



**VELOCITY**  
MINERALS LTD.

**Condensed Interim Consolidated Financial Statements**

**For the three months ended March 31, 2023 and 2022  
Unaudited – Prepared by Management**

(Expressed in Canadian dollars)

## **NOTICE TO READER**

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

The condensed interim consolidated financial statements of the Company for the quarter ended March 31, 2023 have been prepared by and are the responsibility of the Company's management.

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

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

(Unaudited. Expressed in Canadian dollars)

As at

	March 31, 2023	December 31, 2022
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 1,851,301	\$ 1,067,763
Receivables (Note 3)	266,696	292,480
Lease receivable, current	26,173	26,920
Prepaid expenses	45,625	49,038
	<b>2,189,795</b>	<b>1,436,201</b>
<b>Lease receivable</b>	<b>42,007</b>	<b>47,018</b>
<b>Property and equipment</b>	<b>255,335</b>	<b>295,803</b>
<b>Exploration and evaluation assets (Note 4)</b>	<b>24,972,855</b>	<b>24,728,444</b>
	<b>\$ 27,459,992</b>	<b>\$ 26,507,466</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current</b>		
Trade and other payables (Note 7)	\$ 293,196	\$ 353,426
Lease liabilities, current	105,597	108,408
	<b>398,793</b>	<b>461,834</b>
<b>Lease liabilities, long term</b>	<b>131,066</b>	<b>156,652</b>
	<b>529,859</b>	<b>618,486</b>
<b>Shareholders' equity</b>		
Share capital (Note 5)	41,761,065	40,309,367
Reserves (Note 5)	2,181,243	2,083,722
Deficit	(21,624,955)	(21,133,013)
	<b>22,317,353</b>	<b>21,260,076</b>
Non-controlling interest (Note 6)	4,612,780	4,628,904
	<b>26,930,133</b>	<b>25,888,980</b>
	<b>\$ 27,459,992</b>	<b>\$ 26,507,466</b>

Nature and continuance of operations (Note 1)

Subsequent events (Note 10)

On behalf of the Board on May 25, 2023

*"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**

(Unaudited. Expressed in Canadian dollars)

	<b>Three months ended March 31, 2023</b>	Three months ended March 31, 2022
<b>EXPENSES</b>		
Consulting	\$ 12,733	\$ 9,038
Depreciation	19,388	-
Investor relations	4,746	19,535
Office	50,177	56,984
Professional fees	69,009	58,336
Project evaluation (Note 7)	81,341	163,275
Regulatory and transfer agent fees	20,648	17,874
Salaries and benefits (Note 7)	173,762	269,684
Share-based compensation (Note 5 and 7)	60,597	29,402
Travel	10,475	19,425
	<b>(502,876)</b>	<b>(643,553)</b>
<b>OTHER INCOME (EXPENSES)</b>		
Foreign exchange loss	(1,239)	(31,004)
Interest expense	(9,374)	(754)
Interest income	5,423	3,807
Other expense	-	(11,448)
	<b>(5,190)</b>	<b>(39,399)</b>
<b>LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b>(508,066)</b>	<b>(682,952)</b>
<b>Loss and comprehensive loss attributable to:</b>		
Owners of the Company	(491,942)	(656,888)
Non-controlling interest	(16,124)	(26,064)
	<b>(508,066)</b>	<b>(682,952)</b>
<b>Loss per common share</b>		
-Basic and diluted	\$ (0.00)	\$ (0.00)
<b>Weighted average number of common shares outstanding</b>		
-Basic and diluted	160,612,252	160,278,919

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

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

(Unaudited. Expressed in Canadian dollars)

	<u>Share capital</u>					
	Number of common shares	Amount	Reserves	Non-controlling interest	Deficit	Total
<b>Balance, December 31, 2021</b>	<b>160,278,919</b>	<b>\$ 40,309,367</b>	<b>\$ 1,711,765</b>	<b>\$ 4,458,937</b>	<b>\$ (18,473,479)</b>	<b>\$ 28,006,590</b>
Share-based compensation	-	-	55,702	-	-	55,702
Change in net assets of Tintyava Exploration AD	-	-	-	60,891	-	60,891
Loss and comprehensive loss	-	-	-	(26,064)	(656,888)	(682,952)
<b>Balance, March 31, 2022</b>	<b>160,278,919</b>	<b>\$ 40,309,367</b>	<b>\$ 1,767,467</b>	<b>\$ 4,493,764</b>	<b>\$ (19,130,367)</b>	<b>\$ 27,440,231</b>
<b>Balance, December 31, 2022</b>	<b>160,278,919</b>	<b>\$ 40,309,367</b>	<b>\$ 2,083,722</b>	<b>\$ 4,628,904</b>	<b>\$ (21,133,013)</b>	<b>\$ 25,888,980</b>
Shares issued in private placement, net of share issuance costs	10,000,000	1,451,698	10,830	-	-	1,462,528
Share-based compensation	-	-	86,691	-	-	86,691
Change in net assets of Tintyava Exploration AD	-	-	-	-	-	-
Loss and comprehensive loss	-	-	-	(16,124)	(491,942)	(508,066)
<b>Balance, March 31, 2023</b>	<b>170,278,919</b>	<b>\$ 41,761,065</b>	<b>\$ 2,181,243</b>	<b>\$ 4,612,780</b>	<b>\$ (21,624,955)</b>	<b>\$ 26,930,133</b>

