

Velocity Minerals Ltd.

Condensed Interim Consolidated Financial Statements

For the nine months ended September 30, 2018
Unaudited – Prepared by Management

(Expressed in Canadian dollars)

NOTICE TO READER

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

The condensed interim consolidated financial statements of the Company for the quarter ended September 30, 2018 have been prepared by and are the responsibility of the Company's management.

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

VELOCITY MINERALS LTD.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(Expressed in Canadian dollars)

	September 30, 2018	December 31, 2017
ASSETS		
Current		
Cash (Note 4)	\$ 184,045	\$ 833,898
Receivables	5,448	10,927
Prepays	62,804	60,282
	<u>252,297</u>	<u>905,107</u>
Advances (Note 5)	186,262	77,220
Exploration and evaluation assets (Note 5)	<u>2,723,622</u>	<u>2,207,796</u>
	<u>\$ 3,162,181</u>	<u>\$ 3,190,123</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Trade and other payables (Note 6)	\$ 199,613	\$ 138,738
	<u>199,613</u>	<u>138,738</u>
Shareholders' equity		
Share capital (Note 7)	12,248,523	10,891,048
Reserves	1,253,304	1,117,994
Deficit	<u>(10,539,259)</u>	<u>(8,957,657)</u>
	<u>2,962,568</u>	<u>3,051,385</u>
	<u>\$ 3,162,181</u>	<u>\$ 3,190,123</u>

Nature and continuance of operations (Note 1)**Subsequent events** (Note 13)**On behalf of the Board on November 27, 2018:**

"Keith Henderson" Director "Gord Doerkson" Director

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

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

(Expressed in Canadian dollars)

	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
EXPENSES				
Bank charges and interest	\$ -	\$ -	\$ -	\$ 38
Consulting (Note 8)	160,723	338,067	386,166	338,067
Foreign exchange	10,022	27,453	(134,381)	28,615
Investor relations	(1,284)	53,418	71,836	53,418
Office	18,410	8,287	44,255	8,673
Professional fees	56,102	67,096	225,777	192,708
Property investigation	-	6,930	-	43,792
Regulatory fees	(11,246)	14,931	24,722	22,826
Rent	5,704	-	14,869	-
Salaries (Note 8)	30,406	116,235	109,427	116,235
Share-based compensation (Note 7)	-	987,834	129,561	987,834
Travel	773	14,260	36,128	27,176
	(269,610)	(1,634,511)	(908,360)	(1,819,382)
Listing expense (Note 3)	-	(6,561,872)	-	(6,561,872)
Loss on settlement of accounts payable (Note 7)	(9,402)	-	(9,402)	-
Impairment of exploration and evaluation assets (Note 5)	(663,840)	-	(663,840)	-
Net loss for the period	(942,852)	(8,196,383)	(1,581,602)	(8,381,254)
Other comprehensive income to be reclassified to profit or loss in subsequent years				
Translation adjustment	-	(733)	-	(733)
Loss and comprehensive loss for the period	(942,852)	(8,197,116)	(1,581,602)	(8,381,987)
Loss per common share				
-Basic and diluted	\$ (0.01)	\$ (0.17)	\$ (0.02)	\$ (0.29)
Weighted average number of common shares outstanding				
-Basic and diluted	68,116,831	48,614,866	64,957,392	28,475,297

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

VELOCITY MINERALS LTD.**CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)**

(Expressed in Canadian dollars)

	Share Capital		Reserves	Accumulated other comprehensive income	Deficit	Total
	Number of common shares	Amount				
Balance, June 30, 2016	4,500,000	\$ 1	\$ -	\$ -	\$ (20,699)	\$ (20,698)
Issuance of shares	13,500,000	3	-	-	-	3
Private placement	12,660,176	3,507,330	-	-	-	3,507,330
Finders' fees – cash	-	(166,324)	-	-	-	(166,324)
Finders' warrants	-	(82,021)	82,021	-	-	-
Shares of Velocity Minerals Ltd.	29,928,237	7,482,059	-	-	-	7,482,059
Finders' fees on property acquisition	600,000	150,000	-	-	-	150,000
Share-based payments	-	-	987,834	-	-	987,834
Loss and comprehensive loss	-	-	-	(281)	(8,585,597)	(8,585,878)
Balance, September 30, 2017	61,188,413	\$ 10,891,048	\$ 1,069,855	\$ (281)	\$ (8,606,296)	\$ (3,354,326)
Balance, December 31, 2017	61,188,413	\$ 10,891,048	\$ 1,117,994	\$ -	\$ (8,957,657)	\$ 3,051,385
Issuance of shares	6,621,824	1,324,400	-	-	-	1,324,400
Share issue costs	-	(27,099)	5,749	-	-	(21,350)
Share-based compensation	-	-	129,561	-	-	129,561
Debt settlement	376,089	60,174	-	-	-	60,174
Loss and comprehensive loss	-	-	-	-	(1,581,602)	(1,581,602)
Balance, September 30, 2018	68,186,326	\$ 12,248,523	\$ 1,253,304	\$ -	\$ (10,539,259)	\$ 2,962,568

