



VELOCITY

MINERALS LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS AS AT AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018

REPORT DATE:
NOVEMBER 27, 2018

This Management Discussion and Analysis (the "MDA") provides relevant information on the operations and financial condition of Velocity Minerals Ltd. (the "Company") as at and for the nine months ended September 30, 2018.

The Company is in the business of mineral exploration in Eastern Europe, currently focused in Bulgaria. Activities include the evaluation, acquisition and exploration of mineral exploration properties in search of economic mineral deposits. The realization of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves and future profitable production or proceeds from the disposition of these assets. The carrying values of exploration and evaluation assets do not necessarily reflect their present or future values.

All monetary amounts in this MDA and in the consolidated financial statements are expressed in Canadian dollars, unless otherwise stated. Financial results are being reported in accordance with International Financial Reporting Standards ("IFRS").

The Company's certifying officers, based on their knowledge, having exercised reasonable diligence, are responsible to ensure that these filings do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by these filings, and these consolidated financial statements together with other financial information included in these filings. The Board of Directors' approves the consolidated financial statements and MDA and ensures that management has discharged its financial responsibilities.

The MDA should be read in conjunction with the Company's condensed consolidated interim financial statements and notes thereto for the nine months ended September 30, 2018.

The Company is registered in the province of British Columbia. Its principal office is located at Suite 2300 – 1177 West Hastings Street Vancouver, BC, V6E 2K3. Its registered and records office is located at Suite 415 – 1040 West Georgia Street, Vancouver, BC, V6E 4H1.

DESCRIPTION OF BUSINESS

Velocity Minerals Ltd. is a gold exploration and development company focused on Eastern Europe. The Company's management and board include mining industry professionals with experience spanning Europe, Asia and the Americas as employees of major mining companies as well as founders and senior executives of junior to mid-tier public companies. The teams' experience includes all aspects of mineral exploration, resource definition, feasibility, finance, mine construction and mine operation as well as a track record in managing publicly listed companies.

The Company is currently focused on exploration assets in Bulgaria, which is a member of the European Union (2007) with a mining law that was established in 1999 and updated in 2011. The local currency (BGN) has been tied to the Euro since 1999 (1.956 BGN/EUR). The country is served by modern European infrastructure including an extensive network of paved roads. Mining royalties compare favourably with more established mining countries like Canada, Peru and Chile. Bulgaria also boasts

an exceptionally low corporate tax rate of only 10% and the country's education system is excellent with good availability of experienced mining professionals in a favourable cost environment. Foreign mining companies are successfully operating in Bulgaria. Despite the positive operating environment, the number of established companies is low and Velocity is among the first movers in a new influx of foreign mining investment.

The Company's management and board believe that local knowledge and experience are essential components of mining investment in a foreign jurisdiction. Velocity Minerals has entered into two property option agreements with Gorubso Kardzhali A.D. ("Gorubso"), an established and respected mining company in Bulgaria. Gorubso operates the underground Chala Gold Mine (since 2006) and the Kardzhali Carbon In Leach (CIL) plant ("CIL Plant") (since 2011), which produces gold doré. Gorubso is the first and only company in Bulgaria to have secured a permit for cyanide-related processing of gold ores. Velocity's management has a long-standing relationship with Gorubso as well as abundant previous experience in Bulgaria and elsewhere in the region.

FORWARD LOOKING AND CAUTIONARY STATEMENTS

This MD&A contains forward-looking statements and forward-looking information (collectively, "forward-looking statements") within the meaning of applicable Canadian and U.S. securities legislation, including the United States Private Securities Litigation Reform Act of 1995 concerning the business, operations and financial performance and condition of the Company. All statements, other than statements of historical fact, included herein including, without limitation, statements regarding future capital expenditures and financings (including the amount and nature thereof), anticipated content, commencement, and cost of exploration programs in respect of the Company's projects and mineral properties, anticipated exploration program results from exploration activities, the discovery and delineation of mineral deposits, resources and/or reserves on the Company's projects and mineral properties, and the anticipated business plans and timing of future activities of the Company, are forward-looking statements. Although the Company believes that such statements are reasonable, it can give no assurance that such expectations will prove to be correct.