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

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

(Unaudited. Expressed in Canadian dollars)

	<b>Three months ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the period	\$ (508,066)	\$ (682,952)
Adjustments for:		
Depreciation	19,388	-
Depreciation included in project evaluation	10,338	-
Foreign exchange gain, unrealized	678	-
Share-based compensation	60,597	29,402
Lease receivable interest	(3,242)	-
Lease liability interest	9,374	739
Interest income	(1,410)	(3,807)
Changes in non-cash working capital items:		
Receivables	25,833	51,000
Prepaid expenses	3,413	(94,422)
Trade and other payables	(47,275)	69,673
Net cash used in operating activities	<b>(430,372)</b>	<b>(630,367)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net proceeds from issuance of common shares	1,462,528	-
Non-controlling interest – equity contributions	-	60,891
Lease proceeds	9,000	(12,733)
Lease payments	(38,449)	(12,733)
Net cash provided by financing activities	<b>1,433,079</b>	<b>48,158</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property and equipment	-	(4,732)
Exploration and evaluation assets	(220,530)	(273,702)
Interest received	1,361	3,807
Net cash used in investing activities	<b>(219,169)</b>	<b>(274,627)</b>
<b>Change in cash and cash equivalents during the period</b>	<b>783,538</b>	<b>(856,836)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>1,067,763</b>	<b>4,676,562</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 1,851,301</b>	<b>\$ 3,819,726</b>
<b>Cash</b>	<b>\$ 1,578,165</b>	<b>\$ 725,059</b>
<b>Cash equivalents</b>	<b>186,867</b>	<b>3,018,267</b>
<b>Restricted cash</b>	<b>86,269</b>	<b>76,400</b>
	<b>\$ 1,851,301</b>	<b>\$ 3,819,726</b>

**Supplemental disclosure with respect to cash flows (Note 9)**

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

## **VELOCITY MINERALS LTD.**

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

(Unaudited. Expressed in Canadian dollars)

For the three months ended March 31, 2023 and 2022

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#### **1. NATURE AND CONTINUANCE OF OPERATIONS**

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

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

As at March 31, 2023, the Company has working capital of \$1,791,002 (December 31, 2022 - \$974,367), including restricted cash of \$86,269 (December 31, 2022 - \$85,100) and an accumulated deficit of \$21,624,955 (December 31, 2022 - \$21,133,013). The Company expects to incur further losses in the development of its business. The Company's ability to continue its operations and to realize its assets at their carrying values is dependent upon obtaining additional financing to successfully explore and evaluate its mineral properties and, ultimately, to achieve profitable operations. 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**

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

##### **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, 2022. 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 months ended and as at March 31, 2023 and 2022 have been included. Operating results for the three-month period ended March 31, 2023 are not necessarily indicative of the results that may be expected for the year ending December 31, 2023.

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.



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

(Unaudited. Expressed in Canadian dollars)

For the three months ended March 31, 2023 and 2022

**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.

<b>Subsidiary</b>	<b>Location</b>	<b>Ownership Interest</b>
Velocity Exploration Ltd. ("Velocity Exploration")	Canada	100%
Kibela Minerals AD ("Kibela")	Bulgaria	100%
Kabiri Minerals EOOD ("Kabiri")	Bulgaria	100%
Tintyava Exploration AD ("Tintyava")	Bulgaria	70%
Tintyava AgriBio EOOD ("Tintyava AgriBio")	Bulgaria	70%
Tethyan Exploration EOOD ("Tethyan")	Bulgaria	100%
Balkan Minerals Development EOOD ("BMD")	Bulgaria	100%
Zlatusha Minerals EOOD ("Zlatusha")	Bulgaria	100%

The Company established its subsidiary Tethyan in 2020, Tintyava AgriBio in 2021, and Zlatusha in 2023; effective March 2, 2021, the Company acquired 100% of BMD, which holds the exploration and evaluation permit for Iglika property (Note 4 (d)).