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

VELOCITY MINERALS LTD.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Expressed in Canadian dollars)

	Nine months ended September 30, 2018	Nine months ended September 30, 2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	\$ (1,581,602)	\$ (184,871)
Adjustment for items not affecting cash:		
Impairment of exploration and evaluation assets	663,840	
Loss on settlement of accounts payable	9,402	
Share-based compensation	129,561	-
	(745,466)	(184,871)
Changes in non-cash working capital items:		
Receivables	5,479	(3,049)
Prepays	(2,522)	-
Trade and other payables	60,875	102,208
Net cash used in operating activities	(714,967)	(85,712)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares, net of finders' fees	1,303,050	-
Shareholder advances	-	94,833
Net cash provided by financing activities	1,303,050	94,833
CASH FLOWS FROM INVESTING ACTIVITIES		
Advances – exploration and evaluation expenditures	(63,490)	(6,160)
Exploration and evaluation expenditures	(1,174,446)	-
Net cash used in investing activities	(1,237,936)	(6,160)
Change in cash during the period	(649,853)	2,961
Cash, beginning of period	833,898	8,472
Cash, end of period	\$ 184,045	\$ 11,433
Income taxes paid	\$ -	\$ -
Interest paid	\$ -	\$ -

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)

September 30, 2018

1. NATURE AND CONTINUANCE OF OPERATIONS

Velocity Minerals Ltd. (the “Company”) was incorporated under the laws of the province of Alberta on September 22, 2000, and was continued into British Columbia on December 2, 2004. The head office and principal address of the Company is Suite 2300 - 1177 West Hastings Street, Vancouver, BC V6E 2K3. The common shares of the Company trade on the TSX Venture Exchange (“TSX-V”) with the symbol “VLC.V”. The Company is in the business of acquiring, exploring, and evaluating mineral resource properties in Bulgaria.

On July 21, 2017, 1077076 B.C. Ltd. (“7076 Ltd”) closed the Share Purchase and Sale Agreement (the “Transaction”) with the Company such that Velocity acquired all the issued and outstanding common shares of 7076 Ltd in exchange for 18,000,000 common shares of Velocity. Because of the Transaction, 7076 Ltd. took control of governance and management resulting in control over all decision making processes which constituted a reverse acquisition of Velocity by 7076 Ltd, (the “Reverse Acquisition”) for accounting purposes with 7076 Ltd being identified as the accounting acquirer, and accordingly, the Company is considered a continuation of 7076 Ltd. The net assets of Velocity at the date of the reverse acquisition are deemed to have been acquired by 7076 Ltd (Note 3). These consolidated financial statements include the results of operations of the Company from July 21, 2017. The comparative figures are those of 7076 Ltd. prior to the reverse acquisition, except for adjusting retroactively the capital of 7076 Ltd to reflect the capital of the Company.

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

As at September 30, 2018, the Company has working capital of \$52,684 and an accumulated deficit of \$10,505,926. The Company expects to incur further losses in the development of its business. These material uncertainties may cast significant doubt on the Company’s ability to continue as a going concern. The Company’s ability to continue its operations and to realize its assets at their carrying values is dependent upon obtaining additional financing and generating revenues sufficient to cover its operating costs.

These condensed interim consolidated financial statements have been prepared based on accounting principles applicable to a going concern which assumes the Company will be able to realize its assets and discharge its liabilities in the normal courses of business rather than through a process of forced liquidation. These condensed 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 financial statements for the year ended December 31, 2017, which have been prepared in accordance with IFRS as issued by the IASB. In the opinion of management, all adjustments considered necessary for fair presentation of the Company’s financial position, results of operations and cash flows have been included. Operating results for the nine-month period ended September 30, 2018 are not necessarily indicative of the results that may be expected for the year ending December 31, 2018.