Often, but not always, forward looking information can be identified by words such as "pro forma", "plans", "expects", "may", "should", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", "believes", "potential" or variations of such words including negative variations thereof, and phrases that refer to certain actions, events or results that may, could, would, might or will occur or be taken or achieved.

Forward looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to differ materially from any future results, performance or achievements expressed or implied by the forward-looking information. Such risks and other factors include, among others;

- the Company's strategies and objectives, both generally and in respect of its specific mineral properties or exploration and evaluation assets
- the ability of the Company to obtain sufficient financing to fund its business activities and plans on an ongoing basis
- operating and technical difficulties in connection with mineral exploration or development or mine development activities for the Company's projects generally, including the geological mapping, prospecting, drilling and sampling programs for the Company's projects
- actual results of exploration activities, including exploration results, the estimation or realization of mineral reserves and mineral resources, the timing and amount of estimated future production, costs of production, capital expenditures, and the costs and timing of the development of new deposits,
- possible variations in ore grade or recovery rates, possible failures of plants, equipment or processes to operate as anticipated, accidents, labour disputes and other risks of the mining industry
- delays in obtaining governmental and regulatory approvals (including of the TSX Venture Exchange), permits or financing or in the completion of development or construction activities
- changes in laws, regulations and policies affecting mining operations, hedging practices, currency fluctuations, title disputes or claims limitations on insurance coverage and the timing and possible outcome of pending litigation, environmental issues and liabilities, risks related to joint venture operations, and risks related to the integration of acquisitions
- requirements for additional capital, future prices of precious metals, changes in general economic conditions, changes in the financial markets and in the demand and market price for commodities

- those factors discussed under the headings “Risk and Uncertainties” and “Financial Instruments and Risk Management” in this MDA and other filings of the Company with the Canadian Securities Authorities, copies of which can be found under the Company's profile on the SEDAR website at www.sedar.com.

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

EXPLORATION PROJECTS

All of the Company's material projects are located in southeastern Bulgaria and are referred to collectively as the Balkan Gold Project. The Company is focused on gold exploration and development. Velocity's management and Board include mining industry professionals with experience spanning Europe, Asia and the Americas as employees of major mining companies as well as founders and senior executives of junior to mid-tier public companies. The team's experience includes all aspects of mineral exploration, resource definition, feasibility, finance, mine construction and mine operation as well as a track record in managing publicly listed companies.

Exploration and Mining Alliance – Bulgaria

In January 2018, Velocity entered into a binding letter agreement with its Bulgarian partner Gorubso Kardzhali A.D. (“Gorubso”), which sets out the terms by which Velocity and Gorubso will form an exploration and mining alliance (the “Alliance”) covering all existing and future Gorubso and Velocity projects (the “Projects”) within an area of 10,400km² (the “Alliance Area”). In September 2018, the Company and Gorubso entered into a definitive “Exploration and Mining Alliance Agreement” (the Alliance Agreement”), which outlined the terms of the Alliance in more detail.

Highlights of the Agreement include:

Alliance Objectives -- The Agreement contemplates the exploration, development, and mining, as applicable, of the Projects and provides for an option/joint venture mechanism by which Velocity and Gorubso will partner to maximize value for both parties.

Access to Processing Plant -- Gorubso will make its central gold processing plant available to all Projects to process all future mined material as necessary. Securing use of the processing plant provides Velocity and the Alliance with reduced project risk, as well as potential capital and time savings.

Chala Gold Mine -- At Gorubso's operating Chala gold mine (“Chala Mine”), Velocity had an option to acquire a 50% beneficial interest upon reaching \$1 million in exploration expenditures and to form a joint venture with Gorubso for the further development and expansion of the mine. The Company has completed an initial exploration program and elected not to complete the option earn-in and has subsequently and withdrawn from the Chala option.

Advanced Exploration Properties -- Velocity will have an opportunity to complete option agreements on all Gorubso properties, whereby it can earn a 70% interest in the Projects on similar terms to the current option for the advanced Rozino gold project. The Company is in the process of completing due diligence on each of the available properties.

