



**VELOCITY**  
MINERALS LTD.

**Condensed Interim Consolidated Financial Statements**

**For the three and nine months ended September 30, 2023 and 2022  
Unaudited – Prepared by Management**

(Expressed in Canadian dollars)

## **NOTICE TO READER**

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

The condensed interim consolidated financial statements of the Company for the three and nine months ended September 30, 2023 have been prepared by and are the responsibility of the Company's management.

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

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

	September 30, 2023	December 31, 2022
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 2,572,001	\$ 1,067,763
Advances to partner for exploration (Note 5(f))	183,849	-
Receivables (Note 3)	128,730	292,480
Lease receivable, current	30,781	26,920
Prepaid expenses and deposits	63,358	49,038
	2,978,719	1,436,201
<b>Lease receivable</b>	25,081	47,018
<b>Property and equipment</b>	273,380	295,803
<b>Exploration and evaluation assets (Note 5)</b>	25,556,291	24,728,444
	\$ 28,833,471	\$ 26,507,466
<b>LIABILITIES AND EQUITY</b>		
<b>Current</b>		
Trade and other payables (Note 8)	\$ 406,935	\$ 353,426
Advances from partner for exploration (Note 4)	470,517	-
Lease liabilities, current	73,950	108,408
	951,402	461,834
<b>Lease liabilities, long term</b>	101,212	156,652
	1,052,614	618,486
<b>Shareholders' equity</b>		
Share capital (Note 6)	43,237,363	40,309,367
Reserves (Note 6)	2,377,182	2,083,722
Deficit	(22,582,221)	(21,133,013)
	23,032,324	21,260,076
Non-controlling interest (Note 7)	4,748,533	4,628,904
	27,780,857	25,888,980
	\$ 28,833,471	\$ 26,507,466

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

**On behalf of the Board on November 27, 2023**

*"Keith Henderson"*

Director

*"Mark Cruise"*

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**

(Unaudited. Expressed in Canadian dollars)

(Expressed in Canadian dollars)				
	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
<b>EXPENSES</b>				
Consulting (Note 9)	\$ 49,639	\$ 11,237	\$ 73,095	\$ 42,880
Depreciation	14,205	11,262	45,946	13,426
Investor relations	3,632	20,779	11,209	59,034
Office and general	18,061	40,745	88,636	137,336
Professional fees	82,990	101,438	270,497	332,558
Project evaluation (Note 8 and 9)	60,245	94,854	252,196	529,899
Regulatory and transfer agent fees	10,257	14,902	54,627	55,820
Salaries and benefits (Note 9)	145,494	213,081	573,729	676,595
Share-based compensation (Note 6 and 9)	76,742	97,676	181,664	162,208
Travel	12,973	28,496	35,303	85,159
	<b>(474,238)</b>	<b>(634,470)</b>	<b>(1,586,902)</b>	<b>(2,094,915)</b>
<b>OTHER INCOME (EXPENSES)</b>				
Operator fees earned (Note 4)	67,940	-	148,080	-
Foreign exchange gain (loss)	(2,509)	12,987	(32,755)	(44,865)
Interest expense	(7,866)	(2,197)	(24,918)	(3,594)
Interest income	2,522	1,146	7,535	9,278
Other income (expense)	(5,657)	(9,911)	3,217	(21,417)
Total other income (expenses)	<b>54,430</b>	<b>2,025</b>	<b>101,159</b>	<b>(60,598)</b>
<b>LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD</b>				
	<b>(419,808)</b>	<b>(632,445)</b>	<b>(1,485,743)</b>	<b>(2,155,513)</b>
<b>Loss and comprehensive loss attributable to:</b>				
Owners of the Company	<b>(421,463)</b>	<b>(598,649)</b>	<b>(1,449,208)</b>	<b>(2,074,769)</b>
Non-controlling interest	<b>1,655</b>	<b>(33,796)</b>	<b>(36,535)</b>	<b>(80,744)</b>
	<b>(419,808)</b>	<b>(632,445)</b>	<b>(1,485,743)</b>	<b>(2,155,513)</b>
<b>Loss per common share</b>				
-Basic and diluted	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.01)
<b>Weighted average number of common shares outstanding</b>				
-Basic and diluted	<b>180,886,672</b>	<b>160,278,919</b>	<b>172,438,963</b>	<b>160,278,919</b>

