MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020

REPORT DATE:
August 31, 2020

This Management Discussion and Analysis (the "MDA") provides relevant information on the operations and financial condition of Velocity Minerals Ltd. (the "Company") as at and for the three and six months ended June 30, 2020 and up to August 31, 2020.

The Company is in the business of mineral exploration, currently focused in Bulgaria, Eastern Europe. Activities include the evaluation, acquisition and exploration of mineral exploration properties in search of economic mineral deposits. The realization of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves and future profitable production or proceeds from the disposition of these assets. The carrying values of exploration and evaluation assets do not necessarily reflect their present or future values.

All monetary amounts in this MDA and in the consolidated financial statements are expressed in Canadian dollars, unless otherwise stated. Financial results are being reported in accordance with International Financial Reporting Standards ("IFRS").

The Company's certifying officers, based on their knowledge, having exercised reasonable diligence, are responsible to ensure that these filings do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which is it was made, with respect to the period covered by these filings, and there associated consolidated financial statements together with other financial information included therein. The Board of Directors' approves the consolidated financial statements and MDA and ensures that management has discharged its financial responsibilities.

The MDA should be read in conjunction with the Company's condensed interim consolidated financial statements and notes thereto for the three and six months ended June 30, 2020, as well as the Company's audited consolidated financial statements for the years ended December 31, 2019 and 2018.

The Company is registered in the province of British Columbia. Its principal office is located at Suite 2300 – 1177 West Hastings Street Vancouver, BC, V6E 2K3. Its registered and records office is located at Suite 1170 – 1040 West Georgia Street, Vancouver, BC, V6E 4H1.

FORWARD LOOKING AND CAUTIONARY STATEMENTS

This MDA contains forward-looking statements and forward-looking information (collectively, "forward-looking statements") within the meaning of applicable Canadian and U.S. securities legislation, including the United States Private Securities Litigation Reform Act of 1995 concerning the business, operations and financial performance and condition of the Company. All statements, other than statements of historical fact, included herein including, without limitation, statements regarding future capital expenditures and financings (including the amount and nature thereof), anticipated content, commencement, and cost of exploration programs in respect of the Company's projects and mineral properties, anticipated exploration program results from exploration activities, the discovery and delineation of mineral deposits, resources and/or reserves on the Company's projects and mineral properties, and the anticipated business plans and timing of future activities of the Company, are forward-looking statements. Although the Company believes that such statements are reasonable, it can give no assurance that such expectations will prove to be correct.

Often, but not always, forward looking information can be identified by words such as “pro forma”, “plans”, “expects”, “may”, “should”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates”, “believes”, “potential” or variations of such words including negative variations thereof, and phrases that refer to certain actions, events or results that may, could, would, might or will occur or be taken or achieved.

Forward looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to differ materially from any future results, performance or achievements expressed or implied by the forward-looking information. Such risks and other factors include, among others:

- the Company’s strategies and objectives, both generally and in respect of its specific mineral properties or exploration and evaluation assets
- the ability of the Company to obtain sufficient financing to fund its business activities and plans on an ongoing basis
- operating and technical difficulties in connection with mineral exploration or development or mine development activities for the Company's projects generally, including the geological mapping, prospecting, drilling and sampling programs for the Company's projects
- actual results of exploration activities, including exploration results, the estimation or realization of mineral resources and mineral reserves, the timing and amount of estimated future production, costs of production, capital expenditures, and the costs and timing of the development of new deposits,
- possible variations in ore grade or recovery rates, possible failures of plants, equipment or processes to operate as anticipated, accidents, labour disputes and other risks of the mining industry
- delays in obtaining governmental and regulatory approvals (including of the TSX Venture Exchange), permits or financing or in the completion of development or construction activities
- changes in laws, regulations and policies affecting mining operations, hedging practices, currency fluctuations, title disputes or claims limitations on insurance coverage and the timing and possible outcome of pending litigation, environmental issues and liabilities, risks related to joint venture operations, and risks related to the integration of acquisitions
- requirements for additional capital, future prices of precious metals, changes in general economic conditions, changes in the financial markets and in the demand and market price for commodities
- the ability of the Company to continue to operate during the COVID-19 pandemic and that the Company’s responses to the COVID-19 pandemic will be effective in continuing operations in the ordinary course
- those factors discussed under the headings “Risk and Uncertainties” and “Financial Instruments and Risk Management” in this MDA and other filings of the Company with the Canadian Securities Authorities, copies of which can be found under the Company's profile on the SEDAR website at www.sedar.com.

Readers are cautioned not to place undue reliance on forward-looking statements. The Company undertakes no obligation to update any of the forward-looking information in this presentation or incorporated by reference herein, except as otherwise required by law.

DESCRIPTION OF BUSINESS

Velocity Minerals Ltd. is a gold exploration and development company focused on Eastern Europe. The Company’s management and board include mining industry professionals with experience spanning Europe, Africa, Australasia, and the Americas as employees of major mining companies as well as founders and senior executives of junior to mid-tier public companies. The teams’ experience includes all aspects of mineral exploration, resource definition, feasibility, finance, mine construction and mine operation as well as a track record in managing publicly listed companies.

The Company is currently focused on exploration assets in Bulgaria, which is a member of the European Union (2007) with a mining law that was established in 1999 and updated in 2011. The local currency (BGN) has been tied to the Euro since 1999 (1.956 BGN/EUR). The country is served by modern European infrastructure including an extensive network of paved roads.

Mining royalties compare favourably with more established mining countries like Canada, Peru, and Chile. Bulgaria also boasts an exceptionally low corporate tax rate of only 10% and the country's education system is excellent with good availability of experienced mining professionals in a favourable cost environment. Foreign mining companies are successfully operating in Bulgaria. Despite the positive operating environment, the number of established mining companies is low and Velocity is among the first movers in a new influx of foreign mining investment.

The Company's management and board believe that local knowledge and experience are essential components of successful mining investment in a foreign jurisdiction. Velocity Minerals has entered into one joint venture and three property option agreements with Gorubso Kardzhali A.D. ("Gorubso"), an established and respected mining company in Bulgaria. In addition, the Company and Gorubso have entered into an Exploration and Mining Alliance as outlined in more detail below. Gorubso operates the underground Chala Gold Mine (since 2006) and the Kardzhali Carbon In Leach (CIL) plant ("CIL Plant") (since 2011), which produces gold doré. Gorubso is the first and only company in Bulgaria to have secured a permit for cyanide-related processing of gold ores. Velocity's management has a long-standing relationship with Gorubso as well as abundant previous experience in Bulgaria and elsewhere in the region.

COVID-19

The health and safety of the Company's workforce is a high priority. No positive COVID-19 cases have been reported among the Company's employees, consultants, contractors or their families. Company employees and consultants in Canada and Bulgaria are mostly working from home where possible and where personal family circumstances dictate this to be necessary. For most field-based technical personnel in Bulgaria, exploration work continues but with strict operating protocols in line with national and local government guidance and directives, and advice from leading medical experts. Aside from restrictions common throughout the world such as physical distancing and increased personal hygiene, the Company has also modified work rosters to prevent mixing of work groups and introduced temperature and health screening at the work sites.

The longer-term effects of the ongoing COVID-19 pandemic on Velocity's exploration business is uncertain and the Company is reviewing strategies to reduce costs where appropriate. Management and Board are meeting on an approximately monthly basis to review operating protocols and exploration strategy as they relate to the COVID-19 crisis and financial market conditions.

EXPLORATION PROJECTS

The Company is focused on gold exploration and development. All of the Company's material projects are located in southeastern Bulgaria.

In July 2017, Velocity's wholly-owned Bulgarian subsidiary, Kibela Minerals AD ("Kibela") entered into an option agreement, under the terms of which Kibela had the right to acquire an undivided 70% legal and beneficial interest in the Tintyava prospecting and exploration licence ("Tintyava Property") through delivery to Gorubso of a preliminary economic assessment on the Tintyava Property (the "PEA") prepared under National Instrument 43-101.

In January 2018, Velocity entered into a binding letter agreement with its Bulgarian partner Gorubso, which sets out the terms by which Velocity and Gorubso will form an exploration and mining alliance (the "Alliance") covering all existing and future Gorubso and Velocity projects (the "Projects") within an area of 10,400km^2 (the "Alliance Area").

In September 2018, the Company and Gorubso entered into a definitive "Exploration and Mining Alliance Agreement" (the Alliance Agreement").

Gorubso owns and operates a modern gold processing plant (the "CIL Plant"), which provides crushing, grinding, gravity, carbon-in-leach, elution, electro-winning, gold doré production and tailings management facilities. The CIL Plant is centrally located within the Alliance Area. Under the terms of the Alliance Agreement, Gorubso will make the Plant available for the processing of mineralized material from current and future properties located within the Alliance. Material processed at the CIL Plant will be charged to any joint venture entities on a cost-plus basis. Securing the use of the CIL Plant provides significant technical and financial risk reduction, as well as potential capital and time savings. Most importantly, securing the use of the processing facility significantly reduces permitting risk and delays that might otherwise arise if a processing plant had to be permitted and built prior to development of any Projects.

Following delivery of the PEA on October 31, 2018, Velocity earned an undivided 70% interest in the Tintyava Property. The Tintyava Property is held by a Bulgarian corporation, Tintyava Exploration AD ("Tintyava Exploration"), which during the option period was owned 100% by Gorubso. On March 1, 2019, the Company (through its subsidiary Kibela) entered into a

shareholder's agreement with Gorubso regarding Tintyava Exploration and 70% of the shares of Tintyava Exploration were transferred to Kibela.

On March 5, 2019 the Company signed option agreements for two additional Projects, Nadezhda and Momchil, under the terms of which option agreements the Company has the right to earn an undivided 70% legal and beneficial interest in the Nadezhda and Momchil properties.

On September 25, 2019, the Company signed an option agreement for the Sedefche Project under the terms of which option agreement the Company has the right to earn an undivided 70% legal and beneficial interest in the Sedefche property.