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

(Expressed in Canadian dollars)

September 30, 2018

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

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

Basis of consolidation

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

Subsidiary	Location	Ownership Interest
1077076 B.C. Ltd.	Canada	100%
Kibela Minerals AD ("Kibela")	Bulgaria	100%
Kabiri Minerals EOOD	Bulgaria	100%

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

These condensed interim consolidated financial statements do not include all note disclosures required by IFRS for annual financial statements, and therefore should be read in conjunction with the annual financial statements for the year ended December 31, 2017. In the opinion of management, all adjustments considered necessary for fair presentation of the Company's financial position, results of operations and cash flows have been included. Critical accounting estimates are estimates, and assumptions made by management that may result in a material adjustment to the carrying amounts of assets and/or liabilities within the next financial year and are disclosed in the Company's annual audited consolidated financial statements for the year ended December 31, 2017. There have been no changes to the Company's critical accounting estimates and judgments during the nine months ended September 30, 2018.

New accounting policy

New accounting policy The Company has adopted new accounting standard IFRS 9 - Financial Instruments, effective for annual periods beginning on or after January 1, 2018. The adoption of IFRS 9 did not result in any changes to the classification, measurement or carrying amounts of the Company's existing financial instruments on transition date.

The new standard brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 - Financial instruments: recognition and measurement. The standard retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value.

The Company continues to classify and measure its financial instruments at fair value through profit or loss with changes in fair value recognized in profit or loss as they arise ("FVTPL"), unless restrictive criteria regarding the objective and contractual cash flows of the instrument are met for classifying and measuring at either amortized cost or fair value through other comprehensive income.

Cash and cash equivalents, marketable securities and trade receivables continue to be recorded at FVTPL and other receivables and loans, initially at FVTPL, and subsequently at amortized cost using the effective interest rate method. Trade and other payables are classified and measured as financial liabilities, initially at FVTPL, and subsequently at amortized cost using the effective interest rate method.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Standards issued but not yet effective

Certain pronouncements have been issued by the IASB or IFRIC that are effective for accounting periods beginning on or after January 1, 2019. Many of these updates are not applicable or consequential to the Company and have been excluded from the discussion below.

Effective for annual periods beginning on or after January 1, 2019.

- New standard IFRS 16 - *Leases*

IFRS 16, *Leases* ("IFRS 16") was issued by the IASB on January 13, 2016, and will replace IAS 17, *Leases*. It is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, IFRS 16 requires a single, on balance sheet accounting model that is similar to current finance lease accounting. Leases become an on-balance sheet liability that attract interest, together with a new asset.

The Company has no leases and has initially assessed that there will be no material reporting changes as result of adopting the new standard.

3. REVERSE ACQUISITION

As described in Note 1, on July 21, 2017, the Company and 7076 Ltd completed a Transaction which constituted a reverse acquisition by way of Velocity acquiring all the issued and outstanding common shares of 7076 Ltd, in exchange for 18,000,000 common shares of Velocity. The Transaction was measured at the fair value of the common shares that 7076 Ltd would have had to issue to the shareholders of Velocity, being 29,928,237 common shares, to give the shareholders of Velocity the same percentage equity interest in the combined entity that results from the reverse acquisition had it taken the legal form of 7076 Ltd acquiring Velocity.

Because of the Transaction, the shareholders of 7076 Ltd obtained control of the combined entity by obtaining control of the governance and management decision making process of the combined entity and the resulting power to govern the financial and operating policies of the combined entities. The Transaction constitutes a reverse acquisition of Velocity by 7076 Ltd and has been accounted for as a reverse acquisition transaction in accordance with the guidance provided in IFRS 2, *Share-based Payments* and IFRS 3, *Business Combinations*. As Velocity did not qualify as a business according to the definition in IFRS 3, this reverse acquisition does not constitute a business combination; rather it is treated as an issuance of shares by 7076 Ltd for the net assets of Velocity and Velocity's listing status, and 7076 Ltd as the continuing entity. Accordingly, no goodwill or intangible assets were recorded with respect to the transaction as it does not constitute a business.

During the year ended December 31, 2017, for accounting purposes, 7076 Ltd was treated as the accounting parent company (legal subsidiary) and the Company has been treated as the accounting subsidiary (legal parent) in the audited consolidated financial statements. As 7076 Ltd was deemed to be the acquirer for accounting purposes, its assets, liabilities and operations since incorporation were included in the audited consolidated financial statements at their historical carrying value. Velocity's results of operations have been included from July 21, 2017.

