

Velocity Minerals Ltd.

Condensed Interim Consolidated Financial Statements

**For the nine months ended September 30, 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 consolidated interim 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 September 30, 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)

	September 30, 2019	December 31, 2018
ASSETS		
Current		
Cash (Note 3)	\$ 5,328,379	\$ 243,020
Receivables	387,234	7,076
Prepaid expenses	55,342	41,121
Advances (Note 4)	-	289,604
	<u>5,770,955</u>	<u>580,821</u>
Exploration and evaluation assets (Note 4)	7,631,838	2,913,915
Equipment	<u>48,414</u>	<u>-</u>
	<u>\$ 13,451,207</u>	<u>\$ 3,494,736</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Trade and other payables (Note 5, 8)	\$ 554,660	\$ 308,477
	<u>554,660</u>	<u>308,477</u>
Convertible debenture (Note 6)	<u>4,074,881</u>	<u>-</u>
	<u>4,629,541</u>	<u>308,477</u>
Shareholders' equity		
Share capital (Note 7)	17,516,401	12,954,048
Reserves (Note 7)	1,670,189	1,613,959
Equity component of convertible debenture (Note 6)	1,109,932	-
Non-controlling interest	1,935,668	-
Deficit	<u>(13,410,524)</u>	<u>(11,381,748)</u>
	<u>8,821,666</u>	<u>3,186,259</u>
	<u>\$ 13,451,207</u>	<u>\$ 3,494,736</u>

Nature and continuance of operations (Note 1)

Subsequent events (Note 13)

On behalf of the Board on November 28, 2019:

“Keith Henderson”

Director

“Gord Doerkson”

Director

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

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

(Expressed in Canadian dollars)

	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
EXPENSES				
Accretion expense	\$ 41,704	\$ -	\$ 90,814	\$ -
Consulting (Note 8)	69,783	160,723	154,383	386,166
Foreign exchange	(57,792)	10,022	29,582	(134,381)
Investor relations	19,189	(1,284)	187,842	71,836
Office	12,055	18,410	56,016	44,255
Professional fees	95,818	56,102	555,748	225,777
Property investigation	56,343	-	90,332	-
Regulatory fees	5,461	(11,246)	100,933	24,722
Rent	6,994	5,704	18,533	14,869
Salaries (Note 8)	110,505	30,406	308,304	109,427
Share-based compensation (Note 7)	-	-	154,000	129,561
Travel	64,601	773	136,250	36,128
	<u>(424,661)</u>	<u>(269,610)</u>	<u>(1,882,737)</u>	<u>(908,360)</u>
Loss on settlement of accounts payable (Note 7)	-	(9,402)	-	(9,402)
Impairment of exploration and evaluation assets (Note 5)	-	(663,840)	-	(663,840)
	<u>(424,661)</u>	<u>(942,852)</u>	<u>(1,882,737)</u>	<u>(1,581,602)</u>
Interest Income	13,921	-	15,145	-
Bulgarian Tax	1,338	-	(161,184)	-
Loss and comprehensive loss for the period	<u>(409,402)</u>	<u>(942,852)</u>	<u>(2,028,776)</u>	<u>(1,581,602)</u>
Loss and comprehensive loss attributed to:				
Common shareholders	(409,402)	(942,852)	(2,028,776)	(1,581,602)
Non-controlling interests	-	-	-	-
	<u>(409,402)</u>	<u>(942,852)</u>	<u>(2,028,776)</u>	<u>(1,581,602)</u>
Loss per common share				
-Basic and diluted	\$ (0.00)	\$ (0.01)	\$ (0.02)	\$ (0.02)
Weighted average number of common shares outstanding				
-Basic and diluted	96,923,313	68,116,831	90,476,236	64,957,392

