



VELOCITY
MINERALS LTD.

Condensed Interim Consolidated Financial Statements

**For the three and six months ended June 30, 2022 and 2021
Unaudited – Prepared by Management**

(Expressed in Canadian dollars)

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

	June 30, 2022	December 31, 2021
ASSETS		
Current		
Cash and cash equivalents	\$ 2,551,827	\$ 4,676,562
Receivables (Note 3)	301,826	303,006
Prepaid expenses	95,336	53,667
	2,948,989	5,033,235
Property and equipment	200,596	244,223
Exploration and evaluation assets (Note 4)	24,090,495	23,203,534
	\$ 27,240,080	\$ 28,480,992
LIABILITIES AND EQUITY		
Current		
Trade and other payables (Note 9)	\$ 511,768	\$ 368,479
Lease liabilities, current	47,888	61,147
	559,656	429,626
Lease liabilities, long term	28,476	44,776
	588,132	474,402
Shareholders' equity		
Share capital (Note 6)	40,309,367	40,309,367
Reserves (Note 6)	1,820,635	1,711,765
Deficit	(19,949,599)	(18,473,479)
	22,180,403	23,547,653
Non-controlling interest (Note 7)	4,471,545	4,458,937
	26,651,948	28,006,590
	\$ 27,240,080	\$ 28,480,992

Nature and continuance of operations (Note 1)

Subsequent event (Note 6)

On behalf of the Board on August 26, 2022

"Keith Henderson"

Director

"Michael Hoffman"

Director

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

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

(Expressed in Canadian dollars)

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
EXPENSES				
Consulting (Note 9)	\$ 22,605	\$ 13,655	\$ 31,643	\$ 23,521
Depreciation	2,164	-	2,164	-
Investor relations	18,720	43,950	38,255	78,385
Office and general	39,607	51,745	96,591	84,177
Professional fees	172,784	143,844	231,120	192,724
Project evaluation (Note 8 and 9)	271,770	45,633	435,045	82,334
Regulatory and transfer agent fees	23,044	15,055	40,918	37,643
Salaries and benefits (Note 9)	193,830	224,430	463,514	424,543
Share-based compensation (Note 6 and 9)	35,130	37,417	64,532	62,473
Travel	37,238	5,190	56,663	26,296
	(816,892)	(580,919)	(1,460,445)	(1,012,096)
OTHER INCOME (EXPENSES)				
Accretion expense (Note 5)	-	-	-	(49,294)
Foreign exchange gain (loss)	(26,848)	5,342	(57,852)	(95,621)
Interest expense	(643)	-	(1,397)	(100,536)
Interest income	4,325	4,684	8,132	12,499
Other expense	(58)	-	(11,506)	-
Total other income (expenses)	(23,224)	10,026	(62,623)	(232,952)
LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD				
	(840,116)	(570,893)	(1,523,068)	(1,245,048)
Loss and comprehensive loss attributable to:				
Owners of the Company	(819,232)	(566,141)	(1,476,120)	(1,188,753)
Non-controlling interest	(20,884)	(4,752)	(46,948)	(56,295)
	(840,116)	(570,893)	(1,523,068)	(1,245,048)
Loss per common share				
-Basic and diluted	\$ (0.01)	\$ (0.00)	\$ (0.01)	\$ (0.01)
Weighted average number of common shares outstanding				
-Basic and diluted	160,278,919	158,033,568	160,278,919	147,610,593

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

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

(Expressed in Canadian dollars)