On June 27, 2020, the Company signed an option for the Iglika Project under the terms of which option agreement, the Company has the right to earn an undivided 100% legal and beneficial interest in the Iglika property. The Iglika property is not located within the Alliance.

On August 31, 2020, the Company disclosed results of a Prefeasibility Study ("PFS") on the Rozino Project, located within the Tintyava Property.

The Rozino gold project ("Rozino"), located within the Tintyava Property, is currently the Company's most advanced asset. The Tintyava Property is the only property in which the Company has earned an interest to date. The Momchil, Nadezdha, Sedefche and Iglika properties are subject to option agreements under the terms of which the Company has yet to earn any interest.

Rozino Gold Project, Tintyava Property

Property Description

The Rozino gold deposit is located within the Tintyava Property, which lies within the municipalities of Ivaylovgrad and Krumovgrad in southeast Bulgaria approximately. In 2016, Gorubso, won a competitive tender to acquire a prospecting and exploration licence covering the Property.

In July 2017, Velocity's wholly-owned Bulgarian subsidiary, Kibela, entered into an option agreement, under the terms of which Kibela had the right to acquire an undivided 70% legal and beneficial interest in the Tintyava Property through delivery to Gorubso of a PEA. On October 31, 2018, Velocity delivered to Gorubso a PEA Technical Report prepared under National Instrument 43-101 of the Canadian Securities Administrators. Following delivery of the PEA, Velocity has earned an undivided 70% interest in the Tintyava Licence. Tintyava Exploration was owned 100% by Gorubso during the option period. On March 1, 2019, the Company (through its subsidiary Kibela) entered into a shareholder's agreement with Gorubso regarding Tintyava Exploration and 70% of the shares of Tintyava Exploration were transferred to Kibela.

The change in control was recorded as an asset acquisition, 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 $946,215. The consolidated statement of loss and comprehensive loss includes only the profit and loss of Tintyava subsequent to March 1, 2019.

On August 31, 2020, the Company disclosed financial results from a Prefeasibility Study ("PFS") completed on the Rozino Project. The technical information included below is sourced from the disclosure. As the information is necessarily summarized, readers are encouraged to review the Company's disclosure in its entirety, including all qualifications and assumptions. The disclosure is intended to be read as a whole, and sections should not be read or relied upon out of context. An independent PFS Technical Report (the "Report") will be prepared by CSA Global and filed on SEDAR on or before October 14, 2020. CSA Global is an international mining consultancy with experience in Bulgaria, in accordance with National Instrument 43-101 Standards of Disclosure for Mineral Projects.

The PFS establishes the Rozino deposit as supporting an economic open pit mine operation with gold recovery by a combination of on-site concentration in a flotation plant ("Flotation Plant") and further processing to produce a gold-silver doré in the existing and operating processing plant ("Processing Plant") located in Kardzhali, 85 km by road from Rozino, where doré would be produced. The PFS financial model base case returns an after-tax Net Present Value at a 5% discount rate ("NPV5%") of CAD $163 million and an after-tax internal rate of return ("IRR") of 27.4%.

Prefeasibility Study[(1)] Highlights

All amounts are reported in United States dollars (US$) unless otherwise specified.

- **After-Tax Financials**: After-tax $NPV_{5\%}$ of CAD$163 ($123) million and after-tax IRR of 27.4% using a base case gold price of $1,500 per ounce
- **Life of Mine Earnings**: $293 million before interest, taxes, and depreciation
- **Cash Cost**: All-in sustaining cost[(2)] of $755 per ounce of gold and cash cost[(3)] of $699 per ounce of gold
- **Capital Costs**: Total estimated capital costs of $94.8 million and pre-production capital costs of $87.1 million (including an 11% contingency)
- **Mineral Resource:** Indicated Mineral Resource at a 0.3 g/t gold cut-off grade of 20.5 Mt at 0.87 g/t gold, for contained gold of 573,000 ounces and an Inferred Mineral Resource at a 0.3 g/t cut-off of 0.38 Mt at 0.8 g/t gold for 10,000 ounces[(4)]
- **Initial Mineral Reserve:** Probable Mineral Reserve at a 0.5 g/t gold cut-off grade of 11.8 Mt at 1.22 g/t gold for 465,000 ounces
- **Mining**: Open pit with 0.5 g/t gold cut-off grade (COG), low strip ratio of 2.2 and 1.22 g/t life of mine ("**LOM**") gold grade
- **Conventional Process Flow Sheet:** Returns 79.3% gold recovery to doré at the operating Processing Plant
- **Processing**: On-site flotation producing gold-bearing pyrite concentrate assaying from 15 to 40 g/t and transportation to the Processing Plant (located 85 km from the Project) for processing to produce doré
- **Low Environmental Risk:** Small project footprint with benign, non-acid generating and non-hazardous waste and tailings material
- **Opportunities for Project Enhancement:** The Rozino gold deposit is open to the southeast and exploration is ongoing. Additional pit tailings storage capacity exists to accommodate potential increases in ore production.

Notes:
(1) Base case parameters assume a gold price of US$1,500/ounce and an exchange rate (CAD$ to US$) of 0.75. Financial results on 100% equity basis.
(2) All-In Sustaining Cost (AISC) is defined as all cash costs related to production costs such as mining, processing, refining, site administration, and NSR royalty to final product (direct and indirect), and mine closure and rehabilitation. Sustaining capital costs related to continuing the business including development and equipment required to sustain production are included. Taxes, working capital, M&A, disposals, and acquisitions as well as new mine development capital costs are excluded. See "Use of Non-IFRS Financial Performance Measures" below.
(3) Cash Costs include production costs such as mining, processing, refining, site administration, and NSR royalty, divided by gold ounces sold to arrive at a cash cost per gold ounce sold. See "Use of Non-IFRS Financial Performance Measures" below.
(4) Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability. Inferred Mineral Resources are considered too speculative geologically in nature to enable them to be categorized as Mineral Reserves and there can be no certainty that all or any part of an inferred mineral resources will ever be upgraded to Indicated Mineral Resources or Measured Mineral Resources.

PFS Financial Results and Sensitivity

The PFS financial model reflects an after-tax $NPV_{5\%}$ of $123 million and an after-tax IRR of 27.4%. Total undiscounted after-tax cash flow over the life of the Project is estimated to be $179 million, with a robust return on capital employed (ROCE) of 3.1.

Headline Financial Results

PRE-TAX		US$	CAD$
Pre-Tax $NPV_{0\%}$	$M	199	265
Pre-Tax $NPV_{5\%}$	$M	137	183
IRR	%	34.7%	
Payback (Production Start)	Years	2.9	
AFTER-TAX		**US$**	**CAD$**
After-Tax $NPV_{0\%}$	$M	179	239
After-Tax $NPV_{5\%}$	$M	123	163
IRR	%	27.4%	
Payback (Production Start)	Years	3.0	

Single factor sensitivity analysis was completed on a number of key parameters, including gold price, capital expenditure and operating expenditure. These parameters are assessed as having the greatest impact on the economics of the project. Parameters were increased and decreased, in isolation, in increments of 25% from the base case to assess the impact on the project's $NPV_{5\%}$. The project $NPV_{5\%}$ is most sensitive to metal prices.

Project Sensitivities

	Sensitivities	After-Tax IRR%	After-Tax $NPV_{5\%}$ ($M)
CAPEX	-25%	46.5%	158
	Base Case	27.4%	123
	+25%	15.3%	77
OPEX	-25%	37.9%	186
	Base Case	27.4%	123
	+25%	13.8%	47
Gold Price	US$1,125 (-25%)	10.2%	27
	Base Case US$1,500	27.4%	123
	US$1,875 (+25%)	41.4%	218

Recommendations, Risks and Opportunities

Recommendations

The PFS represents the best available estimates of operating and financial parameters of the Rozino Project. CSA Global recommend that the Company progress to complete a Feasibility Study ("FS"), which will aim to resolve key project parameters with greater certainty. It is recommended that ongoing exploration drilling be completed prior to commencement of the FS so that any additional discoveries can be integrated into the FS.

Risks

The proposed open pit mining operation at Rozino is considered low to medium risk from a technical standpoint.

- CSA Global were able to determine that mineralisation can be adequately modelled for its diluted, recoverable grade properties assuming a selective mining unit (SMU) of 4 x 6 x 2.5 m using the multiple indicator Kriging (MIK) methodology. No further dilution or mining loss was considered appropriate. Key to this recommendation is that the operational and technical mining team, mine management, and key operators to be well trained and attentive to dilution and ore loss controls and consistently apply best practices in mineral handling.
- The small pit size and requirement for there to be six to eight working locations may result in ore and waste scheduling constraints. Detailed short-term planning will identify the stress points and enable mitigation.
- Concentrate transport will require approximately 12 X 20 t trucks per day transporting concentrate to the existing Processing Plant located at Kardzhali (85 km by road). Although considered a low risk, public safety and concentrate supply continuity will be areas of focus during the mine life.

Opportunities to Enhance Project Value

There are several opportunities to add value at Rozino during the advancement of the FS engineering work.

- Potential Additional Resources at Rozino: Further exploration drilling may create additional opportunity at the Project. Mineralisation is open on the southeastern boundary of the deposit and ongoing drilling by Velocity has recently intersected moderate grade, near-surface gold mineralisation (most recent news releases 21st July 2020). The recent exploration results are considered not material to the outcomes of this PFS. The results of the recent and proposed exploration drilling will be considered in a future evaluation of the Mineral Resources and Mineral Reserves.
- Ongoing Exploration: Exploration is ongoing on various other prospects within the Tintyava Property, all of which are within trucking distance of the Rozino Flotation Plant. There is some additional unused tailings capacity in the pit.
- Recoveries: Additional metallurgical testwork is recommended in the FS to undertake additional variability testwork to obtain more confidence in the grade-recovery function and the oxidation-recovery relationship. If gold recovery at lower grades is better than expected, there could be more value derived from lower grade ore. In addition, more accurate estimation of the oxidation rating will improve short-range recovery estimates.
- Silver upside: The metallurgical testwork indicates the presence of silver in the bulk concentrate and doré that could potentially add value. Routine drill core analyses have been limited to gold through much of the drilling campaigns. Consequently, silver was not able to be incorporated into the Mineral Resource estimate and Mineral Reserve statement. Silver analysis of laboratory pulps is recommended and will be undertaken for the FS.