The Company consolidates its subsidiaries on the basis that it controls the subsidiaries through its ability to govern their financial and operating policies. The Company attributes total comprehensive loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All intercompany transactions and balances have been eliminated.

Non-controlling interests are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Company's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

**Material 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, 2022 and 2021, with the exception of the following:

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

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

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

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

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

(Unaudited. Expressed in Canadian dollars)

For the three months ended March 31, 2023 and 2022

**2. BASIS OF PREPARATION (cont'd...)****Material accounting policies (cont'd...)**

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

The International Accounting Standards Board ("IASB") has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

The amendments were applied effective January 1, 2023 and did not have a material impact on the Company's consolidated financial statements.

**Material accounting judgments, estimates and assumptions**

Estimates and judgments and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, profit and expenses. The estimates and associated assumptions are continuously evaluated and are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. In preparing these condensed interim consolidated financial statements, the judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those applied to the audited consolidated financial statements for the year ended December 31, 2022.

**3. RECEIVABLES**

	<b>March 31, 2023</b>	<b>December 31, 2022</b>
Receivable and other	\$ -	\$ 18,063
Value added taxes receivable	266,696	274,417
<b>Total</b>	<b>\$ 266,696</b>	<b>\$ 292,480</b>

The Company's subsidiary Kibela has a VAT Receivable of \$259,758 (BGN 341,717) that relates to a VAT claim from 2021. The VAT claim was rejected by Bulgarian authorities on February 10, 2023. The Company appealed the decision on March 20, 2023, and is confident the appeal will be accepted, and the funds received in full.

**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.

**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").

**VELOCITY MINERALS LTD.**

**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited. Expressed in Canadian dollars)

For the three months ended March 31, 2023 and 2022

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

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 Makedonski 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 March 31, 2023 the joint venture entity had not been formed.

c) Momchil Property – Bulgaria

On March 5, 2019, the Company entered into an option agreement for the Momchil project, which is centered on the Obichnik deposit. Under the terms of the option agreement, the Company can earn a 70% interest in the Momchil project by delivering certain data and reports including a mineral resource estimate prepared under National Instrument 43-101 of the Canadian Securities Administrators. The term of the 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 March 31, 2023 the joint venture entity had not been formed.

d) Iglika Property – Bulgaria

On June 26, 2020, the Company entered into a Letter Agreement with Balkan Minerals Development OOD (“BMD”), a Bulgarian private company, and its shareholders, for an exclusive option to acquire a 100% interest in the Iglika gold-copper property (“Iglika”) through acquiring all of the issued and outstanding shares of BMD.

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

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

**VELOCITY MINERALS LTD.**

**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited. Expressed in Canadian dollars)

For the three months ended March 31, 2023 and 2022

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

e) Dangovo Property – Bulgaria

The Dangovo property was acquired by staking and the prospecting license contract with the Ministry of Energy entered into force in late 2022, after the approval of the 3-year work program was received. All costs incurred before the effective date of the contract, August 23, 2022, with the Ministry of Energy were expensed within project evaluation.

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

f) Zlatusha Property – Bulgaria

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

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

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

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

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

(Unaudited. Expressed in Canadian dollars)

For the three months ended March 31, 2023 and 2022

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

	<b>Tintyava</b>	<b>Nadezhda</b>	<b>Momchil</b>	<b>Iglika</b>	<b>Dangovo</b>	<b>Zlatusha</b>	<b>Total</b>
	\$	\$	\$	\$	\$	\$	\$
<b><i>Acquisition costs</i></b>							
Balance, December 31, 2022	2,103,325	108,669	42,081	147,161	-	-	2,401,236
Additions for the period – legal and claim fees	10,129	-	-	-	-	36,518	46,647
<b>Balance, March 31, 2023</b>	<b>2,113,454</b>	<b>108,669</b>	<b>42,081</b>	<b>147,161</b>	<b>-</b>	<b>36,518</b>	<b>2,247,883</b>
<b><i>Exploration and evaluation</i></b>							
Balance, December 31, 2022	14,147,897	667,281	5,486,620	2,025,410	-	-	22,327,208
Community relations	-	-	-	4,452	-	-	4,452
Metallurgy, engineering, environmental studies	22,908	-	-	-	-	-	22,908
Field and vehicles	33,783	-	-	9,536	1,297	367	44,983
Geological	32,407	-	-	3,720	5,714	-	41,841
Salaries	42,955	-	-	7,365	1,984	5,182	57,486
Share-based compensation	10,759	2,347	3,844	9,144	-	-	26,094
Additions for the period	142,812	2,347	3,844	34,217	8,995	5,549	197,764
Balance, March 31, 2023	<b>14,290,709</b>	<b>669,628</b>	<b>5,490,464</b>	<b>2,059,627</b>	<b>8,995</b>	<b>5,549</b>	<b>22,524,972</b>
<b>Balance, March 31, 2023</b>	<b>16,404,163</b>	<b>778,297</b>	<b>5,532,545</b>	<b>2,206,788</b>	<b>8,995</b>	<b>42,067</b>	<b>24,972,855</b>

