**FORM 51-102F3**

**MATERIAL CHANGE REPORT**

**Item 1. Name and Address of Issuer**

VELOCITY MINERALS LTD. (the "Issuer")
Suite 2300, 1177 West Hastings Street
Vancouver, B.C.
V6E 2K3

**Item 2. Date of Material Change**

September 17, 2018

**Item 3. News Release**

The date of the press release issued pursuant to section 7.1 of National Instrument 51-102 with respect to the material change disclosed in this report is September 17, 2018. The press release was issued in Vancouver, British Columbia through the facilities of the TSX Venture Exchange via GlobeNewswire.

**Item 4. Summary of Material Change**

The Issuer reports preliminary economic assessment for the Rozino Gold Project, Southeast Bulgaria.

**Item 5. Full Description of Material Change**

The Issuer reports the results of an independent Preliminary Economic Assessment ("PEA") on its Rozino gold project ("Rozino" or the "Project") located in southeast Bulgaria. The PEA provides a base case assessment of developing the Project by open pit mining and gold recovery by a combination of on-site preconcentration in a flotation plant ("Flotation Plant") and further processing in an existing operating carbon-in-leach plant ("CIL Plant") located in Kardzhali, 85km by road from Rozino. Saleable gold doré will be produced at Kardzhali. The PEA financial model returns an after-tax $NPV_{5\%}$ of $129 million and an after-tax internal rate of return ("IRR") of 33.1%.

Rozino is located within the Tintyava prospecting license, an exploration property in which the Issuer has an exclusive right to acquire a 70% interest by delivering the PEA report to the underlying property owner, Gorubso Kardzhali A.D. ("**Gorubso**"), in the coming weeks.

**PEA[1] Highlights**

- After-Tax Financials: After-tax $NPV_{5\%}$ of $129 million and after-tax IRR of 33%
- Cash Cost: All-in sustaining cost[2] of US$543 per ounce
- Annual Gold Production: Steady state[3] annual production of 65,000 ounces, peak annual production of 78,000 ounces
- Capital Costs: Total estimated capital costs of $97.6 million (includes contingency)
- Sustaining Capital: Low estimated sustaining capital of $6.3 million
- Mining: Open pit with 0.6 g/t gold Cut-Off Grade (COG), attractive strip ratio of 2.5 and 1.51 g/t Life of Mine ("LOM") gold grade

- Processing: On-site flotation producing gold bearing pyrite concentrate assaying 30 g/t and transportation to the CIL Plant (located 85 km from the Project) for processing
- ROCE: Return on capital expenditure of 3.3

*(1) Base case parameters assume a gold price of US$1,250/ounce and an exchange rate (CAD$ to US$) of 0.75. All amounts are reported in Canadian dollars unless otherwise specified. Financial results on 100% equity basis.*
*(2) All In Sustaining Cost (AISC) is defined as all cash costs related to mining and processing to final product. It includes on-mine and off-mine costs (direct and indirect). Sustaining capital costs related to continuing the business including exploration, development and equipment required to sustain production are included. Taxes, working capital, M&A, disposals and acquisitions as well as new mine development capital costs are excluded.*
*(3) Steady state refers to the long-term average over time where processing throughput is maintained at nameplate capacity.*

The PEA is preliminary in nature and includes Inferred mineral resources that are too speculative geologically to have economic considerations applied to them that would enable them to be categorized as mineral reserves. There is no certainty that the PEA results will be realized. Mineral resources are not mineral reserves and do not have demonstrated economic viability.

The PEA was prepared by CSA Global, an international mining consultancy with experience in Bulgaria, in accordance with National Instrument 43-101 *Standards of Disclosure for Mineral Projects* ("NI 43-101"). A technical report prepared pursuant to NI 43-101 on the Project will be filed on SEDAR within 45 days of the date of this news release.

**Rozino Development: Mine Site to Payable Gold**

The PEA provides a base case assessment of developing Rozino by open pit mining, on-site crushing, milling and simple flotation to produce a 30 g/t gold concentrate. The concentrate would then be trucked 85km on existing roads to the currently operating CIL Plant where saleable gold doré would be produced.