	<u>Share capital</u>		Reserves	Equity component of convertible debenture	Non-controlling interest	Deficit	Total
	Number of common shares	Amount					
Balance, December 31, 2020	135,374,015	\$ 33,738,027	\$ 1,601,716	\$ 1,106,812	\$ 3,365,289	\$ (15,983,513)	\$ 23,828,331
Shares issued on conversion of debentures – principal and interest	21,211,136	5,567,438	-	(1,106,812)	-	-	4,460,626
Stock option exercises	775,000	347,365	(125,865)	-	-	-	221,500
Warrant exercises	845,384	211,284	-	-	-	-	211,284
Share-based compensation	-	-	105,391	-	-	-	105,391
Change in net assets of Tintyava Exploration AD	-	-	-	-	849,918	-	849,918
Loss and comprehensive loss	-	-	-	-	(56,295)	(1,188,753)	(1,245,048)
Balance, June 30, 2021	158,205,535	\$ 39,864,114	\$ 1,581,242	\$ -	\$ 4,158,912	\$ (17,172,266)	\$ 28,432,002
Balance, December 31, 2021	160,278,919	\$ 40,309,367	\$ 1,711,765	\$ -	\$ 4,458,937	\$ (18,473,479)	\$ 28,006,590
Share-based compensation	-	-	108,870	-	-	-	108,870
Change in net assets of Tintyava Exploration AD	-	-	-	-	59,556	-	59,556
Loss and comprehensive loss	-	-	-	-	(46,948)	(1,476,120)	(1,523,068)
Balance, June 30, 2022	160,278,919	\$ 40,309,367	\$ 1,820,635	\$ -	\$ 4,471,545	\$ (19,949,599)	\$ 26,651,948

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)

	Six months ended June 30, 2022	Six months ended June 30, 2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	\$ (1,523,068)	\$ (1,245,048)
Adjustments for:		
Accretion expense	-	49,294
Depreciation	2,164	-
Depreciation included in project evaluation	10,510	-
Foreign exchange gain, unrealized	(5,875)	-
Interest expense, non-cash	-	100,536
Share-based compensation	64,532	62,473
Interest paid on leases	1,397	3,203
Interest income	(8,132)	(12,499)
Changes in non-cash working capital items:		
Receivables	1,180	(121,832)
Prepaid expenses	(41,669)	50,799
Trade and other payables	117,030	(107,675)
Net cash used in operating activities	(1,381,931)	(1,220,749)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from issuance of common shares	-	425,743
Non-controlling interest – equity contributions	59,556	849,918
Lease payments	(25,081)	(32,805)
Net cash provided by financing activities	34,475	1,242,856
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(7,093)	(45,342)
Exploration and evaluation assets	(778,318)	(3,734,880)
Interest received	8,132	6,564
Net cash used in investing activities	(777,279)	(3,773,658)
Change in cash and cash equivalents during the period	(2,124,735)	(3,751,551)
Cash and cash equivalents, beginning of period	4,676,562	10,543,821
Cash and cash equivalents, end of period	\$ 2,551,827	\$ 6,792,270
Cash	\$ 850,231	\$ 1,993,132
Cash equivalents	1,627,149	4,700,000
Restricted cash	74,447	99,138
	\$ 2,551,827	\$ 6,792,270

Supplemental disclosure with respect to cash flows (Note 10)

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

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

(Expressed in Canadian dollars)

For the three and six months ended June 30, 2022 and 2021

1. NATURE AND CONTINUANCE OF OPERATIONS

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

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

As at June 30, 2022, the Company has working capital of \$2,389,333 (December 31, 2021 - \$4,603,609), including restricted cash of \$74,477 (December 31, 2021 - \$61,592) and an accumulated deficit of \$19,949,599 (December 31, 2021 - \$18,473,479). The Company expects to incur further losses in the development of its business. The Company's ability to continue its operations and to realize its assets at their carrying values is dependent upon obtaining additional financing to successfully explore and evaluate its mineral properties and, ultimately, to achieve profitable operations. Management estimates that the Company will be able to meet its obligations and to sustain operations for at least the next twelve months.

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

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

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”.

Basis of presentation

The condensed interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company’s audited consolidated financial statements for the year ended December 31, 2021. In the opinion of management, all adjustments considered necessary for fair presentation of the Company’s financial position, results of operations and cash flows for the three and six months ended and as at June 30, 2022 and 2021 have been included. Operating results for the three and six-month periods ended June 30, 2022 are not necessarily indicative of the results that may be expected for the year ending December 31, 2022.