CIL Processing Plant - Bulgaria

Gorubso owns and operates a modern gold processing plant (the “CIL Plant”), which provides crushing, grinding, gravity, carbon-in-leach, elution, electro-winning, gold doré production and tailings management facilities. The CIL Plant is centrally located within the Alliance Area. Under the terms of the Alliance Agreement, Gorubso will make the Plant available for the processing of mineralized material from current and future properties. Material processed by the Alliance at the CIL Plant will be charged to any joint venture entities on a cost-plus basis.

Securing the use of the CIL Plant provides significant technical and financial risk reduction, as well as potential capital and time savings. Most importantly, securing the use of the processing facility significantly reduces permitting risk and delays that might otherwise arise if a processing plant had to be permitted and built prior to mine construction.

The use of the CIL Plant has been included in the NI 43-101 preliminary economic assessment (the “PEA”) recently completed for Velocity’s Rozino project, Tintyava Property.

Tintyava Property and Rozino Gold Project – Bulgaria

The Rozino gold project is currently the Company’s most advanced asset.

Property Description

The Rozino gold deposit is located within the Tintyava Property, which lies within the municipalities of Ivaylovgrad and Krumovgrad in southeast Bulgaria approximately 350 kilometres (km) by road east-southeast of the capital, Sofia. In 2016, Gorubso, won a competitive tender to acquire a prospecting and exploration licence covering the Tintyava Property (together with any after-acquired extraction rights, the “Tintyava Licence”), which licence is held by Tintyava Exploration EAD (“Tintyava Exploration”), a wholly-owned subsidiary of Gorubso. In July 2017, Velocity’s wholly-owned Bulgarian subsidiary, Kibela Minerals AD (“Kibela”) entered into an option agreement, under the terms of which Kibela had the right to acquire an undivided 70% legal and beneficial interest in the Tintyava Licence through delivery to Gorubso of a preliminary economic assessment on the Tintyava Property (the “PEA”) and completion of certain government work commitments (“Commitments”), locally, at the Rozino deposit up to the date of exercise of the option and, regionally, in the Tintyava Property up to the end of 2019. The additional funding requirements for the local and regional Commitments are each estimated at \$70,000.

On October 31, 2018, Velocity delivered to Gorubso a PEA prepared under National Instrument 43-101 of the Canadian Securities Administrators. Following delivery of the PEA, Velocity has earned an undivided 70% interest in the Tintyava Licence, subject to an undertaking to complete and fund the Commitments.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

The Tintyava Property is approximately 350 km by road east-southeast of Sofia. It is accessible year-round by sealed roads with forestry roads and historical drill tracks providing year-round access within the Property by four-wheel drive vehicle. Evaluation of the Project is at an early stage and details of labour sources and infrastructure, power and water for future potential mining have not yet been established.

The Project area’s average annual temperature is around 12°C, ranging from around 2°C in January to 24°C in July. Maximum rainfall occurs during November and December, with rainfall of up to 100 millimetres (mm) per day. Snow cover is sporadic usually lasting generally only five to 10 days per year. Exploration activities can be undertaken throughout the year. The local terrain is characterized by low mountains and predominantly levelled hills and is cut by steep valleys with an altitude ranging from 70 m to 700 m and averaging around 320 m. The Rozino Project area is bounded to the south by steep cliffs at Tashlaka and is segmented by the White River and its tributaries.

In the deposit area, elevation averages around 470 mRL in the north, reducing to approximately 300 mRL in the south, where the topography falls away towards the White River.

Small villages are dispersed widely throughout the licence area and the inhabitants are primarily involved in subsistence farming, particularly livestock and the growing of tobacco. The other main land use within the licence area is state controlled forestry. Rozino village is largely deserted. There is a 20 kV power transmission line 2.5 km from the Project and while the villages have electrical power, additional power will be required for the development of the Project. All villages have access to fresh water through a network of reservoirs.

History

Modern exploration of the Tintyava Property commenced by GeoService Engineering AD (“Geoengineering”) in the 1980s. Exploration activities since that time have included diamond core drilling, surface mapping, trenching and rock chip sampling. Geoengineering drilled 86 vertical diamond holes for 14,289 m. Geoengineering did not document drilling, sampling and assaying protocols. Previous exploration activities have been described in detail within Addison Mining Services’ NI 43-101 “Technical Report for the Rozino Project, Republic of Bulgaria” (Hogg, 2017).