In addition to returning positive economic results, this assessment also provides significant benefits, including shortened permitting timelines and capital cost reductions for the following reasons:

- the existing CIL Plant and tailing management facility ("TMF") are fully permitted, currently operational, and have sufficient capacity to process concentrate from Rozino
- the use of the existing CIL Plant reduces total capital cost requirements
- development on-site at Rozino only requires permitting for mining, preconcentration and disposal of relatively benign waste products

The engineering work leading to the PEA economic results presented here included a range of development scenarios, which will be documented in the upcoming PEA.
**PEA Results and Sensitivity**

The PEA's financial model returns an after-tax $NPV_{5\%}$ of $129 million and an after-tax IRR of 33.1%. Total undiscounted post-tax cash flow over the life of the Project is estimated to be $182 million, with a robust return on capital expenditure of 3.3.

| | Sensitivities | After-Tax IRR% | After-Tax $NPV_{5\%}$ ($M) |
|---|---|---|---|
| **CAPEX** | -25% | 43.8% | $148.5 |
| | **Base Case** | **33.1%** | **$129.2** |
| | +25% | 25.7% | $110.3 |
| **OPEX** | -25% | 41.2% | $173.6 |
| | **Base Case** | **33.1%** | **$129.2** |
| | +25% | 24.2% | $84.5 |
| **Gold Price** | US$1,000 | 17.6% | 51.3 |
| | **Base Case US$1,250** | **33.1%** | **129.2** |
| | US$1,500 | 46.0% | 207.0 |
| **Cut-off Grade** | 0.5 g/t gold | 29.2% | $133.3 |
| | **Base Case 0.6 g/t gold** | **33.1%** | **$129.2** |
| | 0.7 g/t gold | 36.7% | $122.3 |

**Mining**

The PEA model uses open pit contractor mining and a gold price of US$1,250, which is the 3-year trailing average gold price. Pit shells at this gold price returned 461,000 ounces of potentially mineable gold at the Rozino deposit, based on an updated mineral resource estimate (effective date September 10, 2018).

Mining of the Rozino deposit would follow a conventional drill and blast, load and haul open cut mining operation using contractor mining services. Mining would commence in 2022 and ramp-up to a maximum annual total mining tonnage of approximately 6.8 million tonnes per annum ("**Mtpa**"). The steady state feed rate to the flotation plant is 1.75 Mtpa delivered by haul truck. The mining operation requires a fleet of 90-tonne class excavators loading blasted and free-dig material into 45-tonne class articulated dump trucks (ADTs). The planned mining operation is to be supported by a fleet of ancillary equipment including graders, dozer, bowsers, drill rigs and other support equipment. The mining costs also include grade control drilling, pit dewatering and monthly management fees.

| Mining Parameters | Units | Base Case |
|---|---|---|
| Steady State Production Rate | Mtpa | 1.75 |
| Average Waste Mining Rate | Mtpa | 4.50 |
| Total Mineralization Mined | Mt | 9.5 |
| Total Waste Mined | Mt | 23.7 |
| Total Material Mined | Mt | 33.2 |
| LOM Average Strip Ratio | Wt : Ot | 2.5 |
| Average Mined Gold Grade | g/t Gold | 1.5 |
| Total Mined Gold | Koz's | 461 |
| Cut-off Grade | g/t Gold | 0.6 |
| LOM | Yr's | 6 |
| Mining Cost - OPEX | $/t mined | 3.0 |

**Processing**

The Project would process 1.75 Mtpa through a conventional crushing, milling and flotation processing facility located at the Rozino mine site, with a LOM average grade of 1.5g/t gold to produce 436,000 tonnes of dry concentrate at 30 g/t gold, with a mass pull of approximately 4.5% by weight.