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**

(Unaudited. Expressed in Canadian dollars)

	<u>Share capital</u>					
	Number of common shares	Amount	Reserves	Non-controlling interest	Deficit	Total
<b>Balance, December 31, 2021</b>	<b>160,278,919</b>	<b>\$ 40,309,367</b>	<b>\$ 1,711,765</b>	<b>\$ 4,458,937</b>	<b>\$ (18,473,479)</b>	<b>\$ 28,006,590</b>
Share-based compensation	-	-	251,537	-	-	251,537
Change in net assets of Tintyava Exploration AD	-	-	-	263,137	-	263,137
Loss and comprehensive loss	-	-	-	(80,744)	(2,074,769)	(2,155,513)
<b>Balance, September 30, 2022</b>	<b>160,278,919</b>	<b>\$ 40,309,367</b>	<b>\$ 1,820,635</b>	<b>\$ 4,641,330</b>	<b>\$ (20,548,248)</b>	<b>\$ 26,365,751</b>
<b>Balance, December 31, 2022</b>	<b>160,278,919</b>	<b>\$ 40,309,367</b>	<b>\$ 2,083,722</b>	<b>\$ 4,628,904</b>	<b>\$ (21,133,013)</b>	<b>\$ 25,888,980</b>
Shares issued in private placements, net of share issuance costs	19,200,000	2,672,996	35,058	-	-	2,708,504
Shares issued for mineral property interest	1,334,951	220,000	-	-	-	220,000
Shares issued for consulting fees	250,000	35,000	-	-	-	35,000
Share-based compensation	-	-	258,402	-	-	258,402
Change in net assets of Tintyava Exploration AD	-	-	-	156,164	-	156,164
Loss and comprehensive loss	-	-	-	(36,535)	(1,449,208)	(1,485,743)
<b>Balance, September 30, 2023</b>	<b>181,063,870</b>	<b>\$ 43,237,363</b>	<b>\$ 2,377,182</b>	<b>\$ 4,748,533</b>	<b>\$ (22,582,221)</b>	<b>\$ 27,780,857</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**  
(Unaudited. Expressed in Canadian dollars)

	<b>Nine months ended September 30,</b>	
	<b>2023</b>	<b>2022</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the period	\$ (1,485,743)	\$ (2,155,513)
Adjustments for:		
Depreciation	45,946	13,426
Depreciation included in project evaluation	10,338	14,007
Foreign exchange gain, unrealized	(1,216)	(5,866)
Share-based compensation	181,664	162,208
Shares issued for consulting fees	35,000	-
Lease receivable interest	(8,924)	-
Lease liability interest	24,017	3,593
Interest income	(7,535)	(9,278)
Changes in non-cash working capital items:		
Advances for exploration	(183,849)	-
Receivables	164,722	(408)
Prepaid expenses and deposits	(14,320)	10,371
Trade and other payables	(32,901)	41,936
Net cash used in operating activities	<b>(1,272,801)</b>	<b>(1,925,164)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net proceeds from issuance of common shares	2,708,054	-
Non-controlling interest – equity contributions	156,164	263,137
Lease proceeds	27,000	-
Lease payments	(112,699)	(48,972)
Net cash provided by financing activities	<b>2,778,519</b>	<b>214,165</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property and equipment	(77,796)	(7,843)
Property option proceeds	334,150	-
Exploration and evaluation assets	(1,723,040)	(1,275,115)
Advances from partners	1,458,643	-
Interest received	6,563	8,132
Net cash used in investing activities	<b>(1,480)</b>	<b>(1,274,826)</b>
<b>Change in cash and cash equivalents during the period</b>	<b>1,504,238</b>	<b>(2,985,825)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>1,067,763</b>	<b>4,676,562</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 2,572,001</b>	<b>\$ 1,690,737</b>
<b>Cash</b>	<b>\$ 2,324,021</b>	<b>\$ 883,806</b>
<b>Cash equivalents</b>	<b>192,070</b>	<b>732,149</b>
<b>Restricted cash</b>	<b>55,910</b>	<b>74,782</b>
	<b>\$ 2,572,001</b>	<b>\$ 1,690,737</b>

