



**Condensed Interim Consolidated Financial Statements**

**For the three months and nine months ended September 30, 2021 and 2020  
Unaudited – Prepared by Management**

(Expressed in Canadian dollars)

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

	September 30, 2021	December 31, 2020
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents (Note 3)	\$ 5,070,461	\$ 10,543,821
Restricted cash (Note 4)	261,916	-
Receivables	352,990	262,743
Prepaid expenses	91,007	152,253
	<u>5,776,374</u>	<u>10,958,817</u>
<b>Property and equipment</b>	191,428	150,241
<b>Exploration and evaluation assets</b> (Note 5)	<u>22,776,485</u>	<u>17,901,671</u>
	<u>\$ 28,744,287</u>	<u>\$ 29,010,729</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Trade and other payables	\$ 431,956	\$ 904,189
Lease liabilities, current	40,890	26,413
	<u>472,846</u>	<u>930,602</u>
<b>Lease liabilities, long term</b>	42,647	42,207
<b>Convertible debenture</b> (Note 6)	-	4,209,589
	<u>42,647</u>	<u>5,182,398</u>
<b>Shareholders' equity</b>		
Share capital (Note 7)	39,916,873	33,738,027
Reserves (Note 7)	1,637,379	1,601,716
Equity component of convertible debenture (Note 6)	-	1,106,812
Non-controlling interest	4,399,196	3,365,289
Deficit	(17,724,654)	(15,983,513)
	<u>28,228,794</u>	<u>23,828,331</u>
	<u>\$ 28,744,287</u>	<u>\$ 29,010,729</u>

**Nature and continuance of operations** (Note 1)  
**Subsequent event** (Note 5(b))

**On behalf of the Board on November 26, 2021**

*"Keith Henderson"*

Director

*"Michael Hoffman"*

Director

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

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

(Expressed in Canadian dollars)

	<b>Three months ended September 30,</b>		<b>Nine months ended September 30,</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
<b>EXPENSES</b>				
Consulting (Note 8)	\$ 23,665	\$ 27,554	\$ 47,186	\$ 49,534
Investor relations	17,768	71,938	96,153	170,989
Office and general	58,592	28,372	142,769	104,493
Professional fees	88,843	146,407	281,567	326,909
Property investigation	124,953	49,193	207,287	49,193
Regulatory fees	8,771	13,798	46,414	29,938
Salaries, directors' fees, benefits (Note 8)	188,616	190,960	613,159	482,973
Share-based compensation (Note 7)	42,258	27,815	104,731	92,878
Travel	17,932	3,457	44,228	23,570
<b>OPERATING LOSS</b>	<b>(571,398)</b>	<b>(559,512)</b>	<b>(1,583,494)</b>	<b>(1,330,477)</b>
<b>OTHER INCOME (EXPENSES)</b>				
Accretion expense (Note 6)	-	(52,194)	(49,294)	(154,462)
Foreign exchange gain (loss)	35,876	67,237	(59,745)	91,332
Interest expense	-	(108,248)	(100,536)	(323,854)
Interest income	-	21,164	12,499	94,306
Other income	-	46,773	-	46,773
Other expense	(48,636)	-	(48,636)	-
Total other income (expenses)	<b>(12,760)</b>	<b>(25,268)</b>	<b>(245,712)</b>	<b>(245,905)</b>
<b>LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b>(584,158)</b>	<b>(584,780)</b>	<b>(1,829,206)</b>	<b>(1,576,382)</b>
<b>Loss and comprehensive loss attributable to:</b>				
Owners of the Company	(552,388)	(557,489)	(1,741,141)	(1,464,567)
Non-controlling interest	(31,770)	(27,291)	(88,065)	(111,815)
	<b>(584,158)</b>	<b>(584,780)</b>	<b>(1,829,206)</b>	<b>(1,576,382)</b>
<b>Loss per common share</b>				
-Basic and diluted	\$ 0.00	\$ (0.01)	\$ (0.01)	\$ (0.01)
<b>Weighted average number of common shares outstanding</b>				
-Basic and diluted	158,219,394	115,569,600	151,185,720	111,760,140

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

**VELOCITY MINERALS LTD.**

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Expressed in Canadian dollars)