The Rozino mineralization contains less than 1% total sulphides of which 98% is expected to be recovered in the flotation circuit resulting in a very low-sulphide tailings, with no deleterious elements that would be deposited in a tailings impoundment located to the south of the Flotation Plant. A waste rock and water storage dam would be located in the same catchment area in order to minimize the environmental footprint.

The resulting low volume concentrate would be trucked 85km on existing roads to the currently operating CIL Plant. The concentrate would be trucked utilizing a fleet of standard on-highway 20 tonne class trucks requiring approximately 11 trips per day.

| Flotation Plant Processing Parameters | Units | Base Case |
|---|---|---|
| Flotation Plant Throughput | tpd | 5,000 |
| Annual Plant Throughput | Mtpa | 1.75 |
| Float Plant Metallurgical Recovery | % | 91.4 |
| Mass Pull | % | 4.4 |
| Moisture in Concentrate | % | 8.0 |
| Average Annual Concentrate Production | dmt x 1000 | 73.0 |
| Total Concentrate Production | kt | 436 |
| Concentrate Grade | g/t Gold | 30.0 |
| Flotation Process Costs - OPEX | $/processed t | 5.84 |
| Concentrate Transport Cost | $/t conc | 15.9 |

New concentrate handling facilities would be constructed at the CIL Plant and would feed a reconstituted slurry directly into a conventional carbon-in-leach circuit, elution and electrowinning facility to produce saleable gold doré.

A total of 365,000 ounces of gold doré would be produced as saleable gold product over the LOM. The tailings from the CIL Plant would be deposited in the existing and fully permitted TMF.

| CIL Plant Processing Parameters | Units | Base Case |
|---|---|---|
| CIL Plant Metallurgical Recovery[1] | % | 86.6 |
| Steady State Average Doré Production | Kozpa | 65.0 |
| Total Gold Production | Koz Gold | 365 |
| CIL Planned Upgrade Cost | $m | 0.7 |
| CIL Operating Cost | $/$t_{milled}$ | 2.4 |
| CIL Operating Cost | $/$t_{concentrate\ treated}$ | 52.0 |

*(1) CIL metallurgical recovery is calculated as the product of the leach recovery (87.5%) and the final gold recovery from on-site electrowinning (99%).*

**Operating Costs**

Operating costs for mining have been developed from international benchmarked contractor mining rates based on similar sized mining operations utilizing similar mining equipment for drill and blast, load and haul, support equipment and incremental depth increases in cost. The mining costs also allow for dewatering, re-handle and grade control drilling. The unit costs have been developed in conjunction with the detailed bench mining schedule to develop a cost profile commensurate with the mining plan.

The Flotation Plant processing costs have been developed from international benchmarked operating costs based on similar sized processing plants and adjusted for local energy and reagent costs.

The CIL Plant processing costs have been developed from actual costs adjusted based on required throughput of concentrate.

On-mine costs largely consist of general and administrative costs and have been calculated from first principles based on local labour rates (derived from similar operations within the region) and include provision for stores and equipment.

A provision for sustaining capital has been allowed at 4% of the total operating cost. A provision of $1.00/tonne mineralized material milled has been allowed for the rehabilitation of the site once mining ceases.

The operating costs have been used to determine the breakeven cut-off grade used to select the specific cut-off in the updated mineral resource model for use in the pit optimization study for the determination of the ultimate optimal pit-shell based on a gold price of US$1,250/oz.

| Operating Costs | $/tonne milled |
|---|---|
| Mining | 14.0 |
| Flotation Plant | 5.8 |
| CIL Plant | 2.4 |
| On-Mine[1] | 4.1 |
| Rehabilitation Provision | 1.0 |
| Sustaining Capital | 0.6 |
| **All-In OPEX** | **27.9** |
| **All-In OPEX (AISC) - US$/oz$_{payable}$** | **543.3** |

*(1) On-mine costs consist of labour, stores and equipment costs related to General and Administrative functions of the mining operation outside the mining and processing functions.*

**Capital Costs**

Capital costs for mining have been calculated from international benchmarked contractor rates for mobilization of equipment and construction on a mine services area that includes heavy equipment workshops, stores and administrative structures.