Mineral Resource Estimate

The estimates are based on 2 m down-hole composited gold assay grades from angled diamond drilling available on 23rd October 2019. Relative to the dataset available for the previous September 2018 Inferred Mineral Resource estimates, the estimation dataset contains assay results for an additional 114 holes for 12,733 m of drilling. This additional infill drilling, which reduced hole spacing for much of the deposit to around 50 m by 50 m, confirmed the general tenor and continuity of mineralisation interpreted from the previously broad spaced drilling. This drilling, along with additional analytical information, supports the estimation of Indicated Mineral Resources.

The Rozino sampling database compiled for these estimates includes 311 diamond holes for 44,071 m of drilling, of which 86 drill holes (14,289 m) completed by Asenovgrad Geoengineering EAD during the 1980s are not included in the resource estimation dataset due to insufficient quality control data. The estimation dataset compiled for resource modelling and defining mineralisation extent totals 204 diamond holes for 26,321 m and includes drill holes within the interpreted mineralised domain and rare holes up to approximately 100 m from the domain. This drilling includes 170 holes (21,787 m) drilled by Velocity, 28 drill holes (3,794 m) completed by Hereward Ventures Ltd. ("Hereward"), and 6 drill holes (740 m) completed by Asia Gold Inc. ("Asia Gold"). The remaining angled drill holes from the database are located outside the modelling area and did not inform the resource estimation. Relative to the dataset available for the previous September 2018 Mineral Resource estimate, the estimation dataset contains data for an additional 114 diamond holes (12,733 m).

The combined hole spacing varies from around 50 m by 50 m and locally closer in central portions of the deposit, to around 100 m by 100 m in peripheral areas. Samples from Velocity's diamond drilling provide 82% of the estimation dataset, with diamond holes drilled by Hereward and Asia Gold contributing 16% and 3% respectively.

Velocity's work program at Rozino was designed and supervised by Stuart A. Mills, CGeol, the Company's Vice-President Exploration, who is responsible for all aspects of the work, including the quality control/quality assurance program. On-site personnel at the Project rigorously collect and track samples which are then security sealed and shipped to ALS Global laboratory in Romania. Samples were prepared and analyzed by fire assay using a 30 gram charge in compliance with industry standards. Field duplicate samples, blanks, and independent controlled reference material (standards) are included in every batch.

Hereward and Asia Gold's diamond core from angled drilling was sampled and analyzed by industry standard methods. The core was generally halved for analysis with a diamond saw over about 1 m intervals, and samples were analyzed for gold by fire assay by commercial laboratories. Hereward and Asia Gold's monitoring of sampling and assay reliability included duplicates and blanks for both data sets and certified reference standards for Asia Gold's data.

The Mineral Resource estimate was carried out by MPR Geological Consultants Pty Ltd.

Estimated Resources are constrained within a mineralised envelope interpreted from 2 m down-hole composited gold grades and geological logging from diamond drill core. The envelope captures intervals of greater than 0.1 g/t, with the lower boundary reflecting the contact between variably mineralised sedimentary rocks and un-mineralised basement. It covers an area of approximately 0.8 km by 1.0 km.

Bulk densities of 2.35, 2.40 and 2.55 tonnes per cubic metre were assigned to completely oxidized, transitional and fresh material respectively, using surfaces representing the base of complete oxidation (BOCO) and top of fresh rock (TOFR) interpreted by Velocity. The density values were derived from the results of 250 immersion density measurements performed by Velocity and Hereward on samples of diamond drill core. Within the resource area the depth to BOCO averages around 11 m, with fresh rock occurring at an average depth of around 22 m.

Recoverable resources were estimated using Multiple Indicator Kriging (MIK) with block support adjustment, a method that has been demonstrated to provide reliable estimates of recoverable open pit resources in gold deposits of diverse geological styles. Indicator class grades used for the MIK modelling were determined from the mean composite gold grade of each indicator class. The effect of extreme grades on estimates was reduced by cutting six outlier composites with gold grades of greater than 60 g/t to 60 g/t for determination of the mean grade for the highest indicator class.

Estimates for mineralisation tested by generally consistently 50 m by 50 m and closer spaced drilling are classified as Indicated, with estimates for more broadly sampled zones assigned to the Inferred category.

Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability. To provide estimates with reasonable prospects for eventual economic extraction, Mineral Resources are reported within an optimized pit shell generated with the parameters shown in Table 3. These cost and revenue parameters were specified by Velocity and are compatible with the mining and recovery methods described in this announcement. They generate a cut-off grade of 0.3 g/t, which is selected as the base case for Mineral Resource reporting.

The optimal pit shell generated for constraining Mineral Resources has dimensions of about 770 m by 660 m, with a maximum depth of around 150 m.

Parameters used to generate pit shell to constrain Mineral Resources

Parameter		Value
Gold price		$1,500 per ounce
Cost per tonne of material mined		$2.59 per tonne
Cost per tonne of material milled, excl mining		$11.74 per tonne
Metallurgical recovery		79.3%
Refining charge		$1.44 per ounce
Average pit wall angles	Wall azimuth 030 to 150°	36°
	Wall azimuth 150 to 030°	40°

Notes:

(1) The reasonable prospects for eventual economic extraction utilizes a fixed metallurgical recovery of 79.3% that does not vary for ore type or grade

Mineral Resource Estimate (effective date 15th April 2020)

Within $1,500/oz pit shell			
Indicated Mineral Resource Estimate			
Cut-off g/t	**Tonnes Mt**	**Grade Gold g/t**	**Contained Gold koz**
0.2	27.2	0.72	630
0.3	**20.5**	**0.87**	**573**
0.4	15.5	1.04	518
0.5	12.0	1.22	471
0.6	9.42	1.40	424
Inferred Mineral Resource Estimate			
Cut-off g/t	**Tonnes Mt**	**Grade Gold g/t**	**Contained Gold koz**
0.2	0.49	0.7	11
0.3	0.38	0.8	10
0.4	0.29	0.9	8
0.5	0.23	1.0	7
0.6	0.17	1.2	7

Notes:
(1) The selected base case Mineral Resources are reported at a cut-off grade of 0.3 g/t gold.
(2) Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability.
(3) The Mineral Resources have been classified and reported in accordance with the Canadian Institute of Mining, Metallurgy and Petroleum "CIM Definition Standards - For Mineral Resources and Mineral Reserves" ("CIM Definition Standards").
(4) Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability. Inferred Mineral Resources are considered too speculative geologically in nature to enable them to be categorized as Mineral Reserves and there can be no certainty that all or any part of an inferred mineral resources will ever be upgraded to Indicated Mineral Resources or Measured Mineral Resources.

Mineral Reserves

The Rozino deposit supports an economic open pit mining operation. The Mineral Reserve estimate is based on the Indicated classification of the Mineral Resource contained within the pit design. The Mineral Reserve estimate has considered all modifying factors appropriate to the Rozino Gold Project.

The reference point at which the Mineral Reserves are defined is where the ore is delivered to the processing plant.

Probable Mineral Reserves (effective date 20th August 2020).

Ore Type	Reserve Category	Tonnes Mt	Gold Grade g/t	Contained Metal koz Gold	Metallurgical Recovery %	Recoverable Metal koz Gold
Oxide	Probable	1.9	1.07	64	67.4	43
Transitional	Probable	1.8	1.15	68	70.7	48
Sulphide	Probable	8.1	1.27	332	83.3	277
Total	**Probable**	**11.8**	**1.22**	**464**	**79.3**	**368**

Notes:
(1) The Mineral Reserve disclosed herein has been estimated in accordance with the Canadian Institute of Mining, Metallurgy and Petroleum "CIM Definition Standards for Mineral Resources and Mineral Reserves" (CIM, 2014).
(2) Mineral Reserves discard cut-off grade was 0.5 g/t gold
(3) Mineral Reserves are based on a $1,500/oz gold price
(4) Mineral Reserves account for mining dilution and ore loss
(5) Probable Mineral Reserves were based on Indicated Mineral Resources
(6) Sum of individual amounts may not equal due to rounding

None of the Inferred category of the Mineral Resources are included in the Mineral Reserves. Inferred Mineral Resources do not contribute to the financial performance of the project and are treated in the same way as waste.

Mining losses and mining dilution are incorporated in the MIK Mineral Resource estimate. CSA Global were able to determine that mineralisation can be adequately modelled for its diluted, recoverable grade properties assuming a selective mining unit (SMU) of 4 x 6 x 2.5 m using the MIK methodology. CSA Global consider that the Mineral Resources can be effectively mined by open cut extraction using the selected mining equipment and qualifications relating to training, grade control practices, and drilling and blasting technique applied, without additional dilution and loss factors being applied.

Mining

The mine will be a conventional open pit shovel and truck operation.

The mine plan allows for the production of 9.2 Mt of high-grade ore and 2.7 Mt of low-grade ore (a total of 11.8 Mt) over a period of 7 years. High grade ore will have a cut-off of 0.8 g/t gold and an average head grade of 1.38 g/t. Low grade ore will have a cut-off of 0.5 g/t and an average head grade of 0.68 g/t. Low-grade ore will be stockpiled on the waste rock dump and processed over the last 18 months of mine life. The mining schedule also identifies ore by the degree of weathering (Oxidised, Transitional and Sulphide). Metallurgical testwork indicated that there was no benefit to processing the ore types separately and therefore there is no selectivity in the mining or processing operations.

This mine plan will allow the processing of 1.75 Mt of ore per annum for a total mine life of 7 years.