	Share capital		Shares issuable	Reserves	Equity component of convertible debenture	Non- controlling interest	Deficit	Total
	Number of common shares	Amount						
Balance, December 31, 2019	97,792,229	\$ 17,783,183	\$ -	\$ 1,703,957	\$ 1,106,812	\$ 2,484,861	\$ (13,917,774)	\$ 9,161,039
Private placement	14,467,687	5,787,075	-	-	-	-	-	5,787,075
Share issuance costs – cash	-	(172,261)	-	-	-	-	-	(172,261)
Share issuance costs – Finder's warrants	-	(24,000)	-	24,000	-	-	-	-
Shares issuable for interest on convertible debenture	742,184	216,495	216,496	-	-	-	-	432,991
Warrants exercise	642,500	128,500	-	-	-	-	-	128,500
Stock options exercise	1,400,000	674,066	-	(259,566)	-	-	-	414,500
Share-based payments	-	-	-	206,401	-	-	-	206,401
Change in net assets of Tintyava Exploration AD	-	-	-	-	-	816,474	-	816,474
Loss and comprehensive loss	-	-	-	-	-	(111,815)	(1,464,567)	(1,576,382)
<b>Balance, September 30, 2020</b>	<b>115,044,600</b>	<b>\$ 24,393,058</b>	<b>\$ 216,496</b>	<b>\$ 1,674,792</b>	<b>\$ 1,106,812</b>	<b>\$ 3,189,520</b>	<b>\$ (15,382,341)</b>	<b>\$ 15,198,337</b>
Balance, December 31, 2020	135,374,015	\$ 33,738,027	\$ -	\$ 1,601,716	\$ 1,106,812	\$ 3,365,289	\$ (15,983,513)	\$ 23,828,331
Shares issued on conversion of debentures – principal and interest (Note 6, 7)	21,211,136	5,574,477	-	-	(1,106,812)	-	-	4,467,655
Stock option exercises	775,000	347,365	-	(125,865)	-	-	-	221,500
Warrant exercises	957,884	257,004	-	(23,216)	-	-	-	233,788
Share-based payments	-	-	-	184,744	-	-	-	184,744
Change in net assets of Tintyava Exploration AD	-	-	-	-	-	1,121,972	-	1,121,972
Loss and comprehensive loss	-	-	-	-	-	(88,065)	(1,741,141)	(1,829,206)
<b>Balance, September 30, 2021</b>	<b>158,318,035</b>	<b>\$ 39,916,873</b>	<b>\$ -</b>	<b>\$ 1,637,379</b>	<b>\$ -</b>	<b>\$ 4,399,196</b>	<b>\$ (17,724,654)</b>	<b>\$ 28,228,794</b>

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

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

	<b>Nine months ended September 30,</b>	
	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the period	\$ (1,829,206)	\$ (1,576,382)
Adjustments for:		
Accretion expense	49,294	154,462
Interest expense, non-cash	100,536	323,854
Share-based payments	104,731	92,878
Interest paid on leases	2,829	5,517
Interest income	(12,499)	(51,246)
Changes in non-cash working capital items:		
Receivables	(84,309)	(9,291)
Prepaid expenses	61,246	(18,197)
Trade and other payables	(108,655)	(99,462)
Net cash used in operating activities	<u>(1,716,033)</u>	<u>(1,177,867)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net proceeds from issuance of common shares	455,287	6,157,814
Non-controlling interest – equity contributions	1,121,972	816,474
Proceeds from issuance of convertible debenture	-	-
Lease payments	(47,028)	(39,851)
Net cash provided by financing activities	<u>1,530,231</u>	<u>6,934,437</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Exploration and evaluation assets	(4,986,410)	(5,859,885)
Interest received	6,564	-
Acquisition of property and equipment	(45,796)	(70,172)
Net cash used in investing activities	<u>(5,025,642)</u>	<u>(5,930,057)</u>
<b>Change in cash and cash equivalents during the period</b>	<b>(5,211,444)</b>	<b>(173,487)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>10,543,821</b>	<b>3,217,419</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 5,332,377</b>	<b>\$ 3,043,932</b>
<b>Cash and cash equivalents</b>	<b>\$ 5,070,461</b>	<b>\$ 3,043,932</b>
<b>Restricted cash</b>	<b>261,916</b>	
	<b>\$ 5,332,377</b>	<b>\$ 3,043,932</b>

**Supplemental disclosure with respect to cash flows (Note 9)**

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

## **VELOCITY MINERALS LTD.**

### **NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian dollars)

For the three and nine months ended September 30, 2021 and 2020

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#### **1. NATURE AND CONTINUANCE OF OPERATIONS**

Velocity Minerals Ltd. (“Velocity” or, the “Company”) was incorporated under the laws of the province of Alberta on September 22, 2000 and was continued into British Columbia on December 2, 2004. The head office and principal address of the Company is Suite 890 - 999 West Hastings Street, Vancouver, BC V7L 2B3. The common shares of the Company trade on the TSX Venture Exchange (“TSX-V”) with the symbol “VLC.V.” The Company is in the business of acquiring, exploring, and evaluating mineral resource properties in Bulgaria.