The Flotation Plant capital cost estimate has been calculated from international benchmarked capital costs based on similar sized floatation processing plants. A capital allowance has been calculated for the TMF and water storage facilities at the Rozino site based on international benchmarking capital rates in conjunction with estimated dam wall volumes.

At the currently operating CIL Plant a $0.7 million capital expenditure provision has been estimated for the construction of a truck off-load facility, concentrate storage, re-pulping facility, additional gold stripping vessel and electrowinning cell. The remaining equipment and facilities at the CIL Plant have been determined to be of adequate size and condition and would require no further capital expenditure.

The following capital ratios have been applied in the capital estimate:

- 1.5% capital allowance for project indirect costs
- 3.5% capital allowance for owners costs
- 12.5% capital fee for engineering procurement and construction management ("EPCM")
- 10% contingency for estimation inaccuracy and miscellaneous items

| Capital Costs | $m |
|---|---|
| Mine Infrastructure | 6.3 |
| Flotation Plant | 55.2 |
| TMF | 13.7 |
| CIL Plant Upgrades | 0.7 |
| Owners Cost | 2.6 |
| Indirect Costs | 1.1 |
| EPCM | 9.1 |
| Contingency | 8.9 |
| **Total Project CAPEX** | **97.6** |

**Future Work**

Upon delivery of the PEA report in the coming weeks, a joint venture will be deemed to have been formed between the Issuer (70%) and Gorubso (30%).

Next steps for the Project include completion of a prefeasibility study ("PFS"), which is expected to be complete in Q3 2019. Work to be completed as part of the PFS will include:

- exploration drilling of priority targets located contiguous to the PEA pit outlines aimed at resource expansion
- infill resource drilling aimed at upgrading Inferred mineral resource estimates to Indicated mineral resource estimates
- additional metallurgical testing to optimize gold recovery
- geotechnical and hydrogeological engineering studies
- completion an environmental social impact assessment ("ESIA"). EISA work was initiated in June 2018 and is currently ongoing

The PEA report will include detailed recommendations and a budget estimate.

**Updated Mineral Resource Estimate**

An updated mineral resource estimate using all of the relevant drill hole information to date was reported for a range of cut-off grades returning an Inferred mineral resource of 13Mt @ 1.37g/t gold at a 0.6 g/t gold cut-off grade, for total contained gold of 573,000 ounces. The estimates are based on 2m down-hole composited gold assay grades from angled diamond drilling.

The Issuer has received results from approximately 9,050m of diamond drilling to date. Relative to the dataset available for the previous March 2018 estimates, the current sampling database contains assay results for an additional 12 holes for 1,580m of drilling.

| Cut-off Grade g/t Gold | Inferred Mineral Resource Estimate | | |
|---|---|---|---|
| | Tonnes (Mt) | Gold Grade (g/t) | Gold Metal (koz) |
| 0.2 | 50 | 0.59 | 948 |
| 0.5 | 17 | 1.17 | 639 |
| 0.6 | 13 | 1.37 | 573 |
| 0.7 | 9.7 | 1.57 | 490 |

*(1) Effective date September 10, 2018.*

*(2) Mineral resources are not mineral reserves and do not have demonstrated economic viability.*

*(3) The mineral resource disclosed herein has been estimated in accordance with the Canadian Institute of Mining, Metallurgy and Petroleum "CIM Definition Standards for Mineral Resources and Mineral Reserves" (CIM, 2014).*

*(4) Any known legal, political, environmental, or other risks that could materially affect the potential development of the mineral resource are detailed below in the section entitled "Cautionary Statement Regarding Forward-Looking Information".*

Recoverable resources were estimated for Rozino using Multiple Indicator Kriging (MIK) with block support adjustment, a method that has been demonstrated to provide reliable estimates of recoverable open pit resources in gold deposits of diverse geological styles.