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

(Unaudited. Expressed in Canadian dollars)

For the three months ended March 31, 2023 and 2022

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

g) Exploration and evaluation assets continuity (cont'd...)

	<b>Tintyava</b>	<b>Nadezhda</b>	<b>Momchil</b>	<b>Iglika</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Acquisition costs</b>					
Balance, December 31, 2021	2,097,757	6,635	1,384	146,132	2,251,908
Additions – legal and claim fees	5,568	102,034	40,697	1,029	149,328
<b>Balance, December 31, 2022</b>	<b>2,103,325</b>	<b>108,669</b>	<b>42,081</b>	<b>147,161</b>	<b>2,401,236</b>
<b>Exploration and evaluation</b>					
Balance, December 31, 2021	13,307,608	655,365	5,462,854	1,525,799	20,951,626
Community relations	32,734	-	-	8,473	41,207
Drilling and assays	-	-	-	211,237	211,237
Metallurgy, engineering, environmental studies	196,908	-	-	-	196,908
Field and vehicles	171,614	-	-	72,799	244,413
Geological consulting and other	149,216	-	6,194	37,453	192,863
Geochemistry	1,363	-	-	634	1,997
Salaries	241,626	-	-	120,326	361,952
Share-based compensation	46,828	11,916	17,572	48,689	125,005
	840,289	11,916	23,766	499,611	1,375,582
Balance, December 31, 2022	<b>14,147,897</b>	<b>667,281</b>	<b>5,486,620</b>	<b>2,025,410</b>	<b>22,327,208</b>
<b>Balance, December 31, 2022</b>	<b>16,251,222</b>	<b>775,950</b>	<b>5,528,701</b>	<b>2,172,571</b>	<b>24,728,444</b>

**5. 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*Three months ended March 31, 2023

During the three months ended March 31, 2023, the Company closed a non-brokered private placement by the issuance of 10,000,000 units of the Company priced at \$0.15 per unit for total gross proceeds of \$1,500,000. Each unit consists of one common share in the capital of the Company and one-half of one common share purchase warrant, with each whole warrant entitling the holder thereof to purchase one share at a price of \$0.25 per share until September 28, 2024.

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

In addition, the Company incurred \$9,472 in legal and regulatory fees in connection with the financing.

The fair value of the finders' Warrants was estimated at \$10,830 using Black-Scholes with the following assumptions: a risk-free interest rate of 3.73%; expected volatility of 72.02%; an expected life of 1 year; a dividend yield of 0%; and an expected forfeiture rate of 0%.

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(Unaudited. Expressed in Canadian dollars)

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**5. SHARE CAPITAL AND RESERVES (cont'd...)***Issued share capital*( cont'd...)Three months ended March 31, 2022

There were no share issuances during the three months ended March 31, 2022.

**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.

As at March 31, 2023, the Company had stock options outstanding and exercisable enabling the holder to acquire common shares as follows:

<b>Number of Stock options Outstanding</b>	<b>Number of Stock options Exercisable</b>	<b>Exercise Price</b>	<b>Expiry Date</b>	<b>Remaining life in years</b>
860,000	713,800	\$0.48	August 11, 2025	2.4
1,186,000	590,628	\$0.45	May 12, 2026	3.1
4,280,000	710,480	\$0.30	May 31, 2027	4.2
200,000	33,320	\$0.25	August 16, 2027	4.4
<b>6,526,000</b>	<b>2,048,228</b>	<b>\$0.35</b>		<b>3.7</b>

Stock option transactions are summarized as follows:

	<b>Number of Options</b>	<b>Weighted Average Exercise Price</b>
As at December 31, 2021	6,654,000	\$ 0.37
Granted	4,550,000	0.30
Expired	(4,300,000)	0.32
Forfeited	(378,000)	0.38
<b>As at December 31, 2022 and March 31, 2023</b>	<b>6,526,000</b>	<b>\$ 0.35</b>
Number of options currently exercisable	2,048,228	\$ 0.41

The Company recognized share-based compensation as follows:

		<b>Three months ended March 31, 2023</b>	<b>Three months ended March 31, 2022</b>
Included in statement of loss and comprehensive loss	\$	60,597	\$ 29,402
Included in exploration and evaluation assets		26,094	26,300
<b>Total share-based compensation expense</b>	<b>\$</b>	<b>86,691</b>	<b>\$ 55,702</b>

There were no new stock option grants during the three months ended March 31, 2023 and March 31, 2022.