The Company is in the process of exploring its mineral resource properties and evaluating new properties for potential acquisition. The Company has determined that it has one mineral reserve but has not yet determined whether its other properties contain reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves, and upon future profitable production.

As at September 30, 2021, the Company has working capital of \$5,303,528 (December 31, 2020 - \$10,028,215), including restricted cash of \$261,916 (December 31, 2020 - \$nil) and an accumulated deficit of \$17,724,654 (December 31, 2020 - \$15,983,513). The Company expects to incur further losses in the development of its business. The Company's ability to continue its operations and to realize its assets at their carrying values is dependent upon obtaining additional financing to successfully explore and evaluate its mineral properties and, ultimately, to achieve profitable operations. Management estimates that the Company will be able to meet its obligations and to sustain operations for at least the next twelve months.

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

#### **2. SIGNIFICANT ACCOUNTING POLICIES**

##### **Basis of presentation**

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including International Accounting Standard (“IAS”) 34, “Interim Financial Reporting”. The condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2020, which have been prepared in accordance with IFRS as issued by the IASB. In the opinion of management, all adjustments considered necessary for fair presentation of the Company’s financial position, results of operations and cash flows have been included. Operating results for the three and nine months ended September 30, 2021 are not necessarily indicative of the results that may be expected for the year ending December 31, 2021.

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

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

(Expressed in Canadian dollars)

For the three and nine months ended September 30, 2021 and 2020

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

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

<b>Subsidiary</b>	<b>Location</b>	<b>Ownership Interest</b>
1077076 B.C. Ltd. ("7076 Ltd")	Canada	100%
Kibela Minerals AD ("Kibela")	Bulgaria	100%
Kabiri Minerals EOOD ("Kabiri")	Bulgaria	100%
Tintyava Exploration AD ("Tintyava")	Bulgaria	70%
Tintyava AgriBio EOOD ("Tintyava AgriBio")	Bulgaria	70%
Tethyan Exploration EOOD ("Tethyan")	Bulgaria	100%
Balkan Minerals Development OOD ("BMD")	Bulgaria	100%
Velocity Minerals Holdings Ltd.	Malta	100%
Velocity Minerals Malta Ltd.	Malta	100%

The Company established its subsidiaries Kibela and Kabiri in 2017 and 2018 respectively, and effective March 1, 2019, acquired 70% of Tintyava . The Company established its subsidiary Tethyan in 2020, and effective March 2, 2021, acquired 100% of BMD. The Company established its subsidiary Tintyava AgriBio in 2021. Velocity Minerals Holding Ltd, and Velocity Minerals Malta Ltd. are in the process of being wound up.

The Company consolidates its subsidiaries on the basis that it controls the subsidiaries through its ability to govern their financial and operating policies. The Company attributes total comprehensive loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All intercompany transactions and balances have been eliminated.

Non-controlling interests are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Company's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

**3. CASH AND CASH EQUIVALENTS**

The Company's cash and cash equivalents consists of the following:

	September 30, 2021	December 31, 2020
Cash and restricted cash	\$ 1,069,487	\$ 1,743,821
Cash equivalents	4,200,000	8,800,000
<b>Total</b>	<b>\$ 5,269,487</b>	<b>\$ 10,543,821</b>

	September 30, 2021	December 31, 2020
Cash and cash equivalents held with banks in Canadian dollars	\$ 4,291,080	\$ 9,646,079
Cash and restricted cash held with banks in foreign currencies	978,407	897,742
<b>Total</b>	<b>\$ 5,269,487</b>	<b>\$ 10,543,821</b>

**VELOCITY MINERALS LTD.**

**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian dollars)

For the three and nine months ended September 30, 2021 and 2020

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**4. RESTRICTED CASH**

Restricted cash consists of cash and cash equivalents that are restricted as to withdrawal or use under the terms of certain contractual agreements. As at September 30, 2021, restricted cash balance was \$261,916 (348,710 lv) and was in respect to performance bank guarantees in relation to Exploration agreements for Tintyava property (Note 5 (a)) and Iglika property (Note 5 (e)) between the Company and the Ministry of Energy of Bulgaria. The bank guarantees expiry dates are between August 31, 2022 and September 12, 2023.