Primary and ancillary mining equipment will be leased and operated by the company. Drilling and blasting will be carried out by a licensed contractor. The contractor will supply and manage explosives on a just-in-time use basis, thus requiring no on-site storage requirements.

Blasting will be on 5 m benches. The benches will be mined in two 2.5 m passes using three X 90 tonne class excavators for primary excavation. The blasted rock will be loaded into 55 tonne capacity trucks. The truck fleet will number between 12 and 15 units at steady state production rates.

The mine pit will comprise two phases: Phase 1 in the east will be mined first followed by Phase 2 in the west. Most of the Phase 2 waste will be placed into the depleted Phase 1 pit. The tailings from the high-grade ore will be stored in the valley TMF with a capacity of 8.6 Mt. When the Phase 2 pit is complete, the tailings from the low-grade ore (2.8 Mt) will be placed into the pit.

The mine sequence generates an optimised cash flow by deferring low grade ore to the end of mine life, minimising waste haulage costs, and generating a compact environmental footprint.

The pit optimisations were completed for a range of gold prices around $1,450/oz and a gold cut-off grade of 0.50 g/t. The ultimate shell used to guide the pit design was selected at the 90% metal price or $1,305/oz. This shell generates 11.9 Mt of ore at a strip ratio of 2.2 (waste : ore), and a cash operating cost of $667/oz of payable gold.

The pit optimizations and designs were based on geotechnical parameters guided by weathering, rock type and wall orientation. Generally, the design criteria utilized a factor of safety of between 1.2 and 1.3 and overall slope angles of 32˚ to 59˚.

Mining Production Parameters

Mining Parameters	Units	Base Case
Steady State Ore Mining Rate	Mtpa	2.20
Steady State Plant Processing Rate	Mtpa	1.75
Steady State Mining Rate (ore plus waste)	Mtpa	7.00
Total HG Mineralisation Mined	Mt	9.2
Total LG Mineralisation Mined	Mt	2.7
Total Waste Mined	Mt	26.5
Total Material Mined	Mt	38.3
LOM Average Strip Ratio	Waste : Ore	2.2
Average HG Gold Head Grade	g/t	1.22
Total Mined Gold	koz	465
Cut-off Gold Grade	g/t	0.5
LOM	Years	7
Mining Operating Cost	$/t mined	2.60

Metallurgical Testing

To support the process design requirements for the Prefeasibility Study, extensive metallurgical testwork programs were undertaken by Wardell Armstrong International Ltd ("WAI") in the UK, and Eurotest Control ("ETC") in Sofia, Bulgaria. Testing evaluated different process options to confirm whether the base case flowsheet developed for the Company's 2018 Preliminary Economic Assessment ("PEA") using a composite sample was still optimal for processing the different ore types (Oxide, Transitional and Sulphide) as discrete entities.

The outcomes of the testwork programs confirmed that the flowsheet developed for the PEA, namely flotation followed by CIL ("FCIL") to produce doré, remained the optimal basis for plant design in the PFS.

Testwork also investigated gravity gold recovery in combination with flotation and CIL recovery, but it was proven to be less economic than the simpler FCIL design.

Minor changes to the PEA flowsheet include:

- Operating the rougher-scavenger in a closed-circuit configuration;
- Addition of a cleaner stage in the flotation circuit;
- Inclusion of a concentrate regrind stage (at the Processing Plant) to a P_{80} of 20 µm.

The testwork established grade-recovery and recovery-oxidation relationships which were applied to the processing schedule and gold recoveries per period over the life of the mine. The testwork permitted the development of grade-recovery and recovery-oxidation models to enable accurate pit optimisation and period-by-period estimates of the expected recovery as the proportions of oxide materials and head grade vary over the life of the project. For the Mineral Reserve, the average expected recovery for Oxide material is 67.4%, Transitional 70.7% and Sulphide 83.3% for an average overall combined recovery of 79.3% to final doré. Over the life of the project it is estimated that the expected recovery will vary from 65 to 85% on an annual basis depending on the relative proportions of oxidised ore and gold grade in the plant feed.

Adequate testwork data is available on the process to provide operating parameters for flowsheet design and major equipment sizing within the contingency allowances normally associated with a PFS.

Process Engineering

The on-site Flotation Plant, including comminution, is designed to process 1.75 Mtpa of ore over the LOM following initial ramp-up. The optimal process identified for the Rozino sulphide mineralisation is flotation to produce a gold-bearing sulphide (pyrite) concentrate at the Rozino site. This will be followed by grinding of the concentrate to a P_{80} of 20 µm and CIL processing to produce a gold-silver doré at the Processing Plant.

The ROM ore will pass through a three-stage crushing process and a ball mill to produce a flotation feed with a final grind size of P_{80} of 75 µm.

The concentrate will be thickened, filtered, and loaded into trucks for transport by road to the Processing Plant. The concentrate will have a moisture content of about 12%. The concentrate mass pull, depending on ore type, is anticipated to range between 2.14% (for oxide) and 4.18% (for sulphide) by weight, with an average of 3.8%. Approximately 67 000 t of concentrate, with gold grades averaging between 15 g/t and 40 g/t, will be produced annually.

The concentrate will be trucked 85 km on paved roads to Gorubso's existing and operating Processing Plant. The plant has a nominal throughput capacity of 162 ktpa. A total of 368 koz of gold in doré will be produced over the mine life.

Tailings from the Flotation Plant will be pumped to the TMF for the initial 5.25 years of mine life, and then to the Phase 2 pit (after termination of mining) during the last 1.75 years of project life.

Flotation Plant Production Parameters

Flotation Plant Processing Parameters	Units	Base Case
Flotation Plant Throughput	tpd	5,000
Annual Plant Throughput	Mtpa	1.75
Flotation Plant Metallurgical Recovery	%	90.4
Mass Pull	%	3.8
Moisture in Concentrate	%	12.0
Average Annual Concentrate Production	dkmt	65
Total Concentrate Production	kt	454
Average Concentrate Gold Grade	g/t	29
Flotation Process Costs - OPEX	$/processed t	7.04
Concentrate Transport Cost	$/wmt concentrate	13.92

Processing Plant Production Parameters

Processing Plant Parameters	Units	Base Case
Metallurgical Recovery	%	87.6
Overall Metallurgical Recovery	%	79.3
Steady State Payable Gold Production	kozpa	59.4
Total Gold Production	koz	368
Operating Cost	$/t$_{milled}$	2.35
Operating Cost	$/t$_{concentrate\ treated}$	61.16

Production and Processing Schedule

The proposed open pit operation at Rozino will have a mining rate of up to approximately 8 Mtpa to sustain a 5,000 t/d flotation plant feed at an average strip ratio of 2.2. The plan relies on the use of two pit phases and a low-grade and high-grade stockpiling strategy to optimise cash flow and create a compact project footprint. The mine plan was developed on a quarterly basis (reported on an annual basis) to ensure that a robust production schedule was developed.

Plant production commences with the processing of about 50% oxidised ore (Oxide and Transitional) in the first year of feed. Low-grade sulphide and then oxide ore are fed back into the plant after the mining operation ceases and the pit is converted into a TMF.

Doré production varies depending on the ore type and head grade delivered. The production plan allows for inventory build up at the Flotation Plant and the Processing Plant, as well as delays in doré revenues. The gold-in-doré sold per annum is expected to vary from 30 to 76 koz and total 368 koz for the life of the project.

Life of Mine Production and Processing Schedule

	Unit	LOM Total	Year -2	Year -1	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
MINING PRODUCTION											
Waste	Mt	26.49		1.82	4.89	5.42	5.15	5.20	3.47	0.53	0.00
Low Grade (LG) ore	Mt	2.65		0.10	0.76	0.84	0.46	0.28	0.17	0.04	0.00
	Au gpt	0.68		0.72	0.70	0.68	0.66	0.66	0.64	0.65	0.00
High Grade (HG) ore	Mt	9.17		0.19	1.55	1.73	1.73	1.44	2.09	0.44	0.00
	Au gpt	1.38		1.35	1.26	1.34	1.21	1.23	1.71	1.52	0.00
Total Ore	Mt	11.82		0.29	2.32	2.57	2.19	1.73	2.26	0.47	0.00
	Au gpt	1.22		1.12	1.08	1.12	1.10	1.14	1.63	1.46	0.00
Total Pit Ore and Waste	Mt	38.32		2.12	7.21	7.99	7.33	6.92	5.73	1.00	0.00
High-Grade Ore Rehandle	Mt	0.63		0.00	0.02	0.00	0.33	0.00	0.00	0.28	0.00
Low-Grade Ore Rehandle	Mt	2.46		0.00	0.00	0.00	0.00	0.00	0.00	0.88	1.59
Strip Ratio	w:o	2.2		6.2	2.1	2.1	2.4	3.0	1.5	1.1	0.0
FLOTATION PLANT PRODUCTION											
Total Ore	Mt	11.82			1.49	1.75	1.75	1.75	1.75	1.75	1.59
	Au gpt	1.22			1.26	1.32	1.22	1.21	1.67	1.12	0.71
	Au koz	465			60	74	69	68	94	63	36
Milling Rate	Ktpd	4.7			4.1	4.9	4.9	4.9	4.9	4.9	4.4
Proportion Oxide	%	16%			32%	16%	5%	13%	0%	0%	50%
Proportion Transitional	%	16%			19%	28%	14%	4%	0%	0%	49%
Proportion Sulphide	%	69%			49%	56%	82%	83%	100%	100%	2%
Flotation Recovery	% Au	90.4%			84.7%	86.9%	92.3%	92.0%	96.7%	96.4%	75.0%
CIL PLANT PRODUCTION											
Concentrate Processed	Kmt	454.21			47.47	66.31	71.05	68.44	72.00	72.00	56.94
	Au gpt	28.8			30.4	30.1	27.8	28.5	37.9	26.9	18.3
CIL Recovery	% Au	87.6%			90.1%	89.3%	87.1%	87.3%	87.9%	85.3%	85.8%
Gold	Au koz	368			40.2	56.8	55.4	54.7	76.3	54.1	30.8
Overall Metallurgical Recovery	%	79.3%			66.7%	76.2%	80.8%	80.2%	81.2%	85.9%	85.4%

Note: Columns may not sum exactly due to rounding.