**Supplemental disclosure with respect to cash flows (Note 10)**

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

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

(Unaudited. Expressed in Canadian dollars)

For the three and nine months ended September 30, 2023 and 2022

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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” as well as on the OTCQB Venture Market under the symbol “VLCJF”. 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, 2023, the Company has working capital of \$2,027,317 (December 31, 2022 - \$974,367), including restricted cash of \$55,910 (December 31, 2022 - \$85,100) and an accumulated deficit of \$22,582,221 (December 31, 2022 - \$21,133,013). 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. There is no assurance, however, that future financings will be available on favourable terms. An inability to raise additional financing may impact the future assessment of the Company as a going concern. These material uncertainties may cast significant doubt about the Company’s ability to continue as a going concern.

These 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 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. Such adjustments could be material.

**2. BASIS OF PREPARATION****Statement of compliance**

The condensed interim consolidated financial statements (the “Interim Financial Statements”) have been prepared in accordance with International Accounting Standards (“IAS”) 34, “Interim Financial Reporting” using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).



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

(Unaudited. Expressed in Canadian dollars)

For the three and nine months ended September 30, 2023 and 2022

**2. BASIS OF PREPARATION (cont'd...)****Basis of presentation**

The Interim Financial Statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's most recent audited consolidated financial statements for the years ended December 31, 2022 and 2021 (the "Annual Financial Statements"). Management has determined that all adjustments considered necessary for fair presentation of the Company's financial position, results of operations and cash flows for the nine months ended and as at September 30, 2023 and 2022 have been included. Operating results for the nine-month period ended September 30, 2023 are not necessarily indicative of the results that may be expected for the year ending December 31, 2023.

These Interim Financial Statements have been prepared on a historical cost basis except for certain financial instruments measured at fair value. In addition, these Interim Financial Statements have been prepared using the accrual basis of accounting, except for cash flow information.

The functional currency and presentation currency of the Company and its subsidiaries is the Canadian dollar.

**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>
Velocity Exploration Ltd. ("Velocity Exploration")	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 EOOD ("BMD")	Bulgaria	100%
Zlatusha Minerals EOOD ("Zlatusha")	Bulgaria	100%

The Company established its subsidiary Tethyan in 2020, Tintyava AgriBio in 2021, and Zlatusha in 2023; effective March 2, 2021, the Company acquired 100% of BMD, which holds the exploration and evaluation permit for Igljka property (Note 5 (d)).

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.

**VELOCITY MINERALS LTD.**

**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited. Expressed in Canadian dollars)

For the three and nine months ended September 30, 2023 and 2022

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**2. BASIS OF PREPARATION (cont'd...)**

**Material accounting policies**

The accounting policies followed in these Interim Financial Statements are the same as those applied in the Annual Financial Statements, with the exception of the accounting policies discussed in Note (4) and the following:

New and amended IFRS standards that are effective for the current year:

In the current year, the Company has applied the below amendments to IFRS Standards and Interpretations issued by the IASB that were effective for annual periods that begin on or after January 1, 2023. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgments— Disclosure of Accounting Policies

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term "significant accounting policies" with "material accounting policy information." Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The IASB has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

The amendments were applied effective January 1, 2023 and did not have a material impact on the Company's Interim Financial Statements.

**Material accounting judgments, estimates and assumptions**

Estimates and judgments and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, profit and expenses. The estimates and associated assumptions are continuously evaluated and are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. In preparing these Interim Financial Statements, the judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those applied to the Annual Financial Statements.

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

(Unaudited. Expressed in Canadian dollars)

For the three and nine months ended September 30, 2023 and 2022

**3. RECEIVABLES**

	<b>September 30, 2023</b>	<b>December 31, 2022</b>
Receivable and other	\$ 77,853	\$ 18,063
Value added taxes receivable	50,877	274,417
Total	\$ 128,730	\$ 292,480

As at September 30, 2023 Receivables and other include an accrual for operator fees of \$77,853.

As at September 30, 2023, the Company's VAT receivable amounts relate to operations in Bulgaria (\$19,906) and Canada (\$30,971). All of the amounts are current and receivable within 90 days.