**5. EXPLORATION AND EVALUATION ASSETS**

Title to exploration and evaluation assets involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many exploration and evaluation assets. The Company has investigated title to all its exploration and evaluation assets and, to the best of its knowledge, title to all of its properties are in good standing.

a) Tintyava Property – Bulgaria

On July 19, 2017, the Company, through its subsidiary Kibela, entered into an Option Agreement whereby the Company has been granted an option by Gorubso-Kardzhali AD (“Gorubso”) to acquire an undivided 70% legal and beneficial interest in Tintyava Exploration EAD, an entity owned by Gorubso that holds a 100% interest in a prospecting and exploration permit (the “Option”) located in south-eastern Bulgaria (the “Tintyava Option”).

For the Company to exercise the Tintyava Option, it had to make the payment of a tender fee of 360,000 BGN (\$266,760) to the Ministry of Energy of the Republic of Bulgaria and deliver an NI 43-101 preliminary economic assessment on the Tintyava Property. During 2019, the Company met the obligations of the Option Agreement and exercised its option to acquire an undivided 70% interest in the Tintyava property. As a result, on March 1, 2019, shares of Tintyava Exploration EAD (“Tintyava”), representing 70% ownership by the Company, have been registered in the name of 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 carrying value of the net assets of Tintyava are combined with the accounts of the Company.

b) Nadezhda Property – Bulgaria

On March 5, 2019, the Company entered into an option agreement for the Nadezhda project, which is centered on the Makedontsi deposit. Under the terms of the option agreement, the Company can earn a 70% interest in the Nadezhda project by delivering certain data and reports including a mineral resource estimate prepared under National Instrument 43-101 of the Canadian Securities Administrators. The term of the option agreement is six years.

On November 16, 2021, the Company announced that it had met its obligation under the option agreement and had exercised its option and is deemed to have earned a 70% interest in the Nadezhda project and to be in joint venture with Gorubso for the further development of the Nadezhda project. As at September 30, 2021 the joint venture entity had not been formed.

c) Momchil Property – Bulgaria

On March 5, 2019, the Company entered into an option agreement for the Momchil project, which is centered on the Obichnik deposit. Under the terms of the option agreement, the Company can earn a 70% interest in the 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 term of the agreement is six years.

On June 23, 2021, the Company announced that it had met its obligation under the option agreement and had exercised its option and is deemed to have earned a 70% interest in the Momchil project and to be in joint venture with Gorubso for the further development of the Momchil project. As at September 30, 2021 the joint venture entity had not been formed.



**VELOCITY MINERALS LTD.**

**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian dollars)

For the three and nine months ended September 30, 2021 and 2020

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

d) Sedefche Property – Bulgaria

On September 25, 2019, the Company entered into an option agreement for the Sedefche project (“Sedefche”) with Gorubso. The Company could have earned a 70% interest in Sedefche by completing 5,000 m of drilling prior to March 31, 2020 (the “Initial Drilling”). The Initial Drilling was completed as at March 31, 2020. Pursuant to the option agreement, the Company made the election to complete an additional drill program (the “Additional Drilling”) by September 25, 2020.

On September 25, 2020, the parties amended the terms of the option agreement to extend the term of the option period to October 25, 2020 for the purpose of providing additional time for the parties to negotiate and enter into a relinquishment agreement, whereby the Optionor – Gorubso - shall reimburse the Company for the exploration and evaluation work carried out in the Sedefche property from the commencement of the option agreement to September 24, 2020. On receipt of the reimbursement, the Company shall agree not to exercise and to relinquish the option and all right, title and interest in and to the Sedefche project. In addition, the Company shall provide to Gorubso all of the data related to Sedefche.

On October 22, 2020, the Company executed a relinquishment agreement and received the reimbursement amount of 1,938,931 Bulgarian lev or \$1,523,880, and the Company relinquished its interest in Sedefche property. In connection with the relinquishment of Sedefche, the Company recorded recoveries of \$1,523,880 to exploration and evaluation assets, and an impairment loss of \$32,829.

e) Iglika Property – Bulgaria

On June 26, 2020, the Company entered into a Letter Agreement with Balkan Minerals Development OOD (“BMD”), a Bulgarian private company, and its shareholders, for an exclusive option to acquire a 100% interest in Iglika gold-copper property (“Iglika” or the “Project”) through acquiring all of the issued and outstanding shares of BMD.