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

(Expressed in Canadian dollars)

September 30, 2018

3. REVERSE ACQUISITION (cont'd...)

Net assets of Velocity acquired:	\$
Cash	239,832
GST receivable	1,621
Advances – due from third parties	778,135
Prepays	106,820
Deferred costs	23,790
Trade and other payables	(206,221)
Net assets acquired	943,977
Consideration provided in reverse acquisition of Velocity:	\$
Fair value of 29,928,237 common shares at \$0.25 per share ⁽¹⁾	7,482,059
Transaction costs – cash	23,790
Total consideration paid	7,505,849
Listing expense	6,561,872

- (1) The Transaction was measured at the fair value of the shares that 7076 Ltd. would have had to issue to the shareholders of Velocity, to give the shareholders of Velocity the same percentage equity interest in the combined entity that results from the reverse acquisition had it taken the legal form of 7076 Ltd. acquiring Velocity.

4. CASH

The Company's cash consists of the following:

	June 30, 2018	December 31, 2017
Cash held with banks in Canadian dollars	\$ 171,237	\$ 820,428
Cash held with banks in foreign currencies	12,808	13,470
Total	\$ 184,045	\$ 833,898

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 complete the following:

- i. Payment of a tender fee of 360,000 BGN (\$266,760) to the Ministry of Energy of the Republic of Bulgaria (paid, during the year ended June 30, 2017); and

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

a) Tintyava Property – Bulgaria (cont'd...)

- ii. Deliver an NI 43-101 preliminary economic assessment on the Tintyava Property. The results of the preliminary economic assessment were disclosed on September 17, 2018. The preliminary economic assessment report was filed on SEDAR on October 31, 2018 (subsequent to the nine months ended September 30, 2018).

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

Subsequent to the nine months ended September 30, 2018, the Company exercised its option to acquire an undivided 70% interest in the Tintyava property, subject to funding of Commitments locally, at the Rozino deposit and, regionally, in the Tintyava Property. The additional funding requirements for the local and regional Commitments are each estimated at \$70,000.

As at September 30, 2018, the Company had issued 600,000 common shares with a fair value of \$150,000 as a finder's fee recorded within acquisition costs for the Tintyava Property.

b) Ekuzya Property – Bulgaria

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

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

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

The Ekuzya Option was superseded by the Chala Option (signed on May 11, 2018) and became included in the Chala property (described below). As a result, during the nine-month period ended September 30, 2018, the Company has impaired all costs, \$95,956, associated with the Ekuzya Property.

c) Chala Property – Bulgaria

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

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

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

Subsequent to the nine months ended September 30, 2018, the Company decided to terminate its option to acquire an undivided 50% legal interest in the Chala Property. As a result, during the nine-month period ended September 30, 2018, the Company has impaired all costs, \$567,884, associated with the Chala Property.

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

(Expressed in Canadian dollars)

September 30, 2018

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

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

	Tintyava		Ekuzya		Chala		Total
Acquisition costs							
Balance, December 31, 2017	\$	436,499	\$	2,765	\$	-	\$ 439,264
Property acquisition fee		-		-		-	-
Balance, September 30, 2018	\$	436,499	\$	2,765	\$	-	\$ 439,264
Deferred exploration costs							
Balance, December 31, 2017	\$	1,675,341	\$	93,191	\$	-	\$ 1,768,532
Drilling		223,795		-		312,142	535,937
Geological		181,154		-		41,348	222,502
Geochemistry		1,279		-		-	1,279
Field		205,554		-		214,394	419,948
		611,782		-		567,884	1,179,666
Balance, September 30, 2018	\$	2,287,123	\$	93,191	\$	567,884	\$ 2,948,198
Impairment		-		(95,956)		(567,884)	(663,840)
Balance, September 30, 2018	\$	2,723,622	\$	-	\$	-	\$ 2,723,622
	Tintyava		Ekuzya		Total		
Acquisition costs							
Balance, June 30, 2017	\$	272,520	\$	-	\$		272,520
Property acquisition fee		163,979		2,765			166,744
Balance, December 31, 2017	\$	436,499	\$	2,765	\$		439,264
Deferred exploration costs							
Balance, June 30, 2017	\$	219,359	\$	22,936	\$		242,295
Drilling		975,261		-			975,261
Geological		39,615		29,920			69,535
Geochemistry		4,818		12,969			17,787
Field		436,288		27,366			463,654
		1,455,982		70,255			1,526,237
Balance, December 31, 2017	\$	1,675,341	\$	93,191	\$		1,768,532
Balance, December 31, 2017	\$	2,111,840	\$	95,956	\$		2,207,796

As at the nine months ended September 30, 2018, advances of \$135,490 (December 31, 2017 - \$77,220) was comprised of amounts advanced by the Company to Gorubso for expenditures to be incurred on behalf of the Company on the Tintyava property.