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The functional currency and presentation currency of the Company and its subsidiaries is the Canadian dollar. Certain comparative figures have been reclassified to conform with presentation adopted for the current period.

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

(Expressed in Canadian dollars)

For the three and six months ended June 30, 2022 and 2021

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

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

Subsidiary	Location	Ownership Interest
Velocity Exploration Ltd. (“Velocity Exploration”)	Canada	100%
Kibela Minerals AD (“Kibela”)	Bulgaria	100%
Kabiri Minerals EOOD (“Kabiri”)	Bulgaria	100%
Tintyava Exploration AD (“Tintyava”)	Bulgaria	70%
Tintyava AgriBio EOOD (“Tintyava AgriBio”)	Bulgaria	70%
Tethyan Exploration EOOD (“Tethyan”)	Bulgaria	100%
Balkan Minerals Development EOOD (“BMD”)	Bulgaria	100%
Velocity Minerals Holdings Ltd.	Malta	100%
Velocity Minerals Malta Ltd.	Malta	100%

Velocity Minerals Holding Ltd, and Velocity Minerals Malta Ltd. were wound up on February 10, 2022.

Significant accounting policies

The accounting policies followed in these condensed interim consolidated financial statements are the same as those applied in the Company’s most recent audited consolidated financial statements for the years ended December 31, 2021 and 2020.

Significant accounting judgments, estimates and assumptions

Estimates and judgments and are based on management’s experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, profit and expenses. The estimates and associated assumptions are continuously evaluated and are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. In preparing these condensed interim consolidated financial statements, the significant judgments made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those applied to the audited consolidated financial statements for the year ended December 31, 2021.

3. RECEIVABLES

	June 30, 2022	December 31, 2021
Trade receivables	\$ -	\$ 819
Value added taxes receivable	301,826	302,187
Total	\$ 301,826	\$ 303,006

4. 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.

VELOCITY MINERALS LTD.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

For the three and six months ended June 30, 2022 and 2021

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

a) Tintyava Property – Bulgaria

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

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

The change in control was recorded as an asset acquisition, and on consolidation, the Company’s investment in Tintyava is eliminated. On consolidation, the carrying value of the net assets of Tintyava are combined with the accounts of the Company.

b) Nadezhda Property – Bulgaria

On March 5, 2019, the Company entered into an option agreement for the Nadezhda project, which is centered on the Makedontsi deposit. Under the terms of the option agreement, the Company can earn a 70% interest in the Nadezhda project by delivering certain data and reports including a mineral resource estimate prepared under National Instrument 43-101 of the Canadian Securities Administrators. The term of the option agreement is six years. On November 16, 2021, the Company announced that it had met its obligation under the option agreement and had exercised its option and is deemed to have earned a 70% interest in the Nadezhda project and to be in joint venture with Gorubso for the further development of the Nadezhda project. As at June 30, 2022 the joint venture entity had not been formed.

c) Momchil Property – Bulgaria

On March 5, 2019, the Company entered into an option agreement for the Momchil project, which is centered on the Obichnik deposit. Under the terms of the option agreement, the Company can earn a 70% interest in the Momchil project by delivering certain data and reports including a mineral resource estimate prepared under National Instrument 43-101 of the Canadian Securities Administrators. The term of the agreement is six years. On June 23, 2021, the Company announced that it had met its obligation under the option agreement and had exercised its option and is deemed to have earned a 70% interest in the Momchil project and to be in joint venture with Gorubso for the further development of the Momchil project. As at June 30, 2022 the joint venture entity had not been formed.

d) Iglika Property – Bulgaria

On June 26, 2020, the Company entered into a Letter Agreement with Balkan Minerals Development OOD (“BMD”), a Bulgarian private company, and its shareholders, for an exclusive option to acquire a 100% interest in the Iglika gold-copper property (“Iglika”) through acquiring all of the issued and outstanding shares of BMD. Under the terms of the Letter agreement, the Company could have acquired an initial 51% of BMD shares by completing the following: (i) pay BGN 62,500 to BMD on signing of the Letter Agreement and (ii) incur exploration expenditures in the amount of EUR 300,000 by December 31, 2020. The Company could earn the remaining 49% of BMD shares by incurring additional exploration expenditures in the amount of EUR 500,000 by December 31, 2021.