The Rozino sampling database includes 197 diamond holes for 31,338m of drilling, of which 86 drill holes (14,289m) completed by Asenovgrad Geoengineering EAD are not included in the resource estimation dataset due to insufficient quality control data. Drilling used in the previous March 2018 resource estimation totaled 90 drill holes (13,558m) and comprise 56 drill holes (9,055m) completed by the Issuer, 28 drill holes (3,794m) completed by Hereward Ventures Ltd. ("Hereward"), and 6 drill holes (740m) completed by Asia Gold Inc. ("Asia Gold"). The remaining angled drill holes from the database are located outside the mineralized envelope and did not inform the resource estimation. Relative to the dataset available for the March 2018 estimates, the current sampling database contains assay results for an additional 12 holes for 1,580m of drilling.

Samples from the Issuer's diamond drilling provide 67% of the estimation dataset, with angled diamond holes drilled by Hereward and Asia Gold contributing 28% and 5%, respectively.

Estimated resources are constrained within a mineralized envelope interpreted from 2m down-hole composited gold grades and geological logging from diamond drilling and surface trenches. The envelope captures intervals of greater than 0.1 g/t, with the lower boundary reflecting the contact between variably mineralized sedimentary rocks and un-mineralized basement. It covers an area of approximately 780m by 600m. Estimated resources extend to the base of mineralized drilling at approximately 190m of depth, with approximately 90% of estimates from depths of less than 105m and less than 1% from below 140m.

Bulk densities of 2.31, 2.41 and 2.58 tonnes per cubic metre were assigned to completely weathered, transitional and fresh material, respectively, using surfaces representing the base of complete oxidation ("BOCO") and top of fresh rock ("TOFR") interpreted by the Issuer. Within the resource area the depth to BOCO averages around 8m, with fresh rock occurring at an average depth of around 19m.

Indicator class grades used for the MIK modelling were determined from the mean composite gold grade of each indicator class. The effect of extreme grades on estimates was reduced by cutting seven outlier composites with gold grades of greater than 40 g/t to 40 g/t for determination of the mean grade for the highest indicator class.

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

Hereward and Asia Gold's diamond core from angled drilling was sampled and analyzed by industry standard methods. The core was generally halved for analysis with a diamond saw over generally 1m intervals, and samples were analyzed for gold by fire assay by commercial laboratories. Information available to demonstrate the reliability of these results includes duplicates and blanks for both data sets and certified reference standards for Asia Gold's drill results.

**Qualified Persons**

Karl van Olden FAusIMM, has overall responsibility for the PEA and has approved the content of this material change report. Mr. van Olden is a Fellow of the Australasian Institute of Mining and Metallurgy, is a Qualified Person, as defined by NI 43-101 and he is independent of the Issuer. He is a full-time employee of CSA Gobal.

Gary Patrick BSC, MAusIMM (CP) is responsible for reviewing metallurgical aspects of the PEA Study on behalf of CSA Global and has approved the content of this mateial change report. Mr. Patrick is a Member of the Australasian Institute of Mining and Metallurgy and Chartered Professional (MAusIMM (CP)) and is a Qualified Person, as defined by NI 43-101 and he is independent of the Issuer. Mr. Patrick is an Associate Metallurgical Consultant to CSA Global.

Len Holland B.Sc., C.Eng., FIMMM., FMES. is responsible for and supervised metallurgical testing at Rozino and has approved the content of this material change report. Mr. Holland is an employee of Holland and Holland Consultants, is a Qualified Person, as defined by NI 43-101 and he is independent of the Issuer.

Jonathan Abbott, MAIG, is responsible for the updated mineral resource estimate and has approved the content of this material change report. Mr. Abbott is an employee of MPR Geological Consultants Pty Ltd, a member of the Australian Institute of Geoscientists, is a Qualified Person, as defined by NI 43-101 and he is independent of the Company.