Infrastructure

A 12 km paved road links the village of Rozino with the main II-59 provincial road. Capital for upgrades and operating costs for annual maintenance have been appropriately allocated. The final two kilometres between Rozino village and the mine site is currently a gravel road. This section of road will not be paved but will be upgraded to accommodate typical mine traffic and concentrate haul trucks. There are a further four kilometres of 12 m wide haul roads between the pit, waste rock dump and processing plant that will be completed during the construction period.

Water management is central to maintaining an appropriate environmental and operational performance for the Project. The principle adopted for site water management is to intercept and control contact water flowing within the operational areas. The site water balance indicates that the Project will have a negative water balance. Water reuse will be maximised, but plant process make-up water will need to be sourced from local water sources. This water will be pumped to a raw water dam directly below the contact water dam, and then pumped to water storage tanks at the processing facility.

The TMF is designed to hold 8.6 Mt of tailings and is located directly to the northeast of the plant in a valley. Tailings from the processing of the low-grade ore (2.8 Mt) will be pumped to the Phase 2 pit on completion of mining. High-head tailings pumps and new tailings and return water lines will be installed to accommodate this strategy. The Phase 2 pit is required to store 2.8 Mt but has capacity for double that tonnage without the need to construct a retention wall.

Electrical power will be supplied from the Madjarovo substation by a 23 km 110 kVA overhead high voltage transmission line. Power to the Madjarovo substation is supplied by the 85 MW Studen Kladenets and the 217 MW Ivaylovgrad hydroelectric power stations. A substation will be established at the plant site to facilitate power distribution to various areas across the site, but mainly to the plant. The transmission line was designed with a peak load capacity of 10 MW. Average consumption for the Rozino site is estimated at 4.5 MW.

Environmental, Permitting and Community

Velocity has initiated the environmental and social impact assessment ("ESIA") process, including the permitting procedures to meet Bulgarian regulations and gather environmental data. Under the Bulgarian Environment Protection Act, the development of an economically viable mining reserve requires an Environmental Impact Assessment ("EIA") which complies with European environmental regulations and will inform the environmental component of the ESIA. The prospecting and exploration licence agreement for the Tintyava Property has been signed with the Minister of Energy and exploration activities have been approved by the Ministry of Environment and Waters. All necessary permits to conduct the work proposed for the property have been obtained and there are no known significant factors or risks that may affect access, title or the right or ability to perform work on the Property.

Rozino is located within the Eastern Rhodope mountains and therefore requires a compatibility assessment to comply with Bulgarian law and the European Union Natura 2000 Habitats Directive. An initial compatibility assessment was conducted and approved for the exploration program, with a second preliminary assessment completed for exploitation. The results of this preliminary assessment have informed the Project design, resulting in a significantly reduced Project footprint. Additional measures include surface and groundwater studies, and trial blasts to further understand potential impacts arising from operations.

Velocity has commenced baseline monitoring to characterise environmental conditions, including surface and groundwater quantity and quality, air quality, acid drainage potential, local meteorological conditions, and ecological aspects.

Geochemistry results indicate that the ore and waste material is non-potentially acid generating (NPAG) and the risk for metal leaching is negligible. The potential for acid drainage from waste rock and tailings is low due to the low sulphide content and significant neutralisation potential of contained carbonate minerals. Metal leaching results indicate that the risk of harmful leachate is low.

Social engagement activities have commenced and are ongoing. Local stakeholders are supportive of the Project and have been included and employed in the Project where possible.

The Project has the potential to result in a range of environmental and social impacts. Velocity is committed to managing the impacts of its operations in conformance with recognised international best practice. Mitigation measures will be developed through the ESIA process to manage potential impacts and implement an effective environmental and social development plan during the operation and at closure.

Progressive mine closure will commence towards the end of mine life as portions of the waste rock dump and TMF become available for rehabilitation. Initial closure and site rehabilitation will be achieved in Year 8. Post-closure site maintenance will endure for a period of 10 years.

Operating Costs

Operating costs were based on the development of equipment productivities, the Rozino operating environment and contractor quotations or supplier costs for machinery and services in Bulgaria.

Labour costs across all activities were estimated from a detailed labour survey and benchmarking exercise undertaken by a Bulgarian human resources consultant. An adjustment factor to allow for upward pressure in labour rates due to the integration of Bulgaria into the European Union commences at 7% in the first year of construction and reduces to 2% in the last year of production.

The mining operating costs includes the leasing of primary and ancillary mining equipment, drilling and blasting carried out by a contractor, loading, hauling of ore and waste, and ore rehandling.

Flotation Plant operating costs include all consumable items (balls for the ball mill, reagents, and chemicals) power, external services, and maintenance. A contingency of 7.5% is included.

Concentrate haulage will be provided a by a contractor at a rate of $0.146 /wmt/km. The Processing Plant costs include concentrate handling, cyanidation, and production of gold-silver doré.

Mine closure and rehabilitation costs as well as post-closure management for a period of 10 years have been estimated. These costs are reflected as an environmental provision per processed tonne over the operational life of the mine.

Administration costs were developed from first principles and based on Bulgarian labour, service and material costs.

The average LOM mine operating cost is estimated to be $20.62/t of material milled.

Life of Mine Operating Costs

Operating Costs	$/tonne milled
Mining	8.43
Flotation Plant	7.04
Concentrate Haulage	0.53
CIL Plant	2.35
Administration	1.93
Environmental Provision	0.33
All-In OPEX	**20.62**
All In Sustaining Cost (AISC) US$/oz$_{payable}$	**755**

Capital Costs

Capital expenditure was estimated from quotations and suppliers' costs for equipment or services supplied in Bulgaria.

The Rozino Project total capital expenditure is estimated at $94.8 M. Some $7.8 M of the total is required for sustaining capital expenditure over the operating life. Approximately 95% of the sustaining capital is for the tailings dam construction. Pre-production capital for the Rozino Project totals $87.1 M.

Capital includes equipment mobilisation, ground clearing, grubbing and topsoil removal (for all site facilities), access road upgrades, haul road construction, and mine pre-stripping costs. Mine pre-stripping is required to deliver waste for the commencement of the construction of the initial TMF wall. The cost to haul the waste rock the additional distance to the TMF is included. No project indirect or EPCM costs are applied to these costs.

A short project life was an important design consideration for the construction of the Flotation Plant and ancillary structures. Consequently, the building structures use relatively short-life concepts that not only keep capital costs down but facilitate closure and rehabilitation. The mine facilities include a main mine workshop plus two minor workshops for contractors. Mine warehousing utilises containers located near to the workshop complex. The workshop complex also includes diesel storage, bunding, washdown pad and contaminated oil sump.

The Rozino Flotation Plant capital estimate includes site preparation, comminution circuit, rougher and single-stage cleaner circuit, tailings thickener, concentrate thickener and filtration, reagent warehousing housing / enclosing structures. Ancillary structures include maintenance workshop, security gatehouse, truck weighbridge, sewage treatment, water purification unit, and a general administration building. The total capital estimate before application of indirects, EPCM and contingency is $39.0 M.

A capital estimate for upgrades and additions to Gorubso's Processing Plant was also undertaken. This included the construction of a truck off-load facility, concentrate storage, a re-pulping facility, a stirred mill and cyclone classification, and additions to the gold recovery circuit. The remaining equipment and facilities at the Processing Plant are of adequate size and condition to accommodate the Rozino concentrate throughput and no further capital expenditure is envisaged. The total capital estimate before application of indirects, EPCM and contingency is $1.1 M.

The construction cost estimate for the TMF is $8.7 M. An additional $0.2 M will be required for pumps and additional tailings lines once the Phase 2 pit starts accepting tailings in Year 6. The estimate does not include the incremental cost of waste rock hauled from the pit (the source for all the rock fill), access roads, and clearing, grubbing and topsoil removal. These costs are included elsewhere. Included in the cost estimate is the supply and installation of a geomembrane under-liner on the wall, and the rental of a crushing and screening plant to generate sized material from waste rock on site. All screened material for the life of the project will be produced in Year -1 of the operation.

The power-line construction cost, including design, permitting, land acquisition and substations is estimated at $6.0 M.

The supply of water from local water sources over a distance of 1.2 km entails the installation of a pump station and a pipeline to deliver water to the raw water dam in Year -1. The cut-off dam and raw water dam construction costs were estimated at $1.5 M.

EPCM costs are estimated on 9% of capital construction and equipment cost ($73 M) to the value of $6.5 M. Commissioning costs are estimated to be $0.5 M.

Indirect costs are estimated at 3% of capital construction and equipment cost ($73 M) to the value of $2.2 M.

Owner's administration costs ($2.9 M) were derived from administration costs estimated for the operational phase of the mine. It was assumed that administration costs would increase progressively from about 30% of the full loading at the start of construction and increase to 75% in the final months of construction and plant commissioning.

A project capital contingency of 13% is applied.

Total Capital Expenditure

Capital Expenditure	$M
Site Preparation	13.5
Mine Infrastructure	10.6
Flotation Plant and Mine Buildings	39.0
TMF	8.9
Processing Plant Upgrades	1.1
Owner's Administration Costs	2.9
Indirect Costs	2.2
EPCM and Commissioning Costs	7.0
Contingency	9.6
Total Project CAPEX	**94.8**

Financial Analysis

A standard discounted cash flow ("DCF") method of financial valuation is used to value the Rozino Project. The DCF model is reported at 100% attributable equity. Key inputs to the financial valuation such as the mining and processing production profile, operating costs and capital costs have been described in detail in the preceding sections of this report.