**4. PARTNER FUNDED EXPLORATION**

Amounts received from partners in connection with earn-in agreements are netted firstly against the capitalized exploration expenditures on the applicable licenses and thereafter are recognized in the Company's statement of income (loss). Any advances received for future exploration work or any reimbursable funds expended by the Company are recognized separately in the statement of financial position. Operator fees earned represent fees earned by the Company as the designated operator of the projects which are recognized in the Company's statement of income (loss).

When the Company receives a payment from a partner in advance of the exploration work being performed, the prepayment is shown as advances from partners. The balance of this account at September 30, 2023 was \$470,517 (December 31, 2022 – \$nil).

As at September 30, 2023 exploration programs funded by a partner are in respect to the Igljka Property (Note 5(d)).

**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 was granted an option by Gorubso-Kardzhali AD ("Gorubso") to acquire an undivided 70% legal and beneficial interest in Tintyava, an entity owned by Gorubso that holds a 100% interest in a prospecting and exploration permit 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, representing 70% ownership by the Company, were 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.

## VELOCITY MINERALS LTD.

### NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited. Expressed in Canadian dollars)

For the three and nine months ended September 30, 2023 and 2022

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

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, 2023 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 option 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, 2023 the joint venture entity had not been formed.

##### d) 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 the Iglika gold-copper property (“Iglika”) through acquiring all of the issued and outstanding shares of BMD.

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, other than the mineral property.

##### Dundee Precious Metals Inc. Earn-in

On June 12, 2023, the Company announced that it had entered into a binding letter agreement (the “DPM Letter Agreement”) with Dundee Precious Metals Inc. (“DPM”), whereby the Company granted to DPM an exclusive option to acquire a 75% interest in and to the Iglika property.

To exercise the option in full, DPM must:

- (i) make a US\$250,000 initial cash payment to the Company (Completed);
- (ii) fund a total of 40,000 meters of drilling at Iglika (3,275 meters drilled to September 30, 2023);
- (iii) fund and deliver a mineral resource estimate at Iglika, prepared in accordance with National Instrument 43-101 Standards of Disclosure for Mineral Projects (“NI 43-101”);
- (iv) fund and deliver a prefeasibility study on a deposit located at Iglika prepared in accordance with NI 43-101; and
- (v) make a further US\$1,500,000 cash payment to the Company, all over a period of five years.

As at September 30, 2023, the Company had received \$334,150 (US\$ 250,000) from DPM for the initial cash payment. Since entering into the DPM Letter Agreement, the Company incurred exploration and evaluation expenditures on the Iglika project in the amount of \$988,126 and received a cash advance of \$1,458,643 advance from DPM for exploration program on Iglika project (Note 4).

##### d) Dangovo Property – Bulgaria

The Dangovo property was acquired by means of staking and the prospecting license contract with the Ministry of Energy came into effect on August 23, 2022, following the approval of a 3-year work program. All costs incurred prior to the effective date of the contract with the Ministry of Energy were expensed within project evaluation.

**VELOCITY MINERALS LTD.**

**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited. Expressed in Canadian dollars)

For the three and nine months ended September 30, 2023 and 2022

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

The Dangovo property is contiguous with the Company's Nadezhda property (Makedontsi project), where a historical resource is registered with the Bulgarian State. Dangovo was acquired to explore for potential extensions of known gold mineralization at Makedontsi project.

e) Zlatusha Property – Bulgaria

The Company entered into a binding letter agreement with Zelenrok EOOD ("Zelenrok"), a wholly-owned subsidiary of Raiden Resources Limited (collectively with Zelenrok, "Raiden"), on January 23, 2023, as amended on April 10, 2023, whereby the Company has been granted an exclusive option to acquire, in two stages, up to a 75% interest in and to the prospecting and exploration license Zlatusha copper-gold property ("Zlatusha") located in Bulgaria. The option consists of a first option to acquire up to a 51% interest (the "First Option") and a second option (the "Second Option") to acquire an additional 24% (aggregate 75%) interest in and to the property.