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

(Expressed in Canadian dollars)

September 30, 2018

6. TRADE AND OTHER PAYABLES

	September 30, 2018	December 31, 2017
Trade payables	\$ 199,613	\$ 138,738
	\$ 199,613	\$ 138,738

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

Unlimited number of common shares without par value.

Issued share capital

The Company completed a reverse acquisition with 7076 Ltd as explained in Notes 1 and 3.

On May 3, 2018, the Company issued 6,621,824 units at a price \$0.20 per unit for gross proceeds of \$1,324,400. All securities issued in connection with the financing are subject to a hold period of four months and one day in Canada. Each unit consists of one common share in the capital of the company and one-half of one common share purchase warrant, with each whole warrant entitling the holder to purchase one share at a price of \$0.30 per share for a period of 12 months from the issue date. The expiry of the warrants will be accelerated if the closing price of the shares on a stock exchange in Canada is at least 50 cents for a minimum of 10 consecutive trading days during the term commencing after four months and one day from the issue date (the "Triggering Event"). The expiry of the warrants will be automatically accelerated upon the occurrence of the Triggering Event and the holders' rights to exercise their warrants will automatically expire and terminate at 4 p.m. Vancouver time 30 days following notice by the company to the holders of the occurrence of the triggering event. In connection with the financing, the Company paid aggregate finder's fees consisting of \$21,350 in cash and 106,750 non-transferable finder's warrants entitling the holder to purchase one share at a price of \$0.20 per share for a period of 12 months from the issue date valued at \$5,749. The finder's warrants were valued using the Black-Scholes option pricing model with the following assumptions: risk-free rate: 1.87%, expected annual volatility: 94.08%, expected life: 1 year, expected dividend yield: 0.00%.

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

As at September 30, 2018, the Company had 19,800,000 (2017 – nil) common shares held in escrow subject to future timed releases as follows:

- 2,250,000 common shares released on January 21, 2018;
- 3,150,000 common shares released on July 21, 2018;
- 3,150,000 common shares to be released on January 21, 2019;
- 4,050,000 common shares to be released on July 21, 2019;
- 4,050,000 common shares to be released on January 21, 2020; and
- 8,550,000 common shares to be released on July 21, 2020.

During the nine months ended September 30, 2017, the Company issued 13,500,000 common shares to certain officers and directors of the Company for proceeds of \$3.

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.

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

(Expressed in Canadian dollars)

September 30, 2018

7. SHARE CAPITAL (cont'd...)

As at September 30, 2018, the Company had stock options outstanding enabling the holder to acquire common shares as follows:

Number of Shares	Exercise Price	Expiry Date
3,500,000	\$0.31	July 31, 2022
700,000	\$0.35	September 26, 2022
250,000	\$0.31	November 14, 2022
1,300,000	\$0.18	May 3, 2020
5,750,000		

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
As at December 31, 2017	4,450,000	\$ 0.32
Granted	1,300,000	\$ 0.18
As at September 30, 2018	5,750,000	\$ 0.29
Number of options currently exercisable	5,750,000	\$ 0.29

The weighted average remaining contractual life of options outstanding at September 30, 2018 was 3.36 (December 31, 2017 – 4.62) years.

On May 3, 2018, the Company announced that it has granted 1,300,000 common share stock options valued at \$129,561 to various employees and consultants of the company and its affiliates. The options entitle the holder to purchase shares at a price of \$0.18 per share for a period of 24 months from the issue date.

The stock options were valued using weighted average Black-Scholes inputs as follows:

	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Expected life of options	2.00	5.00
Annualized volatility	117%	100%
Dividend rate	-	-
Discount rate	1.91%	1.63%

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7. SHARE CAPITAL (cont'd...)**Warrants**

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

	Number of Warrants	Weighted Average Exercise Price
As at December 31, 2017	6,919,278	\$ 0.42
Issued	3,417,662	0.30
Expired	(6,541,488)	0.43
As at September 30, 2018	3,795,452	\$ 0.29

The weighted average remaining contractual life of warrants outstanding at September 30, 2018 was 0.61 (December 31, 2017 – 0.67) years.