The DCF model utilises US$ as the base currency as the majority of capital and operating cost estimates are based in US$. Where stated (specifically in the output and reporting numbers), a Rate of Exchange of C$0.75 to US$1.00, BGN$0.58 to US$1.00, EUR$1.10 to USD1.00 has been used for currency conversions.

The DCF does not include costs relating to financing the project.

The cash flow allows for delayed revenues in concentrate processing and doré sales due to inventory movements.
Corporate tax rates in Bulgaria are 10% and payable on positive cash flows from operations.

A five-year straight-line method of redeeming capital expenditure is used to amortise most of the capital expenditure. Project exploration and evaluation costs to the value of $6.7 M incurred prior to the start of construction and allowable for depreciation in Bulgaria are included. Depreciation of these costs use the straight-line method over the operating mine life (7 years).

Working capital to cover the first three months of operating and sustaining capital expenses is provided for ($9.7 M). The working capital loan, reduced as the project advances, is based on the presumption of increasing operation stability and positive cash flows until it is fully repaid at the end of mine life.

No silver revenue has been allowed for in the cash flow.

Headline Financial Results

PRE-TAX		US$	CAD$
Pre-Tax $NPV_{0\%}$	$M	199	265
Pre-Tax $NPV_{5\%}$	$M	137	183
IRR	%	34.7%	
Payback (Production Start)	Years	2.9	
AFTER-TAX		**US$**	**CAD$**
After-Tax $NPV_{0\%}$	$M	179	239
After-Tax $NPV_{5\%}$	$M	123	163
IRR	%	27.4%	
Payback (Production Start)	Years	3.0	

Notes:
(1) 100% project basis. Velocity holds a 70% participating interest in the Project
(2) Canadian dollar net present value estimate calculated using CAD : USD FX rate of 0.75
(3) Financial estimates are presented on a real 2020 basis with no inflation or escalation applied (other than estimates made for Bulgarian/EU labour market integration)
(4) Financial estimates account for government royalties and production sharing taxation but do not include corporate overheads or corporate taxation
(5) Estimates are presented on a pre-financing basis

Tintyava Property Exploration Program 2020

The license area at Tintyava is approximately 145 km^2 in area. Velocity has defined multiple soil geochemical anomalies for exploration follow up in 2020. All targets are located with a few km of the proposed Rozino processing plant. This proximity means that any discovery arising from the current exploration plan and successfully developed would make use of common infrastructure.

Exploration drilling has been initiated and is ongoing at Rozino South and Kazak targets, with additional target testing planned for H2 2020.

Nadezhda Project

The Nadezhda project is located within the municipality of Kardzhali in southeast Bulgaria approximately 280 km by road east-southeast of the capital, Sofia. The Company entered into an option agreement for the Nadezhda project, dated March 5, 2019. Under the terms of the option agreement, Velocity 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.

The Nadezhda Project is centered on the Makedontsi deposit, which is a geological resource registered on the Bulgarian state balance. Historical estimates at Makedontsi were calculated by Gorubso using the Bulgarian classification scheme, based on manual polygonal methods of resource classification. Estimates were submitted to and accepted by the Bulgarian government, Dragiev H, 2013 "Mlechino Prospecting License, Geological Report at the Nadezhda Prospect, with Resource and Reserve Recalculations of 'Au Ores' at the Makedontsi, Dangovo and Kalina deposits".

In order to verify the exploration potential of existing resources at Makedontsi, significant drilling will be required. The Company is not treating the historical resources at Nadezhda as current mineral resources or mineral reserves. Historical resources are not consistent with the standards of disclosure defined by NI 43-101 and may not necessarily be consistent with CIM best practice with respect to reporting mineral resources and reserves. A qualified person has not done sufficient work to classify the historical estimate as current mineral resources or mineral reserves.

The Nadezhda project has had little if any modern systematic exploration carried out and significant exploration potential exists. A program of modern integrated geochemical and geophysical survey is ongoing in order to assess 'blind' mineralisation amenable to open pit mining under a thin post mineralization limestone cover sequence. An initial exploration program including surface geophysics was completed in 2019, with initial results delivered in Q2 2020.

Exploration drilling is expected to commence in H2 2020.

Momchil Project

The Momchil project is located within the municipality of Momchilgrad in southeast Bulgaria approximately 310 km by road east-southeast of the capital, Sofia. The Company entered into an option agreement for the Momchil project, dated March 5, 2019. Under the terms of the option agreement, Velocity can earn a 70% interest in the Momchil project by delivering certain data and reports including a mineral resource estimate prepared under National Instrument 43-101 of the Canadian Securities Administrators.

The Momchil project is centered on the Obichnik deposit, which is a geological resource registered on the Bulgarian state balance. Historical estimates at Obichnik were calculated by Gorubso using the Bulgarian classification scheme, based on manual polygonal methods of resource estimation. Estimates were submitted to and accepted by the Bulgarian government, Dragiev, H, 2006, "Momchil Prospecting License, Report at the 'Zvezdel - Pcheloyad Ore Field', Geological Report with Resource And Reserve Recalculation of 'Au-Ag Ores' at Obichnik Deposit".

In order to verify the potential existence of additional unmined mineralization at Obichnik, significant drilling will be required. The Company is not treating the historical estimates at the Obichnik deposit as current mineral resources or mineral reserves. Historical estimates are not consistent with the standards of disclosure defined by NI 43-101 and may not necessarily be consistent with CIM best practice with respect to reporting mineral resources and reserves. A qualified person has not done sufficient work to classify the historical estimate as current mineral resources or mineral reserves.

The Momchil Project has had little if any modern systematic exploration carried out and significant exploration potential exists. A program of modern integrated geochemical and geophysical survey is ongoing in order to test a large area of intense hydrothermal alteration for mineralization potentially amenable to open pit mining within a package of Palaeogene volcanic and intrusive lithologies.

The Obichnik project is interpreted to be an intrusion-related gold and base metal mineralizing system containing structurally controlled epithermal gold prospects which sits within a large 2.5 km x 1.5 km alteration zone. Targets defined to date include two styles of mineralization being high-grade, near-surface epithermal gold mineralization related to structurally controlled silicification, hosted predominantly within volcanic rocks, and also large-tonnage or bulk mineralization hosted within / adjacent to the intrusive rocks that are the source of the epithermal gold mineralization. The style of sub-epithermal mineralization at the Durusu Tepe and Sivri Tepe targets is interpreted to be peripheral to intrusion related mineralization at depth, that will require deep drill testing.

Ground geophysical (magnetic, induced polarization and radiometric) and surface geochemical (rock and soil) surveys highlight a large area of structurally controlled alteration with anomalous gold mineralization. Multi-element soil samples were taken on 100m spaced lines at a sample spacing of 50m. The gold in soil anomalies are supported by a broad sweep of base metal and pathfinder element associated anomalism that is supportive of mineralization within an intrusive centered model. The association of molybdenum is of particular note in that molybdenum is often associated with a focal magmatic event and due to its relative immobility in the weathering environment is an accurate locator of magmatic centers.

The large gold anomaly at Durusu Tepe is situated over previously drilled gold mineralization and Velocity has completed drill testing on approximately 50m by 25m drill spacing with positive results. More recently, exploration drilling at Sivri Tepe, located approximately 400m west of Durusu Tepe, has intersected near-surface gold mineralization in multiple drill holes.

Follow-up drilling at Sivri Tepe is ongoing.

Sedefche Project

The Sedefche deposit is located in southeast Bulgaria, approximately 39 km by road from the gold processing plant, located in Kardzhali. The Project has been explored through 45 surface exploration trenches, 41 exploratory shafts and pits, 122 drill holes of diamond drilling, 3 mega trenches with 86 vertical channel samples, and a metallurgical bulk sample excavated and

processed at Gorubso's gold processing plant. The Project has been advanced through feasibility and environmental permitting in Bulgaria, resulting in the issuance of a mining concession.

Historical Bulgarian estimates at Sedefche were calculated by Gorubso using the Bulgarian classification scheme, based on manual sectional polygonal methods of resource estimation. Historical estimates were submitted to and accepted by the Bulgarian government, Dragiev, H, 2006, "Momchil Prospecting License, Report at the 'Zvezdel - Pcheloyad Ore Field', Geological Report with Resource And Reserve Recalculation of 'Au-Ag Ores' at the Sedefche Deposit".

The Company cautions that it is not treating the Historical Bulgarian estimates as current mineral resources and/or mineral reserves and that a qualified person has not done sufficient work to classify the Historical Bulgarian Resources as current mineral resources and/or mineral reserves. Readers should regard the existence of Historical Bulgarian estimates as conceptual in nature as to quantity and grade and that it is uncertain if further exploration will result in the targets on the Project being delineated as a current mineral resources and/or mineral reserves.

The Option to earn a 70% interest in Sedefche is subject to the completion by the Company of 5,000 m of drilling prior to March 31, 2020 (the "Initial Drilling"). Under the terms of the option agreement, if Velocity has not reached a decision to exercise the Option on completion of the Initial Drilling, Velocity can extend the expiry of the Option by completing an additional drill program (the "Additional Drilling"), provided that the Additional Drilling must be completed within 12 months from the effective date of the Option Agreement. The Company completed more than 5,000 m of drilling on Sedefche as of March 31, 2020 and elected to complete an Additional Drilling Program before September 25, 2020. There is no minimum requirement for meters drilled for the Additional Drilling Program.

If Velocity 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 Velocity's acceptance, half of the 1% NSR royalty (being 0.5%) can be purchased from Velocity by Gorubso for US$1,000,000.