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

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

VELOCITY MINERALS LTD.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

For the three and six months ended June 30, 2022 and 2021

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

 e) Exploration and evaluation assets continuity

	Tintyava	Nadezhda	Momchil	Iglika	Total
	\$	\$	\$	\$	\$
<i>Acquisition costs</i>					
Balance, December 31, 2021	2,097,757	6,635	1,384	146,132	2,251,908
Additions – legal and claim fees	4,395	115,602	60,700	717	181,414
Balance, June 30, 2022	2,102,152	122,237	62,084	146,849	2,433,322
<i>Exploration and evaluation</i>					
Balance, December 31, 2021	13,307,608	655,365	5,462,854	1,525,799	20,951,626
Community relations	16,701	-	-	4,756	21,457
Drilling and assays	7,795	-	-	154,418	162,213
Metallurgy, engineering, environmental studies	16,488	-	-	-	16,488
Field and vehicles	113,401	-	-	55,118	168,519
Geological	66,575	-	6,194	4,265	77,034
Salaries	158,028	-	-	57,470	215,498
Share-based compensation	21,553	1,247	1,247	20,291	44,338
Additions – exploration and evaluation	400,541	1,247	7,441	296,318	705,547
Balance, June 30, 2022	13,708,149	656,612	5,470,295	1,822,117	21,657,173
Balance, June 30, 2022	15,810,301	778,849	5,532,379	1,968,966	24,090,495

	Tintyava	Nadezhda	Momchil	Iglika	Total
	\$	\$	\$	\$	\$
<i>Acquisition costs</i>					
Balance, December 31, 2020	2,040,270	1,384	1,384	106,952	2,149,990
Additions – legal and claim fees	57,487	5,251	-	39,180	101,918
Balance, December 31, 2021	2,097,757	6,635	1,384	146,132	2,251,908
<i>Exploration and evaluation</i>					
Balance, December 31, 2020	9,997,944	402,984	4,690,197	660,556	15,751,681
Community relations	18,129	-	-	24,610	42,739
Drilling and assays	1,951,090	131,903	469,382	4,926	2,557,301
Metallurgy, engineering, environmental studies	79,865	12,684	27,931	-	120,480
Field and vehicles	281,409	15,646	45,003	96,619	438,677
Geological	247,645	32,148	73,662	308,676	662,131
Geochemistry	61,949	-	20,296	67,367	149,612
Geophysics	1,740	-	-	101,043	102,783
Reclamation	46,782	-	-	-	46,782
Salaries	595,750	59,368	135,751	173,056	963,925
Share-based compensation	25,305	632	632	88,946	115,515
Additions – exploration and evaluation	3,309,664	252,381	772,657	865,243	5,199,945
Balance, December 31, 2021	13,307,608	655,365	5,462,854	1,525,799	20,951,626
Balance, December 31, 2021	15,405,365	662,000	5,464,238	1,671,931	23,203,534

VELOCITY MINERALS LTD.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

For the three and six months ended June 30, 2022 and 2021

5. CONVERTIBLE DEBENTURE

On March 14, 2019, the Company issued a convertible debenture valued at \$5,094,000 with an interest rate of 8.5% per annum compounded semi-annual, convertible into common shares at \$0.25 per share, with a maturity date of March 14, 2024. On March 26, 2021, all of the Company's convertible debentures were converted to 21,211,136 common shares of the Company. Accretion expense for the six months ended June 30, 2022 was \$nil (2021 - \$49,294).