Warrants outstanding are as follows:

Number of Warrants	Exercise Price	Expiry Date
377,790	\$ 0.25	July 21, 2019
3,310,912	\$ 0.30	May 3, 2019
106,750	\$ 0.20	May 3, 2019
3,795,452		

8. RELATED PARTY TRANSACTIONS

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers. Key management personnel compensation for the nine-month periods ended September 30, were:

	2018	2017
Short-term benefits paid or accrued:		
Consulting fees	\$ 261,990	\$ 230,130
Salaries	112,500	112,500
	374,490	342,630
Share-based payments:		
Share-based payments	-	532,718
Total remuneration	\$ 374,490	\$ 875,348

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

Due to related parties of \$59,642 (2017 - \$nil), were payable to directors and/or officers of the Company. These amounts were advanced to the Company for working capital purposes and were unsecured, non-interest bearing and had no fixed terms of repayment.

9. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

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

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

Significant non-cash investing or financing transactions during the period ended September 30, 2017, consisted of the following:

- Issued 600,000 common shares with a fair value of \$150,000 as a finder's fee for the acquisition of the Tintyava and Ekuzya property.
- Upon completion of the Transaction, the Company issued 29,928,237 common shares with a fair value of \$7,482,059 (Note 3).
- Issued 589,190 Finders' warrants with a fair value of \$82,021 recorded as share issue costs.

10. FINANCIAL RISK MANAGEMENT

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 - inputs for the asset or liability that are not based on observable market data.

As at September 30, 2018, the carrying values of receivables, trade and other payables, approximate their fair values due to their short terms to maturity. The Company's cash under the fair value hierarchy is based on level one quoted prices in active markets for identical assets or liabilities.

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

Credit risk

The Company's credit risk is attributable to cash, and receivables. Cash consists of balances held at reputable financial institutions, from which management believes the risk of loss to be remote. Federal deposit insurance covers balances up to \$100,000 in Canada. Management believes that the credit risk concentration with respect to receivables is equal to its carrying value. Receivables comprises amounts due from the Government of Canada. As at September 30, 2018, the Company's exposure to credit risk is minimal.

Liquidity risk

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

As at September 30, 2018, the Company had a cash balance of \$184,045, to settle current liabilities of \$199,613. All the Company's trade and other payables are subject to normal trade terms.

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

Liquidity risk (cont'd.)

Historically, the Company's sole source of funding has been advances from related individuals and entities. The Company's access to financing is always uncertain. There can be no assurance of continued access to funding. The Company will seek to complete further equity financing to continue its programs on its exploration and evaluation assets.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and price risk.

a) Interest risk

Interest rate risks is the risk that the fair value of future cash flows from a financial instrument will fluctuate because of changes in market prices. The Company has cash balances and no interest-bearing debt. The Company is not subject to significant exposure to interest rate risk.

b) Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to assets and liabilities that are denominated in United States dollars and Bulgarian Lev. As at September 30, 2018, the Company had cash funds denominated in either the United States dollars, or the Bulgarian Lev. A 10% fluctuation between the Canadian dollar against the Bulgarian Lev or United States dollar, would insignificantly affect profit or loss.

d) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's profit or loss and the ability to obtain financing, due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on profit or loss and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company. Fluctuations in value may be significant.

11. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and evaluation of its mineral resource properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The capital structure of the Company consists of shareholders' equity (deficiency). The Company is not exposed to any externally imposed capital requirements.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the period ended September 30, 2018.

12. SEGMENT INFORMATION

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

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13. SUBSEQUENT EVENTS

On October 12, 2018, the Company closed a non-brokered private placement and raised aggregate gross proceeds of \$1,005,064 through the issuance of 6,700,433 units at a price of \$0.15 per unit. Each unit consists of one common share in the capital of the company and one-half of one common share purchase warrant, with each whole warrant entitling the holder to purchase one share at a price of \$0.20 per share for a period of 36 months from the issue date. In connection with the financing, the Company paid aggregate finder's fees consisting of \$57,013 in cash and 380,084 finder's warrants entitling the holder to purchase one share at a price of \$0.15 per share for a period of 12 months from the issue date.

On November 5, 2018, the Company announced that it has granted 1,550,000 common share stock options to various employees and consultants of the company and its affiliates. The options entitle the holder to purchase shares at a price of \$0.17 per share for a period of 24 months from the issue date.