Upon the exercise of the Option, Velocity will be deemed to have entered into a joint venture with Gorubso (the "Joint Venture"), at which time a joint venture company ("JVCo") will be established. Given the advanced, fully permitted nature of the Project, Velocity will be required to make the following payments upon the exercise of the Option. On entering into the Joint Venture, Velocity will be required to pay a fee of US$800,000 to Gorubso, payable in common shares in the capital of Velocity (the "Velocity Shares") at a deemed value per Velocity Share equal to the market price of the Velocity Shares on the TSX Venture Exchange (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 will be payable to Gorubso 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, Gorubso will be deemed to have been granted a 2% NSR royalty on products from the Project, which will be limited to the Historical Bulgarian Resources. Velocity, with Gorubso's approval, will have the ability to purchase 50% (being 1%) of the NSR royalty for US$2,000,000. During the term of the Option a joint operational steering committee will be formed for overseeing the mine site preparation activities conducted by Gorubso at the Project, which committee will include two Velocity nominees. Gorubso may opt to continue mine site preparation during the term of the Option at its expense, provided that upon Velocity's exercise of the Option and the formation of the Joint Venture, Velocity 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.

Iglika Property

The Iglika project is located within the municipality of Elhovo in southeast Bulgaria approximately 340 km by road east-southeast of the capital, Sofia. The Company entered into an option agreement for the Iglika project, dated June 26, 2020. Under the terms of the option agreement with the underlying owners (Balkan Mineral Development or BMD), Velocity can earn a 100% interest in the Iglika property by making a cash payment of $49,000 (paid), incurring exploration expenditure of $460,000 by December 31, 2020 to earn a 51% interest in the property, and by incurring exploration expenditures of $765,000 by December 31, 2021 to earn an additional 49% (total 100%). BMD will retain a 2.0% net smelter returns royalty, which will

be capped at $6,700,000 and at any time, 1.0% of the Option Royalty can be purchased for $750,000 and an additional 0.5% of the Option Royalty can be purchased for $1,500,000. Notwithstanding the option terms above, Velocity can purchase a 100% interest in the property for $340,000 until December 31, 2021 or for $750,000 until December 31, 2022, either of which payments can be paid in cash or 50% cash and 50% Velocity shares. If the Purchase Option is exercised, BMD will instead retain a 0.5% Royalty, capped at $6,700,000, of which 100% may be purchased for $750,000, after which the property would be royalty free.

Iglika is located in the westernmost portion of the prolific Tethyan belt that transects Bulgaria and hosts a number of epithermal gold and porphyry copper-gold mineral deposits and operating mines. The property is considered to be under-explored, located in a highly prospective precious and base metal mineral belt. Iglika has potential for both epithermal gold and porphyry copper deposits.

Mt. Haskin Molybdenum Property

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. The claims are subject to a 3% NSR, which may be acquired by the Company for a cash payment of $1,500,000.

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.

Quality Assurance and Quality Control

The work programs in Bulgaria are designed and supervised by Stuart A. Mills, CGeol, the Company's Vice-President Exploration, who is responsible for all aspects of the work, including the quality control/quality assurance program. On-site personnel at the project rigorously collect and track samples which are then security sealed and shipped to ALS Global laboratory in Romania for sample preparation and subsequent analysis.

For the purposes of Mineral Resource Estimation samples are prepared and analyzed by fire assay using a 30-gram charge in compliance with industry standards at ALS' Romanian laboratory. Where necessary a sample split of the milled material is shipped to ALS' Irish laboratory for multi-element analysis using an inductively coupled Mass Spectrometer. Field duplicate samples, blanks and independent controlled reference material (standards) are added to every batch.

Geochemical survey samples are collected for shipment together with 10% blank samples and 10% field duplicates for low temperature drying prior to an appropriate weighted sample being sent to ALS laboratories in Ireland for Aqua Regia digest and ICP-MS finish to determine gold plus 39 multi-elements.

Geophysical surveys are carried out by geophysical consultants using up-to-date technologies, with the results checked by a third-party independent geophysicist for quality control. Raw data is processed and corrected and the results are interpreted by 2 independent groups of geophysicists under the direction of Velocity staff.

Qualified Person

Stuart Mills, the Vice President Exploration for the Company, and a Qualified Person as defined by National Instrument 43-101, has approved the scientific and technical information concerning the Company discussed in this MDA. Mr. Mills is not independent of the Company as he is an officer, a shareholder and holds incentive stock options.

Exploration and evaluation assets

As at June 30, 2020, the Company had a balance of exploration and evaluation assets of $14,608,895 (December 31, 2019 - $10,605,352) which is further detailed in the table below:

	Tintyava	Nadezhda	Momchil	Sedefche	Iglika	Total
	$	$	$	$	$	$
Acquisition costs						
Balance, December 31, 2019	2,005,136	-	-	-	-	2,005,136
Additions	-	-	-	-	49,280	49,280
Balance June 30, 2020	2,005,136	-	-	-	49,280	2,054,416
Exploration and evaluation						
Balance, December 31, 2019	6,380,152	137,440	1,669,925	412,699	-	8,600,216
Drilling	415,900	6,797	930,045	723,891	-	2,076,633
Geological	605,586	40,859	44,251	55,883	-	746,579
Geophysics	-	42,517	1,814	-	-	44,331
Field and vehicles	84,314	10,074	37,972	30,046	-	162,406
Salaries and travel	392,745	15,315	211,221	198,479	8,959	826,719
Share-based compensation	48,798	2,415	25,605	20,777	-	97,595
	1,547,343	117,977	1,250,908	1,029,076	8,959	3,954,263
Balance, June 30, 2020	7,927,495	255,417	2,920,833	1,441,775	8,959	12,554,479
Balance, June 30, 2020	**9,932,631**	**255,417**	**2,920,833**	**1,441,775**	**58,239**	**14,608,895**

RESULTS FROM OPERATIONS

Three months ended June 30, 2020 and 2019 (Q2 2020 and Q2 2019)

During the three months ended June 30, 2020 the Company reported net loss for the period of $650,591, of which $640,399 attributed to the owners of the Company and $10,192 to the non-controlling interest, compared to a net loss of $305,901 for the three months ended June 30, 2019, of which all was attributed to the owners of the Company. Loss per share was $0.01 and $0.00 for the quarter ended June 30, 2020 and 2019 respectively.

The Company's operating expenses were $429,020 in Q2 2020 compared to $323,375 in Q2 2019. An analysis of the major variances follows:

- Consulting fees of $10,380 in Q2 2020 as compared to $(49,303) in Q2 2019 increased due to a reallocation to exploration and evaluation assets in Q2 2019.
- Investor relations of $54,259 in Q2 2020 decreased in comparison with Q2 2019 - $73,618 as the Company attended less conferences and road shows in Q2 2020.
- Professional fees incurred during Q2 2020 were $136,760 compared to $94,801 in Q2 2019. Professional fees were higher in Q2 2020 compared to Q2 2019 due to the increased need of legal services in respect to the Company's entering into a new option agreement for Iglika project, as well as general corporate legal services.
- Regulatory fees were $1,862 in Q2 2020 compared to $36,579 in Q2 2019 as the Company had an increased need of regulatory services in connection with its listing on OTC in Q2 2019.
- Salaries increased to $130,915 in Q2 2020 compared to $99,777 in Q2 2019 due to hiring new personnel at head office, payment of directors' fees and increase in salaries commensurate with the overall increase in the Company's activity.
- Share-based compensation of $65,063 in Q2 2020 compared to $21,000 in Q2 2019 due to 1,500,000 stock options fair-valued at $0.11 were granted Q2 2020 versus 150,000 stock options fair-valued at $0.14 granted in Q2 2019.

The Company recorded net other expenses of $221,571 in Q2 2020 compared to net other income of $17,474 in Q2 2019 as follows:

- Foreign exchange loss of $79,789 in Q2 2020 compared to a foreign exchange gain of $57,819 in Q2 2019 due to movements in the exchange rates of the Bulgarian lev in respect to the Canadian dollar.

- Interest income of $18,660 in Q2 2020 compared to $1,224 in Q2 2019, due to higher cash and cash equivalent balances during Q2 2020.

- Accrued interest expense on convertible debenture of $108,248 and accretion expense of $52,194 in Q2 2020 as compared to accretion expense of $41,569 in Q2 2019 due to the shorter time period the convertible debenture was outstanding in Q1 2019.

Six months ended June 30, 2020 and 2019 (H1 2020 and H1 2019)

During the six months ended June 30, 2020 the Company reported net loss for the period of $991,602, of which $907,078 attributed to the owners of the Company and $84,524 to the non-controlling interest, compared to a net loss of $1,619,374 for the six months ended June 30, 2019, of which all was attributed to the owners of the Company. Loss per share was $0.01 and $0.02 for the six months ended June 30, 2020 and 2019 respectively.

The Company's operating expenses were $770,965 in H2 2020 compared to $1,321,592 in H2 2019. An analysis of the major variances follows:

- Consulting fees of $21,980 in H2 2020 as compared to $84,600 in H2 2019 decreased due the fact that in H2 2020 significant portion of consulting fees were in respect to and capitalized to exploration and evaluation properties.

- Investor relations of $99,051 in H2 2020 decreased in comparison with H2 2019 - $168,653 as the Company attended less conferences and road shows in H2 2020.

- Professional fees incurred during H2 2020 were $180,502 compared to $459,930 in H2 2019. Professional fees were higher in H2 2019 compared to H2 2020 due to the increased need of legal services in respect to the Company's joint venture and property option agreements entered into in Q1 2019, as well as general corporate legal services. During Q4 2019, the Company reclassified $234,196 of legal fees to share issuance costs and convertible debenture transaction costs.

- Regulatory fees were $16,140 in H2 2020 compared to $95,472 in H2 2019 as the Company had an increased need of regulatory services in connection with OTC listing and increased corporate and financing activities in H2 2019.

- Salaries increased to $292,013 in H2 2020 compared to $197,799 in H2 2019 due to hiring new personnel at head office, payment of directors' fees and increase in salaries commensurate with the overall increase in the Company's activity.

- Share-based compensation of $65,063 in H1 2020 compared to $154,000 in H1 2019 due to 600,000 stock options fair-valued at $0.11 were granted H1 2020 versus 1,075,000 stock options fair-valued at $0.14 granted in Q2 2019. In addition, during H1 2020, 900,000 stock options were granted with a fair value of $97,595 and were allocated exploration and evaluation assets. Total compensation expenses related to stock options were $162,658.