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

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

<b>Number of Warrants</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
5,000,000	\$0.25	September 28, 2024
186,666	\$0.15	March 28, 2024
5,186,666	\$0.25	

Warrant transactions are summarized as follows:

	<b>Number of Warrants</b>	<b>Weighted Average Exercise Price</b>
As at December 31, 2021	9,300,000	\$ 0.25
Expired	(9,300,000)	0.25
As at December 31, 2022	-	\$ -
Issued	5,186,666	0.25
As at March 31, 2023	5,186,666	\$ 0.25

The weighted average remaining contractual life of warrants outstanding and exercisable at March 31, 2023 was 1.5 (December 31, 2022 – 0.0) year.

**6. 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 months ended March 31, 2022 and 2021 and as at March 31, 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.

	<b>Three months ended March 31, 2023</b>	<b>Three months ended March 31, 2021</b>
Total loss and comprehensive loss	\$ (53,747)	\$ (86,883)
Total loss and comprehensive loss allocated to NCI	(16,124)	(26,064)

  

	<b>March 31, 2023</b>	<b>December 31, 2022</b>
Current assets	\$ 125,679	\$ 296,524
Non-current assets	15,698,306	15,626,936
Current liabilities	(430,253)	(474,588)
Non-current liabilities	(17,800)	(19,193)
Net assets	15,375,932	15,429,679
Net assets attributable to NCI	4,612,780	4,628,904



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**7. 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 months ended March 31, 2023 and 2022 were:

	<b>Three months ended March 31, 2023</b>		<b>Three months ended March 31, 2022</b>	
<b>Short-term benefits paid or accrued:</b>				
Consulting fees <sup>1</sup>	\$	58,151	\$	97,500
Salaries, directors' fees, benefits		96,410		167,160
		154,561		264,660
<b>Share-based compensation:</b>				
Share-based compensation		38,821		17,459
<b>Total remuneration</b>	<b>\$</b>	<b>193,383</b>	<b>\$</b>	<b>282,119</b>

<sup>1</sup>\$27,489 of consulting fees was included in exploration and evaluation assets (Note 4 (g)) and \$30,662 in project evaluation (three months ended March 31, 2022 - \$48,750 and \$48,750 respectively).

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

No post-employment benefits, termination benefits, or other long-term benefits were paid to or recorded for key management personnel during the three months ended March 31, 2023 and 2022.

***Related party***

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

	<b>Three months ended March 31, 2023</b>		<b>Three months ended March 31, 2022</b>	
Rent	\$	12,510	\$	6,000

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

	<b>Three months ended March 31, 2023</b>		<b>Three months ended March 31, 2022</b>	
Depreciation capitalized to exploration and evaluation assets	\$	10,742	\$	24,867
Change in trade and other payables included in exploration and evaluation assets		12,955		11,844
Share-based compensation included in exploration and evaluation assets		26,094		26,300
Interest paid		898		739
Income taxes paid		-		-

**VELOCITY MINERALS LTD.**

**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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**9. FINANCIAL RISK MANAGEMENT**

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

As at March 31, 2023, the carrying values of receivables and trade and other payables approximate their fair values due to their short terms to maturity. The Company's cash and cash equivalents, under the fair value hierarchy is based on level 1 quoted prices in active markets for identical assets or liabilities.

The Company is exposed to certain financial risks including credit risk, currency risks, liquidity risk, interest rate risk, and price risk. Details of each risk are laid out in the notes to the Company's annual audited consolidated financial statements for the year ended December 31, 2022. Management has determined that these risks, individually and in aggregate, are immaterial to the Company.

**10. SUBSEQUENT EVENTS**

On April 18, 2023 the Company issued 1,334,951 common shares to Raiden to meet the obligation to make a \$220,000 payment, in cash or common shares, in accordance with the First Option (Note 4 – Zlatusha Property - Bulgaria).

On May 23, 2023 the Company closed a non-brokered private placement with the issuance of 9,200,000 units of the Company priced at \$0.15 per unit for total gross proceeds of \$1,380,000. Each unit consists of one common share in the capital of the Company and one-half of one common share purchase warrant, with each whole warrant entitling the holder thereof to purchase one share at a price of \$0.25 per share until November 22, 2024.