To exercise the First Option and acquire a 51% interest in the Property, the Company must fulfill the following requirements within a period of three years: (i) make cash payments in the aggregate amount of \$250,000; (ii) make payments in the aggregate amount of \$320,000, payable in cash or common shares of the Company, of which \$220,000 is payable within 10 business days of the TSXV approval and are to be paid in shares (Note 6 and 10); (iii) complete 28,000m of drilling on the Property; (iv) deliver an Inferred Mineral Resource estimate on a deposit on the Property prepared in accordance with National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101").

To exercise the Second Option and acquire an additional 24% interest in the Property (for an aggregate of 75%), the Company must fulfill the following requirements within a period of two years after exercising the First Option: (i) make cash payments in the aggregate amount of \$350,000; (ii) make payments in the aggregate amount of \$100,000, payable in cash or common shares of the Company; (iii) complete 12,000m of drilling on the Property; (iv) deliver a Preliminary Economic Assessment on a deposit on the Property prepared in accordance with NI 43-101.

The Company cannot terminate the First Option prior to having completed 3,000m of drilling on or prior to September 23, 2024. The Company will be under no obligation to fulfill any other of the earn-in requirements, which will be at the sole discretion of the Company.

As at September 30, 2023 the Company has advanced \$183,849 (December 31, 2022 - \$nil) to Raiden for exploration activities on Zlatusha Property.

f) Kalabak Property – Bulgaria

On August 9, 2023, the Company announced that it had entered into a letter agreement with Raiden whereby the Company has been granted an exclusive option to acquire a 75% interest in and to the prospecting and exploration license covering the Kalabak gold-copper property, located in southeastern Bulgaria. To exercise the option in full and acquire a 75% interest in the property, the Company must: (i) complete 5,000m of drilling on the property; and (ii) deliver an Inferred Mineral Resource estimate on a deposit on the Property prepared in accordance with National Instrument 43-101 Standards of Disclosure for Mineral Projects over a 5-year period.

The Company will be under no obligation to fulfill any of the Option Earn-In Requirements, all of which will be at the sole discretion of the Company. If the Company exercises the option, the Company and Raiden will be deemed to have formed a Joint Venture with the Company initially owning 75% and Raiden owning 25%. If a participant's participating interest in the Joint Venture falls below 15%, that participant will transfer its participating interest to the other participant in exchange for the grant of an ongoing royalty to be paid at 1% of net smelter returns (the "1% NSR Royalty"). The participant with the largest participating interest in the Joint Venture will have the right, but not the obligation, exercisable at any time prior to a production decision to purchase half of the 1% NSR Royalty (being 0.5%) for the sum of \$1,500,000.

The Kalabak Property is subject to an existing 2% net smelter royalty held by Gold Bull Resources Corp. (the "Gold Bull Royalty"), of which, prior to commencement of commercial production: (i) an initial 0.5% of the total Gold Bull Royalty can be purchased for USD\$2,500,000; and (ii) a further 1% of the total Gold Bull Royalty can be purchased for USD\$5,000,000.

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(Unaudited. Expressed in Canadian dollars)

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**5. EXPLORATION AND EVALUATION ASSETS (cont'd...)**g) Exploration and evaluation assets continuity