6. SHARE CAPITAL AND RESERVES

Authorized share capital

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

Issued share capital

Six months ended June 30, 2022

There were no share issuances during the six months ended June 30, 2022.

Six months ended June 30, 2021

On March 26, 2021, the Company issued 21,211,136 common shares of the Company on the conversion of Convertible Debentures with a carrying value of \$4,258,883 (aggregate principal of \$5,094,000) and accrued interest of \$208,782.

During the six months ended June 30, 2021, the Company issued 775,000 common shares pursuant to stock options exercises for aggregate gross proceeds of \$221,500, and in connection with this, the Company transferred \$125,865 from reserves to share capital. In addition, the Company issued 845,384 common shares for gross proceeds of \$211,284 pursuant to warrants exercises.

Stock options

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

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

(Expressed in Canadian dollars)

For the three and six months ended June 30, 2022 and 2021

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

As at June 30, 2022, the Company had stock options outstanding and exercisable enabling the holder to acquire common shares as follows:

Number of Stock options Outstanding	Number of Stock options Exercisable	Exercise Price	Expiry Date	Remaining life in years
2,500,000	2,500,000	\$0.31	July 31, 2022	0.1
300,000	300,000	\$0.35	September 26, 2022	0.2
250,000	250,000	\$0.31	November 14, 2022	0.4
900,000	448,200	\$0.48	August 11, 2025	3.1
1,204,000	399,728	\$0.45	May 12, 2026	3.9
4,350,000	-	\$0.30	May 31, 2027	4.9
9,504,000	3,897,928	\$0.34		3.1

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
As at December 31, 2020	7,580,000	\$ 0.35
Granted	1,204,000	0.45
Cancelled	(200,000)	0.35
Exercised	(775,000)	0.29
Expired	(1,150,000)	0.42
Forfeited	(5,000)	0.48
As at December 31, 2021	6,654,000	\$ 0.37
Granted	4,350,000	0.30
Expired	(1,500,000)	0.34
As at June 30, 2022	9,504,000	\$ 0.34

Subsequent to June 30, 2022, 2,500,000 stock options exercisable at \$0.31 expired unexercised, and the Company granted 200,000 stock options to a director of the Company's subsidiary exercisable at \$0.25 per share for a period of 5 years from the grant date.

The following weighted average assumptions were used for the Black-Scholes option pricing model valuation of stock options granted during the six months ended June 30, 2022 and 2021:

	June 30, 2022	June 30, 2021
Expected life of options (years)	4.0	4.0
Annualized volatility	64%	93%
Dividend rate	-	-
Risk-free rate	2.70%	0.79%
Weighted average fair value per option granted	\$ 0.13	\$ 0.30

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

(Expressed in Canadian dollars)

For the three and six months ended June 30, 2022 and 2021

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

During the three and six months ended June 30, 2022 and 2021, the Company recognized share-based compensation as follows:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Share-based compensation:				
Included in statement of loss and comprehensive loss	\$ 35,130	\$ 37,417	\$ 64,532	\$ 62,473
Included in exploration and evaluation assets	18,038	29,863	44,338	42,918
Total share-based compensation expense	\$ 53,168	\$ 67,280	\$ 108,870	\$ 105,391

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, 2020	19,456,812	\$ 0.25
Exercised	(2,918,768)	0.21
Expired	(7,238,044)	0.55
As at December 31, 2021	9,300,000	\$ 0.25
Expired	(9,300,000)	0.25
As at June 30, 2022	-	\$ -

7. NON-CONTROLLING INTEREST

Non-controlling interest ("NCI") in the net assets of consolidated subsidiaries are identified separately from the Company's equity therein. Total comprehensive loss of the Company's subsidiary is attributed to the equity holders of the Company and to the non-controlling interest even if this results in the non-controlling interest having a deficit balance. For the three and six months ended June 30, 2022 and 2021 and as at June 30, 2022 and December 31, 2021, 30% of the net assets of the Company's consolidated subsidiary, Tintyava, which holds the Tintyava mineral property, were attributable to its non-controlling interest.