**About Bulgaria**

Bulgaria is a member of NATO (2004) and a member of the European Union (2007). The local currency (BGN) has been tied to the Euro since 1999 (1.956 BGN/EUR). The country is served by modern European infrastructure including an extensive network of paved roads. Bulgaria boasts an exceptionally low corporate tax rate of only 10%. The country's education system is excellent with good availability of experienced mining professionals in a favourable cost environment. Foreign mining companies are successfully operating in Bulgaria. The country's mining law was established in 1999 and updated in 2011. Mining royalties are low and compare favourably with more established mining countries.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION: This material change report includes certain forward-looking information (collectively, "forward-looking statements") within the meaning of applicable Canadian and U.S. securities legislation, including the United States *Private Securities Litigation Reform Act of 1995*. All statements, other than statements of historical fact, included herein including, without limitation, conclusions of economic evaluation, the net present value (NPV) and internal rates of return (IRR) of the proposed mining operation on the Project, capital costs, including start-up, sustaining capital and reclamation/closure costs, projected operating and working capital costs, strip ratios and mining rate, the proposed implementation schedule, mine life and production rates, the anticipated content, commencement, timing and cost of exploration programs in respect of the Project, and otherwise, anticipated exploration program results from exploration activities, and the discovery and delineation of mineral deposits/resources/reserves on the Project, and the anticipated business plans and timing of future activities of the Issuer, are forward-looking statements. Although the Issuer believes that such statements are reasonable, it can give no assurance that such expectations will prove to be correct. Often, but not always, forward looking statements can be identified by words such as "pro forma", "plans", "expects", "may", "should", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", "believes", "potential" or variations of such words including negative variations thereof, and phrases that refer to certain actions, events or results that may, could, would, might or will occur or be taken or achieved. In making the forward-looking statements in this material change report, the Issuer has applied several material assumptions, including without limitation, that costs will remain stable over the relevant period, that market fundamentals will result in sustained precious metals demand and prices, the receipt of any necessary permits, licenses and regulatory approvals in connection with the future development of the Project in a timely manner, the availability of financing on suitable terms for the development, construction and continued operation of the Project, and the Issuer's projects generally, and the Issuer's ability to comply with environmental, health and safety laws.

Forward-looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Issuer to differ materially from any future results, performance or achievements expressed or implied by the forward-looking information. Such risks and other factors include, among others, operating and technical difficulties in connection with mineral exploration and development and mine development activities for the Project and the Tintyava property, including the geological mapping, prospecting and sampling programs for the projects, the fact that the Issuer's interests in the Tintyava property is only an option and there is no guarantee that such interest, if earned, will be certain, actual results of exploration activities, estimation or realization of mineral reserves and mineral resources, the timing

and amount of estimated future production, costs of production, capital expenditures, the costs and timing of the development of new deposits, the availability of a sufficient supply of water and other materials, requirements for additional capital to fund the Issuer's business plan, future prices of precious metals, changes in general economic conditions, changes in the financial markets and in the demand and market price for commodities, possible variations in ore grade or recovery rates, possible failures of plants, equipment or processes to operate as anticipated, accidents, labour disputes and other risks of the mining industry, the inability to or delay in obtaining governmental and regulatory approvals (including of the TSX Venture Exchange), permits or financing or in the completion of development or construction activities, changes in laws, regulations and policies affecting mining operations, hedging practices, currency fluctuations, title disputes or claims limitations on insurance coverage and the timing and possible outcome of pending litigation, environmental issues and liabilities, risks related to joint venture operations, and risks related to the integration of acquisitions, as well as those factors discussed under the heading. "Risk Factors" in the Issuer's annual management's discussion and analysis and other filings of the Issuer with the Canadian Securities Authorities, copies of which can be found under the Issuer's profile on the SEDAR website at www.sedar.com.

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

**Item 6. Reliance on subsection 7.1(2) or (3) of National Instrument 51-102**

Not applicable

**Item 7. Omitted Information**

No information has been omitted on the basis that it is confidential.

**Item 8. Senior Officer**

The following senior officer of the Issuer is knowledgeable about the material change disclosed in this report.

Keith Henderson, President & CEO
Business Telephone No.: (604) 484-1233

**Item 9. Date of Report**

September 17, 2018