The Company recorded net other expense of $220,637 in H2 2020 compared to net other expenses of $297,782 in H2 2019 as follows:

- Foreign exchange gain of $24,095 in H2 2020 compared to a foreign exchange loss of $87,374 in H2 2019. The increase in foreign exchange gain was due to strengthening of the Bulgarian lev in respect to the Canadian dollar as at June 30, 2020.

- Interest income of $73,142 in H2 2020 compared to $1,224 in H2 2019, due to higher cash and cash equivalent balances during Q2 2020.

- Interest expense on convertible debenture of $215,606 and accretion expense of $102,268 in H2 2020 as compared

to accretion expense of $49,110 in H2 2019 due to the shorter time period the convertible debenture was outstanding in Q1 2019.

- Bulgarian tax of $162,522 was recorded in Q1 2019 in connection with the Tintyava transaction, which amount was reclassified in Q4 2019 as part of the purchase price, when the purchase price allocation was finalized.

SUMMARY OF QUARTERLY RESULTS

The following selected financial data have been prepared in accordance with IFRS and should be read in conjunction with the Company's consolidated financial statements. The following is a summary of selected financial data for the Company for its eight completed financial quarters ended June 30, 2020.

Quarter Ended Amounts in 000's	June 30, 2020	Mar. 31, 2020	Dec. 31, 2019	Sept. 30, 2019	June 30, 2019	Mar. 31, 2019	Dec. 31, 2018	Sept. 30, 2018
Net income (loss)	(650)	(341)	(507)	(410)	(306)	(1,313)	(842)	(942)
Earnings (loss) per share – basic and diluted	(0.01)	(0.00)	(0.01)	(0.00)	(0.00)	(0.02)	(0.01)	(0.01)
Total assets	19,800	20,290	14,025	13,451	13,967	12,169	3,495	3,162
Working capital	4,403	6,184	2,497	5,216	6,980	7,468	272	53

The changes in the Company's financial results on a quarter-by-quarter basis are due primarily to fluctuations in the level of activity of Company's exploration programs and administration. The Company is a mineral exploration company and does not earn any revenue.

During the period ended September 31, 2018, the Company recorded an impairment of its Chala property in the amount of $663,840. In the quarter ended December 31, 2018, the Company recorded an impairment of $93,191 of its Ekuzia property.

The significant increase in net loss for the quarter ended June 30, 2019 was driven by higher professional fees incurred in respect to execution of option property agreements, and a strategic corporate investment including an equity financing, and issuance of convertible debentures.

FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES

The Company has been historically financing its operations to issuance of shares or debt. 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 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.

Gold 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. Gold prices remain moderate to strong for the foreseeable future.

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.

	June 30, 2020	December 31, 2019
Working capital surplus	$4,403,533	$2,496,894
Deficit	($14,824,852)	($13,917,774)

Net cash used in operating activities during the three and six months ended June 30, 2020 was $447,526 and $873,348 respectively (June 30, 2019 – $373,960 and $1,319,135).

Net cash provided by financing activities during the three and six months ended June 30, 2020 was $366,468 and $6,427,648 (June 30, 2019 - $1,536,930 and $10,187,430). This included net proceeds of $6,008,314 from issuance of shares and $457,590 from cash contributions by Gorubso for Tintyava's capital increase to fund exploration and evaluation program. During the six months ended June 30, 2019 the Company received gross proceeds of $4,368,511 from issuance of shares, $5,094,000 from the issuance of convertible debenture and $724,919 from cash contributions from Gorubso.

Net cash used in investing activities during the the three and six months ended June 30, 2020 was $2,234,480 and $3,959,958 (June 30, 2019 - $1,260,774 and $1,318,541). This included cash used for exploration and evaluation assets of $2,206,869 and $3,927,875 during the three and six months ended June 30, 2020 (June 30, 2019 – $1,260,774 and $1,407,908).

Financings during the six months ended June 30, 2020 and up to August 31, 2020

Non-brokered private placements:

On February 12, 2020, the Company closed a non-brokered private placement of 14,467,687 units for gross proceeds of $5,787,075 ("the February 2020 Financing"). 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 thereof to purchase one common share at a price of $0.55 per common share for a period of 18 months from the issue date.

In connection with the February 2020 Financing, the Company paid aggregate finder's fees consisting of $92,260 in cash and issued 215,250 non-transferrable finder's warrants ("Finder's Warrant"). Each Finder's Warrant entitles the holder to purchase one common share at a price of $0.40 per common share for a period of 12 months from the issue date. The fair value of the Finder's warrants was estimated to be $24,000 using the Black-Scholes option pricing model. The Company incurred $80,001 in legal and regulatory fees in connection with the Financing.

Shares issued for interest on convertible debenture:

On April 1, 2020, the Company issued 742,184 common shares for the semi-annual interest of $216,495 on the Convertible Debenture. The interest was for the period October 1, 2019 to March 31, 2020.

Shares issued pursuant to exercise of warrants and options

During the six months ended June 30, 2020 the Company issued 1,400,000 common shares pursuant to stock options exercises for aggregate gross proceeds of $265,000. In addition, the Company issued 642,500 shares for gross proceeds of $128,500 pursuant to warrants exercises.

Subsequent to June 30, 2020, the Company received gross proceeds of $149,500 in aggregate from the exercise of 650,000 stock options at a weighted average exercise price of $0.23.

Capital Management

The Company defines capital that it manages as shareholders' equity, consisting of issued common shares, stock options and warrants included in reserve, and subscriptions receivable.

The Company manages its capital structure and adjusts it, based on the funds available to the Company, in order to support the acquisition, exploration and development of exploration and evaluation assets. 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 property in which the Company currently has an interest is in the exploration stage; as such the Company has historically relied on the equity markets to fund its activities. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to externally imposed capital restrictions. There we no changes to the Company's approach to capital management during the three months ended June 30, 2020.

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 ended June 30, 2020 and 2019 was as follows:

		Three months ended June 30, 2020		Three months ended June 30, 2019		Six months ended June 30, 2020		Six months ended June 30, 2019
Short-term benefits paid or accrued:								
Consulting fees	$	121,301	$	163,574	$	260,100	$	244,594
Salaries and directors' fees		91,667		111,100		213,167		214,100
		212,968		**274,674**		**473,267**		**458,694**
Share-based payments:								
Share-based payments		92,173		-		92,173		75,486
Total remuneration	$	**305,141**	**$**	**274,674**	**$**	**565,440**	**$**	**534,180**

Consulting fees of $112,332 and $237,320 are included in exploration and evaluation assets for the three and six months ended June 30, 2020 respectively (2019 - $146,194 and $41,600). The reduction in consulting fees, salaries and directors' fees for Q2 2020 compared to Q2 2019 is partly as a result of measures taken by key management in response to the uncertainty brought on by the COVID 19 pandemic. By June 30, 2020 compensation levels were returned to Q1 2020 levels.

As at June 30, 2020, the Company had accrued liabilities to key management personnel of $26,058 included in trade payables (December 31, 2019- $204,481).

No post-employment benefits, termination benefits, or other long-term benefits were paid to or recorded for key management personnel during the three months ended June 30, 2020 and 2019.

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, determining whether an acquisition is a business combination or an assets acquisition, 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.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

None.

OFF-BALANCE SHEET ARRANGEMENTS

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

PROPOSED TRANSACTIONS

Currently the Company is not a party to any material proceedings. The Company continually evaluates new opportunities, including new properties by staking, acquisition or joint venture, and corporate consolidation or merger opportunities.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments consist of cash and cash equivalents, receivables, trade and other payables, lease liability, and convertible debenture.

As at June 30, 2020, the carrying values of receivables and trade and other payables approximate their fair values due to their short terms to maturity. The Company's cash and cash equivalents, under the fair value hierarchy is based on level 1 quoted prices in active markets for identical assets or liabilities.

The Company's financial instruments are exposed to certain financial risks including, credit risk, currency risks, liquidity risk, interest rate risk and capital risk management. Details of each risk are laid out in the notes to the Company's annual audited financial statements. Management has determined that these risks, individually and in aggregate, are immaterial to the Company.

OUTSTANDING SHARE DATA

	August 31, 2020	June 30, 2020
Common shares issued and outstanding	115,694,600	115,044,600
Stock options outstanding	8,880,000	8,625,000
Warrants outstanding	19,456,810	19,456,810
Shares issuable on conversion of Convertible debenture[1]	20,376,000	20,376,000
Total	**164,407,410**	**163,502,410**

[1] Calculated by dividing the principal of the convertible debenture of $5,094,000 by the conversion share price of $0.25.

RISKS AND UNCERTAINTIES

The Company is subject to a number of significant risks due to the nature of its business and the present stage of its business development. Only those persons who can bear risk of the entire loss of their investment should invest in the Company's common shares, convertible debentures, warrants, options or other securities.

The Company's failure to successfully address such risks and uncertainties could have a material adverse effect on its business, financial condition and/or results of operations, and the future trading price of its common shares may decline and investors may lose all or part of their investment. The Company cannot give assurance that it will successfully address these risks or other unknown risks that may affect its business. Estimates of mineral resources and mineral reserves are inherently forward-looking statements subject to error. Although mineral resource and mineral reserve estimates require a high degree of assurance in the underlying data when the estimates are made, unforeseen events and uncontrollable factors can have significant adverse or positive impacts on the estimates. Actual results will inherently differ from estimates. The unforeseen events and uncontrollable factors include: geologic uncertainties including inherent sample variability, metal price fluctuations, variations in mining and processing parameters, and adverse changes in environmental or mining laws and regulations. The timing and effects of variances from estimated values cannot be accurately predicted.

The Company provided a summary of some of the Company's risks and uncertainties in its annual Management Discussion & Analysis dated April 27, 2020. These risk factors are not a definitive list of all risk factors associated with an investment in the common shares of the Company or in connection with the Company's operations.

APPROVAL

The Board of Directors of the Company has approved the disclosures in this MDA.

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