Under the terms of the Letter agreement, the Company could have acquired an initial 51% of BMD shares by completing the following: (i) pay BGN 62,500 to BMD on signing of the Letter Agreement and (ii) incur exploration expenditures in the amount of EUR 300,000 by December 31, 2020. The Company could earn the remaining 49% of BMD shares by incurring additional exploration expenditures in the amount of EUR 500,000 by December 31, 2021.

On February 19, 2021, the parties entered into a definitive agreement, which amended the terms of the Letter agreement. Pursuant to the terms of the definitive agreement, the Company could acquire 100% of BMD shares by incurring EUR 300,000 in exploration and evaluation by December 31, 2021. On March 2, 2021, the Company acquired 100% of BMD shares. BMD former shareholders have retained a 2% net smelter returns royalty capped at US\$5,000,000. At any time, 1.5% of the royalty can be purchased for EUR 1,500,000.

The acquisition was accounted for as an asset acquisition. No value was ascribed to the Option Royalty due to the early stage of exploration. There were insignificant assets or liabilities transferred.

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

(Expressed in Canadian dollars)

For the three and nine months ended September 30, 2021 and 2020

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

## f) Exploration and evaluation assets continuity

	<b>Tintyava</b>	<b>Nadezhda</b>	<b>Momchil</b>	<b>Iglika</b>	<b>Total</b>
	\$	\$	\$	\$	\$
<b>Acquisition costs</b>					
Balance, December 31, 2020	2,040,270	1,384	1,384	106,952	2,149,990
Additions – legal and claim fees	66,010	-	-	52,897	118,907
<b>Balance, September 30, 2021</b>	<b>2,106,208</b>	<b>1,384</b>	<b>1,384</b>	<b>159,842</b>	<b>2,268,897</b>
<b>Exploration and evaluation</b>					
Balance, December 31, 2020	9,997,944	402,984	4,690,197	660,556	15,751,681
Community relations	7,809	-	-	15,310	23,119
Drilling and assays	2,016,801	133,171	471,644	4,973	2,626,589
Feasibility study	32,568	-	19,193	-	51,761
Field and vehicles	226,175	21,205	39,007	89,806	376,193
Geological	208,156	45,893	70,695	221,242	545,986
Geochemistry	62,544	-	-	67,626	130,170
Geophysics	1,757	-	-	96,763	98,520
Salaries	524,882	42,901	120,694	135,079	823,556
Share-based compensation	25,305	632	632	53,444	80,013
	3,105,997	243,802	721,865	684,243	4,755,907
Balance, September 30, 2021	<b>13,103,941</b>	<b>646,786</b>	<b>5,412,062</b>	<b>1,344,799</b>	<b>20,507,588</b>
<b>Balance, September 30, 2021</b>	<b>15,210,221</b>	<b>648,170</b>	<b>5,413,446</b>	<b>1,504,648</b>	<b>22,776,485</b>

  

	<b>Tintyava</b>	<b>Nadezhda</b>	<b>Momchil</b>	<b>Sedefche</b>	<b>Iglika</b>	<b>Total</b>
	\$	\$	\$	\$	\$	\$
<b>Acquisition costs</b>						
Balance, December 31, 2019	2,005,136	-	-	-	-	2,005,136
Additions	35,134	1,384	1,384	-	106,952	144,854
<b>Balance, December 31, 2020</b>	<b>2,040,270</b>	<b>1,384</b>	<b>1,384</b>	<b>-</b>	<b>106,952</b>	<b>2,149,990</b>
<b>Exploration and evaluation</b>						
Balance, December 31, 2019	6,380,152	137,440	1,669,925	412,699	-	8,600,216
Drilling and assays	1,331,164	29,646	2,167,370	734,777	40,137	4,303,094
Geological and studies	1,446,977	130,649	200,996	159,952	120,810	2,059,384
Geochemistry	66,874	-	1,079	-	41,098	109,051
Geophysics	14,563	42,027	90,609	-	282,056	429,255
Field and vehicles	220,484	19,512	90,468	45,636	42,925	419,025
Salaries	482,264	38,708	420,770	182,534	133,530	1,257,806
Share-based compensation	55,466	5,002	48,980	21,111	-	130,559
	3,617,792	265,544	3,020,272	1,144,010	660,556	8,708,174
Balance, December 31, 2020	9,997,944	402,984	4,690,197	1,556,709	660,556	17,308,390
Cash proceeds	-	-	-	(1,523,880)	-	(1,523,880)
Impairment	-	-	-	(32,829)	-	(32,829)
<b>Balance, December 31, 2020</b>	<b>12,038,214</b>	<b>404,368</b>	<b>4,691,581</b>	<b>-</b>	<b>767,508</b>	<b>17,901,671</b>