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
Issuance of shares	6,621,824	1,324,400	-	-	-	-	1,324,400
Share issue costs	-	(27,099)	5,749	-	-	-	(21,350)
Debt settlement	376,089	60,174	-	-	-	-	60,174
Share-based compensation	-	-	129,561	-	-	-	129,561
Loss and comprehensive loss	-	-	-	-	-	(1,581,602)	(1,581,602)
Balance, September 30, 2018	68,186,326	\$ 12,248,523	\$ 1,253,304	\$ -	\$ -	(10,539,259)	\$ 2,962,568
Issuance of shares	6,700,433	1,005,065	22,000	-	-	-	1,027,065
Share issue costs	-	(100,885)	-	-	-	-	(100,885)
Share-based compensation	-	-	140,000	-	-	-	140,000
Residual value of warrants	-	(198,655)	198,655	-	-	-	-
Loss and comprehensive loss	-	-	-	-	-	(842,489)	(842,489)
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	3,350,536	1,149,585	(231,002)	-	-	-	918,583
Convertible debenture	-	-	-	1,109,932	-	-	1,109,932
Share-based compensation	-	-	154,000	-	-	-	154,000
Acquisition of Tintyava Exploration EAD	-	-	-	-	912,614	-	912,614
Change in net assets of Tintyava Exploration EAD	-	-	-	-	1,023,054	-	1,023,054
Loss and comprehensive loss	-	-	-	-	-	(2,028,776)	(2,028,776)
Balance, September 30, 2019	97,296,713	\$ 17,516,402	\$ 1,670,188	\$ 1,109,932	\$ 1,935,668	(13,410,524)	\$ 8,821,666

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)

	Nine months ended September 30, 2019	Nine months ended September 30, 2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	\$ (2,028,776)	\$ (1,581,602)
Adjustment for non-cash items items:		
Accretion expense	90,814	-
Amortization expense included in office expenses	18,861	-
Impairment of exploration and evaluation assets		663,840
Loss on settlement of accounts payable		9,402
Share-based compensation	154,000	129,561
Changes in non-cash working capital items:		
Advances	(35,580)	-
Receivables	(380,158)	5,479
Prepays	21,359	(2,522)
Trade and other payables	78,134	60,875
Net cash used in operating activities	<u>(2,081,346)</u>	<u>(714,967)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares	4,824,583	1,303,050
Share issue costs	(360,000)	-
Non-controlling interest	1,100,599	-
Convertible debenture	5,093,999	-
Net cash provided by financing activities	<u>10,659,181</u>	<u>1,303,050</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Advances – exploration and evaluation expenditures	-	(63,490)
Equipment	(45,189)	-
Exploration and evaluation expenditures	(3,447,286)	(1,174,446)
Net cash used in investing activities	<u>(3,492,475)</u>	<u>(1,237,936)</u>
Change in cash during the period	5,085,360	(649,853)
Cash, beginning of period	243,020	833,898
Cash, end of period	<u>\$ 5,328,380</u>	<u>\$ 184,045</u>
Income taxes paid	\$ -	\$ -
Interest paid	\$ -	\$ -

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)

September 30, 2019

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 September 30, 2019, the Company has working capital of \$5,216,295 and an accumulated deficit of \$13,410,524. 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 nine-month period ended September 30, 2019 are not necessarily indicative of the results that may be expected for the year ending December 31, 2019.

These condensed consolidated interim 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 consolidated interim financial statements are prepared in Canadian dollars.

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

(Expressed in Canadian dollars)

September 30, 2019

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

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

Subsidiary	Location	Ownership Interest
1077076 B.C. Ltd. ("7076 Ltd")	Canada	100%
Kibela Minerals AD ("Kibela")	Bulgaria	100%
Kabiri Minerals EOOD ("Kabiri")	Bulgaria	100%
Tintyava Exploration EAD	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 nine months ended September 30, 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.

The adoption of this new standards is not expected to have a significant impact on the Company's condensed consolidated interim financial statements

3. CASH

The Company's cash consists of the following:

	September 30, 2019	December 31, 2018
Cash held with banks in Canadian dollars	\$ 4,110,238	\$ 229,702
Cash held with banks in foreign currencies	1,218,141	13,318
Total	\$ 5,328,379	\$ 243,020

VELOCITY MINERALS LTD.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

September 30, 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 Option Period and until such time as the Tintyava Option is exercised, the Company must maintain the Tintyava Property in good standing, including meeting any minimum expenditure commitments imposed by the Ministry of Energy of the Republic of Bulgaria (the “Commitments”).

During the nine-month period ended September 30, 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 Exploration EAD, 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 September 30, 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.

VELOCITY MINERALS LTD.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

September 30, 2019

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:

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

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

f) Sedefche Property – Bulgarian

On September 25, 2019 the Company entered into an option agreement for the Sedefche project with Gorubso. The Company can earn a 70% interest in Sedefche by completing 5,000m of drilling prior to March 31, 2020 (the “Initial Drilling”). If the Company has not reached a decision to exercise the Option on completion of the Initial Drilling, the Company can extend the expiry of the Option by completing an additional drill program (the “Additional Drilling”), provided that the Additional Drilling must be completed by September 25, 2020.