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

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Total loss and comprehensive loss	\$ 69,610	\$ 15,840	\$ 156,493	\$ 187,650
Total loss and comprehensive loss allocated to NCI	20,884	4,752	46,948	56,295

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

(Expressed in Canadian dollars)

For the three and six months ended June 30, 2022 and 2021

7. NON-CONTROLLING INTEREST (cont'd...)

	June 30, 2022		December 31, 2021	
Current assets	\$	87,633	\$	381,613
Non-current assets		15,311,134		15,023,645
Current liabilities		(477,095)		(517,992)
Non-current liabilities		(16,522)		(24,143)
Net assets		14,905,150		14,863,123
Net assets attributable to NCI		4,471,545		4,458,937

8. PROJECT EVALUATION

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Field and vehicles	\$ 7,593	\$ -	\$ 16,221	\$ -
Geological consulting (Note 9)	161,596	29,156	220,186	53,425
Geochemistry	367	-	1,658	-
Permit application fees	3,038	1,255	5,561	1,255
Salaries	99,176	15,222	191,419	27,654
	\$ 271,770	\$ 45,633	\$ 435,045	\$ 82,334

Field and vehicles expense includes depreciation expense of \$5,364 and \$10,510 for the three and six months ended June 30, 2022 (2021 - \$nil and \$nil).

9. RELATED PARTY TRANSACTIONS

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers. Key management personnel compensation for the three and six months ended June 30, 2022 and 2021 was as follows:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Short-term benefits paid or accrued:				
Consulting fees	\$ 64,375	\$ 144,900	\$ 161,875	\$ 274,600
Salaries and directors' fees	134,289	162,822	301,449	291,822
	198,664	307,722	463,324	566,422
Share-based compensation:				
Share-based compensation	30,038	29,060	47,497	55,590
Total remuneration	\$ 228,702	\$ 336,782	\$ 510,821	\$ 622,012

Consulting fees of \$14,688 and \$63,438 are included in exploration and evaluation assets for the three and six months ended June 30, 2022 respectively (2021 - \$115,744 and \$216,375), and \$49,687 and \$98,437 are included in project evaluation costs (Note 8) for the three and six months ended June 30, 2022 respectively (2021 - \$29,156 and \$53,425).

As at June 30, 2022, the Company had \$nil included in trade and other payables due to key management personnel (December 31, 2021- \$21,490).

No post-employment benefits, termination benefits, or other long-term benefits were paid to or recorded for key management personnel during the three and six months ended June 30, 2022 and 2021.

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

(Expressed in Canadian dollars)

For the three and six months ended June 30, 2022 and 2021

10. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	Six months ended June 30, 2022	Six months ended June 30, 2021
Depreciation capitalized to exploration and evaluation assets	\$ 38,046	\$ 33,019
Trade and other payables related to exploration and evaluation assets	255,936	454,510
Share-based compensation included in exploration and evaluation assets	44,338	42,918
Shares issued for interest	-	208,782
Interest paid	1,397	3,203
Income taxes paid	-	-

11. FINANCIAL RISK MANAGEMENT

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

As at June 30, 2022, the carrying values of receivables and trade and other payables approximate their fair values due to their short terms to maturity. The Company's cash and cash equivalents, under the fair value hierarchy is based on level 1 quoted prices in active markets for identical assets or liabilities.

The Company is exposed to certain financial risks including credit risk, currency risks, liquidity risk, interest rate risk, and price risk. Details of each risk are laid out in the notes to the Company's annual audited consolidated financial statements for the year ended December 31, 2021. Management has determined that these risks, individually and in aggregate, are immaterial to the Company.