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

(Expressed in Canadian dollars)

For the three and nine months ended September 30, 2021 and 2020

**6. CONVERTIBLE DEBENTURE**

On March 14, 2019, the Company issued a convertible debenture valued at \$5,094,000 with an interest rate of 8.5% per annum compounded semi-annual, convertible into common shares at \$0.25 per share, with a maturity date of March 14, 2024. For accounting purposes, the convertible debenture is separated into a liability and equity component by first valuing the liability component. The fair value of the liability component at the time of issue was calculated as the discounted cash flows for the convertible debenture assuming an 15% discount rate, which was the estimated rate for a similar debenture without a conversion feature.

Transaction costs of \$132,555, were incurred and have been recorded pro rata against the liability and equity components. The liability balance of the transaction costs will be amortized over the life of the debenture.

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

Proceeds received	\$	5,094,000
Transaction costs		(132,555)
Proceeds received, net	\$	<u>4,961,445</u>
Net proceeds allocated to equity portion	\$	1,106,812
Net proceeds allocated to liability portion		3,854,633
	\$	<u>4,961,445</u>

	<b>September 30, 2021</b>	<b>December 31, 2020</b>
Opening balance	\$ 4,209,589	\$ 4,002,933
Accretion	49,294	206,656
Conversion	(4,258,883)	-
Ending balance	\$ -	\$ 4,209,589

On March 26, 2021, all of the Company's Convertible Debentures with a carrying value of \$4,258,883 (aggregate principal of \$5,094,000) and accrued interest of \$208,784 for the period October 1, 2020 to March 26, 2021, were converted to 21,211,136 common shares of the Company.

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

Unlimited number of common shares without par value.

**Issued share capital**Nine months ended September 30, 2021:

On March 26, 2021, the Company issued 21,211,136 common shares of the Company on the conversion of Convertible Debentures with a carrying value of \$4,258,883 (aggregate principal of \$5,094,000) and accrued interest of \$208,784.

During the nine months ended September 30, 2021 the Company issued 775,000 common shares pursuant to stock options exercises for aggregate gross proceeds of \$221,500, and in connection with this, the Company transferred \$125,865 from reserves to share capital. In addition, the Company issued 957,884 shares for gross proceeds of \$233,787 pursuant to warrants exercises.

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

(Expressed in Canadian dollars)

For the three and nine months ended September 30, 2021 and 2020

**7. SHARE CAPITAL AND RESERVES (cont'd...)**Nine months ended September 30, 2020:

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 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 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 Company incurred \$80,001 in legal and regulatory fees in connection with the Financing.

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.

During the nine months ended September 30, 2020 the Company issued 2,050,000 common shares pursuant to stock options exercises for aggregate gross proceeds of \$414,500. In addition, the Company issued 642,500 shares for gross proceeds of \$128,500 pursuant to warrants exercises.

**Stock options**

The Company has an incentive stock option plan, which provides that the Board of Directors of the Company may from time-to-time, at its discretion, and in accordance with the TSX-V requirements, grant to directors, officers, employees and technical consultants to the Company, non-transferable stock options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed a rolling 10% of the Company's issued and outstanding common shares at the time the options are granted. Vesting of stock options is at the discretion of the Board of Directors. Stock options are exercisable for a maximum of 10 years, and the exercise price of the stock options is set in accordance with the policies of the TSX-V.