If the Company elects not to exercise the Option, it will be entitled to a 1% Net Smelter Returns (“NSR”) royalty on any gold and silver mined from the Project in excess of that set out in the historical geological resources and reserves registered with the Bulgarian Ministry of Energy as of July 6, 2016 (the “Historical Bulgarian Resources”), that are identified or estimated as a result of the Initial Drilling and, if applicable, the Additional Drilling at the Project. Subject to the Company’s acceptance, half of the 1% NSR royalty (being 0.5%) can be purchased from the Company for US\$1,000,000.

Upon the exercise of the Option, the Company will be deemed to have entered into a joint venture (the “Joint Venture”), at which time a joint venture company (“JVCo”) will be established. The Company will be required to make the following payments upon the exercise of the Option. On entering into the Joint Venture, the Company will pay to Gorubso a fee of US\$800,000, payable in common shares in the capital of the Company (the “Velocity Shares”) at a deemed value per Velocity Share equal to the market price of the Velocity Shares on the TSXV”) on the date of incorporation of JVCo. Upon the production of the first doré from ore extracted from the Project, a second US\$800,000, to Gorubso, will be payable in Velocity Shares at a deemed value per Velocity Share equal to the market price of the Velocity Shares on the TSXV on the date of the initial doré production. Upon the formation of the Joint Venture, a 2% NSR royalty will be deemed to have been granted to Gorubso on products from the Project, which will be limited to the Historical Bulgarian Resources. The Company, with approval from Gorubso, will have the ability to purchase 50% (being 1%) of the NSR royalty for US\$2,000,000. Gorubso may opt to continue mine site preparation during the term of the Option at its expense, provided that upon the Company’s exercise of the Option and the formation of the Joint Venture, the Company will be responsible for covering 70% of up to BGN 500,000 in site preparation costs incurred by Gorubso.

If Velocity elects to abandon its interest in the Joint Venture following the formation of the Joint Venture and the acquisition of a 70% interest therein, Velocity will be entitled to a 1% NSR royalty on (i) all gold and silver mined from the Project in excess of that set out in the Bulgarian Historical Estimate that is identified or estimated as a result of the Initial Drilling and, if applicable, the Additional Drilling, at the Project or (ii) all mineral resources and reserves discovered at the Project, if two years have passed from the formation of the Joint Venture and if Velocity completes BGN 2,000,000 in aggregate expenditures on the Project prior to termination.

VELOCITY MINERALS LTD.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

September 30, 2019

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

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

		Tintyava		Nadezhda		Momechil		Total
Acquisition costs								
Balance, December 31, 2018	\$	450,712	\$	-	\$	-	\$	450,712
Acquisition of Tintyava Exploration EAD		912,614		-		-		912,614
Balance, September 30, 2019	\$	1,363,326	\$	-	\$	-	\$	1,363,326
Deferred exploration costs								
Balance, December 31, 2018	\$	2,463,203	\$	-	\$	-	\$	2,463,203
Drilling		1,489,082		24,867		487,088		2,001,037
Geological		694,162		7,176		88,969		790,307
Geochemistry		7,562		-		6,734		14,286
Field		707,981		32,783		258,905		999,669
		2,898,787		64,826		841,696		3,805,309
Balance, September 30, 2019	\$	5,361,990	\$	64,826	\$	841,696	\$	6,268,512
Impairment		-		-		-		-
Balance, September 30, 2019	\$	6,725,316	\$	64,826	\$	841,696	\$	7,631,838
Acquisition costs								
Balance, December 31, 2017	\$	436,499	\$	2,765	\$	-	\$	439,264
Property acquisition fee		14,213		681		-		14,894
Balance, December 31, 2018	\$	450,712	\$	3,446	\$	-	\$	454,158
Deferred exploration costs								
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
Balance, December 31, 2018	\$	2,463,203	\$	93,191	\$	634,590	\$	3,190,984
Impairment		-		(96,637)		(634,590)		(731,227)
Balance, December 31, 2018	\$	2,913,915	\$	-	\$	-	\$	2,913,915

As at September 30, 2019, advances of \$Nil (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)

September 30, 2019

5. TRADE AND OTHER PAYABLES

	September 30, 2019	December 31, 2018
Trade payables	\$ 554,660	\$ 308,477
	\$ 554,660	\$ 308,477

6. CONVERTIBLE DEBENTURE

On March 14, 2019, the Company issued a convertible debenture valued at \$5,094,000 with an interest rate of 8.5% per annum compounded semi-annual, convertible into common shares at \$0.25 per share, with a maturity date of March 14, 2024. The semi-annual interest was paid subsequent to September 30, 2019. (Note 13).

