



**VELOCITY**  
MINERALS LTD.

**Velocity Minerals Ltd.**

**Condensed Consolidated Interim Financial Statements**

**September 30, 2017**

(Unaudited)  
(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 consolidated interim financial statements have not been reviewed by an auditor.

The condensed consolidated interim financial statements of the Company for the quarter ended September 30, 2017 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 consolidated interim 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 CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

(Expressed in Canadian dollars)

	For the three months ended Sept. 30, 2017	For the three months ended Sept. 30, 2016
<b>EXPENSES</b>		
Consulting (Note 9)	\$ 338,067	\$ -
Foreign exchange	27,453	-
Investor relations	53,418	-
Office	8,287	-
Professional fees	67,096	4,706
Property investigation	6,930	-
Regulatory fees	14,931	-
Salaries (Note 9)	116,235	-
Share-based payments (Note 8)	987,834	-
Travel	14,260	-
	<u>(1,634,511)</u>	<u>(4,706)</u>
Listing expense (Note 3)	(6,561,872)	-
<b>Net Loss for the period</b>	<u>(8,196,383)</u>	<u>(4,706)</u>
<b>Other comprehensive income to be reclassified to profit or loss in subsequent years:</b>		
Translation adjustment	(733)	-
<b>Loss and comprehensive loss for the period</b>	<u>\$ (8,197,116)</u>	<u>\$ (4,706)</u>
<b>Loss per common share</b>		
-Basic and diluted	\$ (0.15)	\$ (0.00)
<b>Weighted average number of common shares outstanding</b>		
-Basic and diluted	53,589,792	4,500,000

**VELOCITY MINERALS LTD.**

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' 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)
Loss and comprehensive loss	-	-	-	-	(4,706)	(4,706)
Balance, September 30, 2016	4,500,000	1	-	-	(25,405)	(25,404)
Issuance of shares	13,500,000	3	-	-	-	3
Loss and comprehensive loss	-	-	-	452	(384,508)	(384,056)
Balance, June 30, 2017	18,000,000	\$ 4	\$ -	\$ 452	\$ (409,913)	\$ (409,457)
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
Finder's fees on property acquisition	600,000	150,000	-	-	-	150,000
Share-based payments	-	-	987,834	-	-	987,834
Loss and comprehensive loss	-	-	-	(733)	(8,196,383)	(8,197,116)
Balance, September 30, 2017	61,188,413	\$ 10,891,048	\$ 1,069,855	\$ (281)	\$ (8,606,296)	\$ (3,354,326)

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

	For the three months ended Sept. 30, 2017	For the three months ended September 30, 2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the period	\$ (8,196,383)	\$ (4,706)
Items not affecting cash:		
Listing expense	6,561,872	-
Share-based payments	987,834	-
Changes in non-cash working capital items:		
GST receivable	(10,050)	-
Prepays	60,769	-
Trade and other payables	(15,817)	4,706
Net cash used in operating activities	<u>(611,775)</u>	<u>-</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net proceeds from issuance of common shares	3,341,006	-
Repayments to advances from related parties	(212,031)	-
Net cash provided by financing activities	<u>3,128,975</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash acquired from reverse acquisition (Note 3)	239,832	-
Exploration and evaluation expenditures	(472,720)	-
Net cash used in investing activities	<u>(232,888)</u>	<u>-</u>
<b>Change in cash during the period</b>	<b>2,284,312</b>	<b>-</b>
Effect of foreign exchange on cash	(6,357)	-
<b>Cash, beginning of period</b>	<b>24,819</b>	<b>1</b>
<b>Cash, end of period</b>	<b>\$ 2,302,774</b>	<b>\$ 1</b>
<b>Income taxes paid</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Interest paid</b>	<b>\$ -</b>	<b>\$ -</b>

Supplemental disclosure with respect to cash flows (Note 10)

## **VELOCITY MINERALS LTD.**

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

(Expressed in Canadian dollars)

September 30, 2017

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#### **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, 2017, the Company has working capital of \$2,211,167 and an accumulated deficit of (\$8,699,885). 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 consolidated interim 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 consolidated interim 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 consolidated interim 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 consolidated condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended June 30, 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 three month period ended September 30, 2017 are not necessarily indicative of the results that may be expected for the year ending June 30, 2018.

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

(Expressed in Canadian dollars)

September 30, 2017

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

These condensed consolidated interim 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 consolidated interim financial statements are prepared in Canadian dollars.

**Basis of consolidation**

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

<b>Subsidiary</b>	<b>Location</b>	<b>Ownership Interest</b>
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 consolidated interim 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 June 30, 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 June 30, 2017. There have been no changes to the Company's critical accounting estimates and judgments during the three months ended September 30, 2017.

**New standards and interpretations not yet adopted**

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the International Accounting Standards ("IAS") Board or International Financial Reporting Standards Interpretation Committee ("IFRIC") that are mandatory for future accounting periods. The following have not yet been adopted by the Company and are being evaluated to determine their impact.