	<b>Tintyava</b>	<b>Nadezhda</b>	<b>Momchil</b>	<b>Iglika</b>	<b>Dangovo</b>	<b>Zlatusha</b>	<b>Kalabak</b>	<b>Total</b>
	\$	\$	\$	\$	\$	\$	\$	\$
<b><i>Acquisition costs</i></b>								
Balance, December 31, 2022	2,103,325	108,669	42,081	147,161	-	-	-	<b>2,401,236</b>
Property option proceeds	-	-	-	(334,150)	-	-	-	<b>(334,150)</b>
Property option payments	-	-	-	-	-	220,000	-	<b>220,000</b>
Legal and claim fees	30,010	-	-	119,066	-	47,969	-	<b>197,045</b>
Additions (recovery) for the period	30,010	-	-	(215,084)	-	267,969	-	<b>82,895</b>
<b>Balance, September 30, 2023</b>	<b>2,133,335</b>	<b>108,669</b>	<b>42,081</b>	<b>(67,923)</b>	<b>-</b>	<b>267,969</b>	<b>-</b>	<b>2,484,131</b>
<b><i>Exploration and evaluation</i></b>								
Balance, December 31, 2022	14,147,897	667,281	5,486,620	2,025,410	-	-	-	<b>22,327,208</b>
Community relations	-	-	-	6,265	-	2,766	-	<b>9,031</b>
Drilling and assays	-	-	-	616,798	-	-	-	<b>616,798</b>
Metallurgy, engineering, environmental studies	36,176	-	-	-	-	-	-	<b>36,176</b>
Field and vehicles	106,341	-	-	78,598	1,328	21,418	4,734	<b>212,419</b>
Geological	97,077	-	-	42,127	6,879	7,539	-	<b>153,622</b>
Geochemistry	-	-	-	152,255	-	42,286	1,011	<b>195,552</b>
Salaries	118,886	-	-	206,672	3,876	90,103	13,205	<b>432,742</b>
Share-based compensation	31,413	2,347	3,844	35,088	-	4,046	-	<b>76,738</b>
Additions for the period	389,893	2,347	3,844	1,137,803	12,083	168,158	18,950	<b>1,733,078</b>
Partner funded exploration programs	-	-	-	(988,126)	-	-	-	<b>(988,126)</b>
Balance, September 30, 2023	<b>14,537,790</b>	<b>669,628</b>	<b>5,490,464</b>	<b>2,175,087</b>	<b>12,083</b>	<b>168,158</b>	18,950	<b>23,072,160</b>
<b>Balance, September 30, 2023</b>	<b>16,671,125</b>	<b>778,297</b>	<b>5,532,545</b>	<b>2,107,164</b>	<b>12,803</b>	<b>436,127</b>	18,950	<b>25,556,291</b>

**VELOCITY MINERALS LTD.**

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**6. SHARE CAPITAL AND RESERVES**

*Authorized share capital*

Unlimited number of common shares without par value and an unlimited number of preferred shares without par value.

*Issued share capital*

Nine months ended September 30, 2023

On March 28, 2023, the Company closed a non-brokered private placement by the issuance of 10,000,000 units of the Company priced at \$0.15 per unit for total gross proceeds of \$1,500,000. Each unit consisted 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 share at a price of \$0.25 per share until September 28, 2024.

In connection with the financing, the Company paid finder's fees consisting of \$28,000 in cash and issued 186,666 non-transferable finders' warrants. Each finders' warrant entitles the holder thereof to purchase one common share in the capital of the Company at a price of \$0.15 per share until March 28, 2024.

In addition, the Company incurred \$28,882 in legal and regulatory fees in connection with the financing.

The fair value of the finders' Warrants was estimated at \$10,830 using Black-Scholes with the following assumptions: a risk-free interest rate of 3.7%; expected volatility of 72%; an expected life of 1 year; a dividend yield of 0%; and an expected forfeiture rate of 0%.

On May 19, 2023 the Company closed a non-brokered private placement with the issuance of 9,200,000 units of the Company priced at \$0.15 per unit for total gross proceeds of \$1,380,000. 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 share at a price of \$0.25 per share until November 22, 2024.

In connection with the financing, the Company paid finder's fees consisting of \$70,314 in cash and issued 468,761 non-transferable finders' warrants. Each finders' warrant entitles the holder thereof to purchase one common share in the capital of the Company at a price of \$0.15 per share until May 19, 2024.

In addition, the Company incurred \$44,750 in legal and regulatory fees in connection with the financing.

The fair value of the finders' Warrants was estimated at \$24,228 using Black-Scholes with the following assumptions: a risk-free interest rate of 4.0%; expected volatility of 73%; an expected life of 1 year; a dividend yield of 0%; and an expected forfeiture rate of 0%.

On April 18, 2023, the Company issued 1,334,951 of its common shares fair valued at \$0.165 per share for a total of \$220,000, pursuant to the binding letter agreement with Raiden to acquire up to 75% of Zlatusha Property (Note 4(f)).

During the nine months ended September 30, 2023, the Company issued 250,000 commons shares fair valued at \$35,000 for consulting fees, pursuant to a strategic review process advisory agreement.