As at September 30, 2021, the Company had stock options outstanding and exercisable enabling the holder to acquire common shares as follows:

Number of Stock options Outstanding	Stock Options Exercisable		Expiry Date	Remaining life in years
	Number	Exercise Price		
2,700,000	2,700,000	\$0.31	July 31, 2022	0.8
500,000	500,000	\$0.35	September 26, 2022	1.0
50,000	50,000	\$0.31	November 14, 2022	1.1
900,000	900,000	\$0.46	November 19, 2021	0.1
1,500,000	1,500,000	\$0.34	April 7, 2022	0.5
900,000	149,400	\$0.48	August 11, 2025	3.9
1,204,000	-	\$0.45	May 12, 2026	4.6
7,754,000	5,799,400	\$0.38		1.6

The weighted average remaining contractual life of options outstanding at September 30, 2021 was 1.6 (December 31, 2020 – 1.5) years.

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

(Expressed in Canadian dollars)

For the three and nine months ended September 30, 2021 and 2020

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

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
As at December 31, 2019	9,075,000	\$ 0.28
Granted	2,405,000	0.39
Exercised	(3,350,000)	0.19
Expired	(550,000)	0.32
As at December 31, 2020	7,580,000	\$ 0.35
Granted	1,204,000	0.45
Exercised	(775,000)	0.29
Expired	(255,000)	0.28
As at September 30, 2021	7,754,000	\$ 0.38
Number of options currently exercisable	5,799,400	\$ 0.35

During the three and nine months ended September 30, 2021, the Company recognized share-based payments as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
<b>Share-based compensation:</b>				
Included in statement of loss and comprehensive loss	\$ 42,258	\$ 43,743	\$ 104,731	\$ 206,401
Included in exploration and evaluation assets	37,095	15,928	80,013	113,523
<b>Total share-based compensation expense</b>	<b>\$ 79,353</b>	<b>\$ 59,671</b>	<b>\$ 184,744</b>	<b>\$ 319,924</b>

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

	September 30, 2021	September 30, 2020
Expected life of options (years)	4.0	2.75
Annualized volatility	93%	77%
Dividend rate	-	-
Risk-free rate	0.79%	0.40%
Weighted average fair value per option granted	\$ 0.30	\$ 0.18

**Warrants**

The following common share purchase warrants entitle the holder thereof to purchase one common share for each warrant. Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
As at December 31, 2019	12,650,217	\$ 0.24
Issued	7,449,094	0.53
Exercised	(642,500)	0.20
As at December 31, 2020	19,456,811	\$ 0.35
Exercised	(957,884)	0.24
Expired	(7,238,044)	0.55
As at September 30, 2021	11,260,883	\$ 0.24

The weighted average remaining contractual life of warrants outstanding and exercisable at September 30, 2021 was 0.4 (December 31, 2020 – 1.0) year.

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

(Expressed in Canadian dollars)

For the three and nine months ended September 30, 2021 and 2020

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

Warrants outstanding are as follows:

Number of Warrants	Exercise Price	Expiry Date
1,960,883	\$0.20	October 12, 2021
9,300,000	\$0.25	March 14, 2022
11,260,883	\$0.24	

**8. RELATED PARTY TRANSACTIONS**

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

Key management personnel compensation for the three and nine months ended September 30, 2021 and 2020 was as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
<b>Short-term benefits paid or accrued:</b>				
Consulting fees <sup>1</sup>	\$ 81,170	\$ 140,500	\$ 372,500	\$ 400,600
Salaries and directors' fees	129,000	123,500	420,822	336,667
	210,170	264,000	793,322	737,267
<b>Share-based payments:</b>				
Share-based payments	33,088	28,414	88,677	120,587
<b>Total remuneration</b>	\$ 243,257	\$ 292,414	\$ 881,999	\$ 857,854

Consulting fees of \$70,587 and \$286,962 are included in exploration and evaluation assets for the three and nine months ended September 30, 2021 respectively (2020 - \$124,900 and \$362,220), and \$32,113 and \$85,538 are included in Project investigation costs for the three and nine months ended September 30, 2021 respectively (2020 - \$nil and \$nil).

As at September 30, 2021, \$44,412 due to key management personnel were included in trade payables (December 31, 2020- \$21,885). These amounts were unsecured, non-interest bearing and due within 30 days. No post-employment benefits, termination benefits, or other long-term benefits were paid to or recorded for key management personnel during the three and nine months ended September 30, 2021 and 2020.

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

	Nine months ended September 30,	
	2021	2020
Change in trade payables included in exploration and evaluation assets	\$ (255,334)	\$ (473,700)
Depreciation included in exploration and evaluation assets	63,725	51,846
Finder's warrants	-	24,000
Share-based compensation included in exploration and evaluation assets	80,013	113,523

**10. SEGMENT INFORMATION**

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