- IFRS 9 *Financial Instruments*: New standard that replaced IAS 39 for classification and measurement, effective for annual periods beginning on or after January 1, 2018.
- IFRS 16 *Leases*: New standard to establish principles for recognition, measurement, presentation, and disclosure of leases with an impact on lessee accounting, effective for annual periods beginning on or after January 1, 2019.
- IFRS 15 *Revenue from Contracts with Customers*: New standard establishes a comprehensive framework for the recognition, measurement and disclosure of revenue replacing IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue — Barter Transactions Involving Advertising Services, effective for annual periods beginning on or after January 1, 2018.



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

(Expressed in Canadian dollars)

September 30, 2017

**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.

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.

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 these consolidated financial statements. As 7076 Ltd was deemed to be the acquirer for accounting purposes, its assets, liabilities and operations since incorporation are included in these consolidated financial statements at their historical carrying value. Velocity's results of operations have been included from July 21, 2017.

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

(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.

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

(Expressed in Canadian dollars)

September 30, 2017

**4. CASH**

The Company's cash consists of the following:

	September 30, 2017	June 30, 2017
Cash held with banks in Canadian dollars	\$ 1,876,344	\$ 11,433
Cash held with banks in foreign currencies	426,430	13,386
<b>Total</b>	<b>\$ 2,302,774</b>	<b>\$ 24,819</b>

**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 June 8, 2016, the Company, through its subsidiary Kibela, entered into a Letter of Intent 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 Letter Agreement was superseded subsequent to June 30, 2017, by an Option Agreement dated July 19, 2017, (the "Tintyava Option").

The Tintyava Option terminates on the earlier of (i) Kibela exercising the option, (ii) Kibela terminating the option, or (iii) six years, from February 2017, in February, 2023 (the "Option Period").

For the Company to exercise the Tintyava Option, it must 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); and
- ii. Deliver an NI 43-101 preliminary economic assessment on the Tintyava Property.

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.

**b) Ekuzya Property – Bulgaria**

On December 8, 2016, the Company, through its subsidiary Kabiri Minerals EOOD ("Kabiri"), entered into Letter of Intent whereby the Company has been granted an option by Gorubso to acquire an undivided 50% legal interest in a mining concession of which Gorubso holds a 100% interest (the "Ekuzya Property") located in south-eastern Bulgaria within an existing project known as the Chala Project. The Letter of Intent was superseded by an Option Agreement dated March 22, 2017, (the "Ekuzya Option").

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

(Expressed in Canadian dollars)

September 30, 2017

**5. EXPLORATION AND EVALUATION ASSETS (cont'd...)**b) Ekuzya Property – Bulgaria (cont'd...)

For the Company to exercise the Ekuzya Option, it must 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.

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

	Tintyava	Ekuzya	Total
<b>Acquisition costs</b>			
Balance, June 30, 2017	\$ 272,520	\$ -	\$ 272,520
Property acquisition fee (Note 12)	150,000	-	150,000
Translation adjustment	(1,656)	-	(1,656)
	148,344	-	148,344
Balance, September 30, 2017	\$ 420,864	\$ -	\$ 420,864
<b>Deferred exploration costs</b>			
Balance, June 30, 2017	\$ 219,359	\$ 22,936	\$ 242,295
Drilling	257,579	-	257,579
Geological	27,993	-	27,993
Geochemistry	2,260	12,747	15,007
Field	157,295	26,094	183,389
Translation adjustment	(3,628)	(340)	(3,968)
	441,499	38,501	480,000
Balance, September 30, 2017	\$ 660,858	\$ 61,437	\$ 722,295
<b>Balance, September 30, 2017</b>	<b>\$ 1,081,722</b>	<b>\$ 61,437</b>	<b>\$ 1,143,159</b>

**6. TRADE AND OTHER PAYABLES**

	Sept. 30, 2017	June 30, 2017
Trade payables	\$ 153,683	\$ 246,212
Due to related company	-	138,865
	\$ 153,683	\$ 385,077

Due to related company includes amounts advanced to Kibela by Velocity for exploration and evaluation expenditures, prior to the Reverse Acquisition.

**7. PROMISSORY NOTE**

On April 28, 2017, the Company entered into a Loan Agreement with a third-party. The Company borrowed by way of a promissory note, \$350,000 for a term of one year, bearing interest at 10% per annum. During the year ended June 30, 2017, the Company accrued interest payable of \$6,337. During the period ended September 30, 2017, the balance was settled in full by the Company.

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

(Expressed in Canadian dollars)

September 30, 2017

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**8. 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.

The Company issued 600,000 common shares, as a finder's fee at a fair value of \$150,000, on the acquisition of the Tintyava and Ekuzya properties.