Nine months ended September 30, 2022

There were no share issuances during the nine months ended September 30, 2022.

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

Stock option transactions are summarized as follows:

	<b>Number of Options</b>	<b>Weighted Average Exercise Price</b>
As at December 31, 2021	6,654,000	\$ 0.37
Granted	4,550,000	0.30
Expired	(4,300,000)	0.32
Forfeited	(378,000)	0.38
<b>As at December 31, 2022</b>	<b>6,526,000</b>	<b>\$ 0.35</b>
Granted	3,365,000	0.16
Forfeited	(595,000)	0.29
<b>Number of options outstanding, September 30, 2023</b>	<b>9,296,000</b>	<b>\$ 0.28</b>
<b>Number of options exercisable, September 30, 2023</b>	<b>2,952,504</b>	<b>\$ 0.39</b>

As at September 30, 2023, the Company had stock options outstanding and exercisable enabling the holder to acquire common shares as follows:

<b>Number of Stock options Outstanding</b>	<b>Number of Stock options Exercisable</b>	<b>Exercise Price</b>	<b>Expiry Date</b>	<b>Remaining life in years</b>
860,000	860,000	\$0.48	August 11, 2025	1.9
1,186,000	787,504	\$0.45	May 12, 2026	2.6
3,730,000	1,238,360	\$0.30	May 31, 2027	3.6
200,000	66,640	\$0.25	August 16, 2027	3.9
3,320,000	-	\$0.16	June 22, 2028	4.7
<b>9,296,000</b>	<b>2,952,504</b>	<b>\$0.28</b>		<b>3.7</b>

The following weighted average assumptions were used for the Black-Scholes option pricing model valuation of stock options granted during the nine months ended September 30, 2023 and 2022:

	<b>September 30, 2023</b>	September 30, 2022
Expected life of options (years)	<b>4.0</b>	4.0
Annualized volatility	<b>64%</b>	64%
Dividend rate	-	-
Risk-free rate	<b>3.9%</b>	2.7%
Weighted average fair value per option granted	<b>\$ 0.08</b>	\$ 0.12
Weighted average exercise price per option granted	<b>\$ 0.16</b>	\$ 0.13



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For the three and nine months ended September 30, 2023 and 2022

**6. SHARE CAPITAL AND RESERVES (cont'd...)****Stock options (cont'd...)**

During the three and nine months ended September 30, 2023 and 2022, the Company recognized share-based compensation as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
<b>Share-based compensation:</b>				
Included in statement of loss and comprehensive loss	\$ 76,742	\$ 97,676	\$ 181,664	\$ 162,208
Included in exploration and evaluation assets	29,564	44,992	76,738	89,329
<b>Total share-based compensation expense</b>	<b>\$ 106,306</b>	<b>\$ 142,668</b>	<b>\$ 258,402</b>	<b>\$ 251,537</b>

**Warrants**

The following common share purchase warrants entitle the holder thereof to purchase one common share for each warrant.

Number of Warrants	Exercise Price	Expiry Date
5,000,000	\$0.25	September 28, 2024
4,600,000	\$0.25	November 19, 2024
9,600,000	\$0.25	

Number of Finders' Warrants	Exercise Price	Expiry Date
186,666	\$0.15	March 28, 2024
468,761	\$0.15	May 19, 2024
655,427	\$0.15	

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
As at December 31, 2021	9,300,000	\$ 0.25
Expired	(9,300,000)	0.25
As at December 31, 2022	-	\$ -
Issued	10,255,427	0.24
As at September 30, 2023	10,255,427	\$ 0.24

The weighted average remaining contractual life of warrants outstanding and exercisable at September 30, 2023 was 1.0 (December 31, 2022 – 0.0) year.

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**7. NON-CONTROLLING INTEREST**

Non-controlling interest (“NCI”) in the net assets of consolidated subsidiaries are identified separately from the Company’s equity therein. Total comprehensive loss of the Company’s subsidiary is attributed to the equity holders of the Company and to the non-controlling interest even if this results in the non-controlling interest having a deficit balance. For the three and nine months ended September 30, 2023 and 2022 and as at September 30, 2023 and December 31, 2022, 30% of the net assets of the Company’s consolidated subsidiary, Tintyava, which holds the Tintyava mineral property and Dangovo mineral property, were attributable to its non-controlling interest.