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

Proceeds received, net of transaction costs	\$ 5,094,000
Allocated to equity portion	(1,019,119)
Allocated to liability portion	4,074,881
Liability portion as at December 31, 2018	-
Additions	3,984,068
Accretion expense for the period	90,814
Liability portion as at September 30, 2019	4,074,881

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

Unlimited number of common shares without par value.

Issued share capital**During the period ended September 30, 2019:**

On March 14, 2019, the Company completed a non-brokered private placement 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 459,418 common shares were issued as advisory fees.

The Company had 3,350,536 warrants exercised for proceeds of \$918,583 as follows; 380,084 warrants exercised at a price of \$0.15 per warrant for proceeds of \$57,013, 106,750 warrants exercised at a price of \$0.20 per warrant for proceeds of \$21,350, 377,790 warrants exercised at a price of \$0.25 per warrant for proceeds of \$94,447 and 2,485,912 warrants exercised at a price of \$0.30 per warrant for proceeds of \$745,773.

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)

September 30, 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 September 30, 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
150,000	\$0.28	May 1, 2021
8,175,000		

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	1,075,000	\$ 0.28
As at September 30, 2019	8,175,000	\$ 0.26
Number of options currently exercisable	8,175,000	\$ 0.26

During the period ended September 30, 2019, the Company recognized share-based payments expense of \$154,000 (September 30, 2018 - \$129,561) regarding the vesting of stock options granted. The weighted average remaining contractual life of options outstanding as at September 30, 2019 was 2.00 (December 31, 2018 - 2.84) years.

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

(Expressed in Canadian dollars)

September 30, 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:

	September 30, 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	(3,350,536)	0.27
Expired	(825,000)	0.30
As at September 30, 2019	12,650,217	\$ 0.24

The weighted average remaining contractual life of warrants outstanding at September 30, 2019 was 2.34 (December 31, 2018 – 1.46) years.

Warrants outstanding are as follows:

Number of Warrants	Exercise Price	Expiry Date
3,350,217	\$ 0.20	October 12, 2021
9,300,000	\$0.25	March 14, 2022
12,650,217		

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

	September 30, 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

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

(Expressed in Canadian dollars)

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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 nine-month period ended September 30, were:

	2019	2018
Short-term benefits paid or accrued:		
Consulting fees ¹	\$ 284,750	\$ 174,660
Salaries and directors fees	326,100	75,000
	<u>610,850</u>	<u>249,660</u>
Share-based payments:		
Share-based payments	75,486	-
	<u>75,486</u>	<u>-</u>
Total remuneration	\$ 686,336	\$ 249,660

¹\$209,950 of consulting fees are included in exploration and evaluation assets

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

Due to related parties of \$98,828 (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 September 30, 2019, consisted of the following:

- Advances realized on exploration and evaluation expenditures \$297,510
- Exploration and evaluation assets included in accounts payable \$168,050
- Acquisition of Tintyava in exploration and evaluation assets of \$912,614

Significant non-cash investing or financing transactions during the period ended September 30, 2018, consisted of the following:

- Advances realized on exploration and evaluation expenditures \$82,440
- Finder's warrants \$5,749
- Settlement of accounts payable in subsidiary through the issuance of common shares \$60,174 and increase to advances \$50,772.

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 September 30, 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.

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

The Company's risk exposure and the impact on the Company's financial instruments are summarized below:

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 and Bulgaria. As at September 30, 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 September 30, 2019, the Company had a cash balance of \$5,328,379 to settle current liabilities of \$554,660. 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 September 30, 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.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

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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 September 30, 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

The Company granted 900,000 common share stock options to various employees and consultants of the company and its affiliates. The options entitle the holder to purchase shares at a price of 46 cents per share for a period of 24 months from the issue date.

The Company issued 495,516 common shares for the semi-annual interest of \$237,848 on the Convertible Debenture. Interest of \$21,353 was for the interest due March 31, 2019 and \$216,495 was for interest due September 30, 2019.