On July 21, 2017 The Company completed a concurrent non-brokered private placement of 8,857,000 units issued at \$0.25 per unit for gross proceeds of \$2,214,250. Each unit consists of one common share and one-half of one common share purchase warrant (each whole common share purchase warrant, a "Warrant"). Each warrant will entitle the holder thereof to purchase one common share of the Company at an exercise price of \$0.40 to July 21, 2018. Cash finders' fees in the amount of \$94,448 were paid, and 377,790 agents' warrants were issued, valued at \$54,098.

On September 25, 2017 The Company completed non-brokered private placement of 3,803,176 units issued at \$0.34 per unit for gross proceeds of \$1,293,080. Each unit consists of one common share and one-half of one common share purchase warrant (each whole common share purchase warrant, a "Warrant"). Each warrant will entitle the holder thereof to purchase one common share of the Company at an exercise price of \$0.50 to September 25, 2018. Cash finders' fees in the amount of \$71,876 were paid, and 211,400 agents' warrants were issued, valued at \$27,923.

In connection with the reverse acquisition with 7076 Ltd certain shares issued (18,000,000) were subject to an Surplus Escrow Agreement. The common shares are subject to timed releases as follows:

- 5% upon closing with the TSX-V (July 21, 2017);
- 5% six months after closing; (January 21, 2018)
- 10% after 12 months and 18 months following closing; (July 21, 2018 and January 21, 2019)
- 15% after 24 months and 30 months following closing and; (July 21, 2019 and January 21, 2020)
- the balance of 40% upon 36 months following closing. (July 21, 2020)

During fiscal 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 CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Expressed in Canadian dollars)

September 30, 2017

**8. SHARE CAPITAL AND RESERVES (cont'd...)****Stock Options (cont'd...)**

As at September 30, 2017, 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
<u>4,200,000</u>		

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
As at June 30, 2017	-	\$ -
Granted	<u>4,200,000</u>	<u>0.32</u>
As at September 30, 2017	<u>4,200,000</u>	<u>\$ 0.32</u>
Number of options currently exercisable	<u>4,200,000</u>	<u>\$ 0.32</u>

During the period ended September 30, 2017, the Company recognized share-based payments expense of \$987,834 regarding the vesting of stock options granted.

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

	September 30, 2017
Risk-free interest rate	1.65%
Expected life of options	5.00
Annualized volatility	100%
Dividend rate	0%
Weighted average fair value per option granted	<u>\$ 0.24</u>

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

(Expressed in Canadian dollars)

September 30, 2017

**8. SHARE CAPITAL AND RESERVES (cont'd...)****Warrants**

The following common shares 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 June 30, 2017	-	\$ -
Issued	<u>6,919,278</u>	\$ 0.42
As at September 30, 2017	<u>6,919,278</u>	\$ 0.42

The weighted average remaining contractual life of warrants outstanding at September 30, 2017 was 0.92 (June 30, 2017 – Nil) years.

Warrants outstanding are as follows:

Number of Warrants	Exercise Price	Expiry Date
377,790	\$ 0.25	July 21, 2019
4,428,500	\$ 0.40	July 21, 2018
211,400	\$ 0.34	September 26, 2018
1,901,588	\$ 0.50	September 25, 2018
<u>6,919,278</u>		

The weighted average Black-Scholes inputs are as follows;

	September 30, 2017
Expected life of warrants	1.64
Annualized volatility	100%
Dividend rate	-
Discount rate	<u>1.45%</u>

**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 periods ended September 30, were:

	2017	2016
<b>Short-term benefits paid or accrued:</b>		
Consulting fees	\$ 230,130	\$ -
Salaries	<u>112,500</u>	-
	342,630	-
<b>Share-based payments:</b>		
Share-based payments	<u>532,718</u>	-
<b>Total remuneration</b>	<b>\$ 875,348</b>	<b>\$ -</b>

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

(Expressed in Canadian dollars)

September 30, 2017

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**9. RELATED PARTY TRANSACTIONS (cont'd...)**

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

Due to related parties of \$Nil (June 30, 2017 - \$212,031), 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.

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

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.

There were no significant non-cash investing or financing activities during the period ended September 30, 2016.

**11. 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, 2017, the carrying values of GST receivable and 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 GST receivable. 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 GST receivable is low as it is due from the Government of Canada. As at September 30, 2017, 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.

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

(Expressed in Canadian dollars)

September 30, 2017

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**11. FINANCIAL RISK MANAGEMENT (cont'd...)**

As at September 30, 2017, the Company had a cash balance of \$2,302,774, to settle current liabilities of \$153,683. All the Company's trade and other payables are subject to normal trade terms.

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.

*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, 2017, 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 affect profit and loss by \$63,730.

**c) 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.

**12. 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' 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 periods ended September 30, 2017 and 2016.



**VELOCITY MINERALS LTD.**

**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Expressed in Canadian dollars)

September 30, 2017

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**13. SEGMENTED 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.

**14. SUBSEQUENT EVENTS**

The Company granted 250,000 stock options to certain consultants of the Company at an exercise price of \$0.31 and are exercisable on or before November 14, 2022.