The following is summarized financial information of the consolidated subsidiary Tintyava, prepared in accordance with IFRS, modified for fair value adjustments on acquisition and differences in the Company’s accounting policies. The information is before inter-company eliminations.

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Total loss (income) and comprehensive loss (income)	(5,518)	112,652	121,782	269,145
Total loss (income) and comprehensive loss (income) allocated to NCI	(1,655)	33,796	36,535	80,744

	September 30, 2023		December 31, 2022	
Current assets	\$	398,850	\$	296,524
Non-current assets		15,856,747		15,626,936
Current liabilities		(407,105)		(474,588)
Non-current liabilities		(20,050)		(19,193)
Net assets		15,828,442		15,429,679
Net assets attributable to NCI		4,748,533		4,628,904

**8. PROJECT EVALUATION**

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Field and vehicles	\$ 646	\$ 6,833	\$ 20,207	\$ 23,054
Geological consulting (Note 9)	49,580	28,671	164,974	248,857
Geochemistry	-	-	6,429	1,658
Permit application fees	1,672	-	3,866	5,561
Salaries	8,347	59,350	56,720	250,769
	\$ 60,245	\$ 94,854	\$ 252,196	\$ 529,899

Field and vehicles expense includes depreciation expense of \$nil and \$10,338 for the three and nine months ended September 30, 2023 (2022 - \$3,497 and \$14,007).

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**9. 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 month ended September 30, 2023 and 2022 were:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
<b>Short-term benefits paid or accrued:</b>				
Consulting fees	\$ 63,438	\$ 63,437	\$ 205,855	\$ 225,312
Salaries and directors' fees	81,369	153,519	330,843	432,468
	<b>144,807</b>	216,956	<b>536,698</b>	657,780
<b>Share-based compensation:</b>				
Share-based compensation	61,807	76,799	137,808	124,296
<b>Total remuneration</b>	<b>\$ 206,614</b>	<b>\$ 293,755</b>	<b>\$ 674,506</b>	<b>\$ 782,076</b>

Consulting fees of \$32,909 and \$98,289 are included in exploration and evaluation assets for the three and nine months ended September 30, 2023 respectively (2022 - \$35,947 and \$99,386), and \$30,529 and \$107,566 are included in project evaluation costs (Note 8) for the three and nine months ended September 30, 2023 respectively (2022 - \$27,490 and \$125,926).

As at September 30, 2023, the Company had \$nil included in trade and other payables due to key management personnel (December 31, 2022- \$nil).

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, 2023 and 2022.

***Related party***

Effective August 1, 2022, the Company entered into an office sub-lease agreement with a term of three years, with Latin Metals Inc. ("Latin Metals"). The Company and Latin Metals share a common officer and director. Prior to this agreement, the Company was reimbursed by Latin Metals for office rent on a month-to-month basis with no fixed term commitment.

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
<b>Rent</b>	\$ 9,000	\$ -	\$ 27,000	\$ -

As at September 30, 2023, the Company had \$5,396 included in receivable from the related party (December 31, 2022- \$nil).

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

	<b>Nine months ended September 30, 2023</b>	<b>Nine months ended September 30, 2022</b>
Depreciation capitalized to exploration and evaluation assets	<b>43,935</b>	\$ 80,549
Change in trade and other payables included in exploration and evaluation assets	<b>86,410</b>	(179,724)
Share-based compensation included in exploration and evaluation assets	<b>76,738</b>	89,329
Shares issued for mineral properties, fair value	<b>220,000</b>	-
Shares issued for consulting fees, fair value	<b>35,000</b>	-
Fair value of finders' warrants	<b>35,058</b>	-
Interest paid	<b>1,724</b>	3,594
Income taxes paid	-	-

**11. FINANCIAL RISK MANAGEMENT**

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

As at September 30, 2023, 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 is exposed to certain financial risks including credit risk, currency risks, liquidity risk, interest rate risk, and price risk. Details of each risk are laid out in the notes to the Company's Annual Financial Statements. Management has determined that these risks, individually and in aggregate, are immaterial to the Company.