged in transactions with other related parties as follows:

Due to related parties of \$34,756 (December 31, 2018 - \$41,600), were payable to directors and/or officers of the Company. These amounts were advanced to the Company for working capital purposes and were unsecured, non-interest bearing and had no fixed terms of repayment.

**9. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

Significant non-cash investing or financing transactions during the period ended March 31, 2019, consisted of the following:

- Advances realized on exploration and evaluation expenditures \$224,172

Significant non-cash investing or financing transactions during the period ended March 31, 2018, consisted of the following:

- Advances realized on exploration and evaluation expenditures \$77,220

**10. 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.

As at March 31, 2019, the carrying values of receivables, trade and other payables, approximate their fair values due to their short terms to maturity. The Company's cash under the fair value hierarchy is based on level one 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:

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**10. FINANCIAL RISK MANAGEMENT (cont'd...)**

*Credit risk*

The Company's credit risk is attributable to cash, and receivables. Cash consists 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. As at March 31, 2019, the Company's exposure to credit risk is minimal.

*Liquidity risk*

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

As at March 31, 2019, the Company had a cash balance of \$7,890,578 to settle current liabilities of \$562,890. All the Company's trade and other payables are subject to normal trade terms.

Historically, the Company's sole source of funding has been advances from related individuals and entities. 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 and no interest-bearing debt. 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 March 31, 2019, 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 insignificantly affect profit or loss.

c) 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.



**VELOCITY MINERALS LTD.**

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**11. 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 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 (deficiency). 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 period ended March 31, 2019.

**12. SEGMENT INFORMATION**

The Company operates in one reportable segment being the exploration and evaluation of mineral resource properties in Bulgaria. The Company's exploration and evaluation assets are in Bulgaria and its equipment is in Canada.

**13. SUBSEQUENT EVENTS**

- a) The Company granted 150,000 common share stock options to various consultants of the Company at a price of \$0.28 per share for a period of 2 years.
- b) The Company had 2,485,912 warrants exercised and received proceeds of \$745,773.
- c) The Company had 825,000 warrant expire un-exercised.