Hereward began exploration in 2001 and completed three phases of drilling between 2004 and 2007 totalling 7,995 m, of which 2,733 m was completed in joint venture (“JV”) with Asia Gold. Additional work completed during this time included surface mapping, trenching and metallurgical test-work.

In 2009, the original prospecting licence containing the Rozino deposit was due for expiry and Hereward in JV with Caracal Gold LLC, through a local JV company, Cambridge Caracal Bulgaria EAD (“Caracal”), submitted a “Technical and Economic Assessment” report in order to maintain their rights for the deposit. Caracal submitted a small underground mine design in order to reduce environmental permitting. The application was rejected by the Bulgarian government, who considered that an open pit mine design was required and, despite extensive dialogue between the parties, in 2013 the original prospecting licence was cancelled.

Geology and Deposit Type

Rozino is a low sulphidation epithermal (“LSE”) gold deposit, predominantly hosted by Palaeogene breccia and conglomerate sedimentary rocks. Mineralization includes disseminations, replacement and veins, with pyrite (with rare traces of base metals), and arsenopyrite, associated with gold present at sulphide mineral boundaries and to a lesser degree as free grains or encapsulated inclusions. The dominant mineralization trend is northwest parallel to the regional extensional fault regime, with local mineralization development controlled by the intersection of steep structures sub-parallel to the extensional faults, gently dipping bedding and the metamorphic basement-sediment unconformity contact.

Drilling has intersected mineralization over an area around 1,000 m by 800 m to a vertical depth of around 190 m. The mineralization is interpreted to be completely oxidized to average depth of around 8 m, with fresh rock occurring at an average depth of around 19 m.

Resource Sampling and Assaying

The estimates are based on drilling information available on the 30th of May 2018. The sampling database includes 197 diamond holes completed by Velocity, Hereward Ventures Ltd (“Hereward”), and a Joint Venture between Hereward and Asia Gold Corp (“Asia Gold”) during the mid-2000’s, and Bulgarian state company Geoengineering in the 1980’s.

Few details of sampling and assaying are available for the Geoengineering drilling. Although data from these holes were used to aid mineralized domain interpretation, they were excluded from the estimation dataset. The Estimation Dataset includes diamond holes drilled by Hereward, Asia Gold and Velocity and comprises 90 holes for 13,588 m.

Relative to the dataset available for the March 2018 Mineral Resource estimates, the current sampling database contains assay results for an additional 12 holes for 1,580 m of drilling. Samples from Velocity’s diamond drilling provide 67% of the Estimation Dataset, with Hereward and Asia Gold drilling contributing 28% and 5%, respectively.

Hole spacing varies from around 50 by 50 m and locally closer in central portions of the deposit, to around 100 by 100 m in peripheral areas. Exploratory drilling outside the current resource area is generally very broadly spaced.

For Velocity’s diamond drilling all on-site core handling and sampling was supervised by Velocity geologists. The core was sampled over generally one metre down-hole intervals and generally halved for assaying with a diamond saw. The core samples were collected in sealed plastic bags and placed in plastic drums with tamper-evident seals for transport to ALS Minerals laboratory in Romania by an individual directly employed by Velocity for analysis by thirty-gram fire assay.

Information available to demonstrate sample representivity and the reliability of sampling and assaying for Velocity’s diamond drilling includes core recovery measurements, and assay results for field duplicates, coarse blanks and certified reference standards. These data have established that the assaying is representative and free of any biases or other factors that may materially impact the reliability of the analytical results.

Hereward and Asia Gold’s monitoring of sampling and assay reliability included duplicates and blanks for both data sets and certified reference standards for Asia Gold’s drill results. These data are not available for the current review. An independent Qualified Person employed by Asia Gold in 2005 audited Hereward’s sampling and assaying and considered the results to be sufficiently reliable for use in preliminary resource estimation.

Comparison of gold grades from the combined dataset of Hereward and Asia Gold drilling with nearby data from Velocity drilling shows similar average grades and supporting the general reliability of drilling, sampling and assaying for the Hereward and Asia Gold drilling.

Quality control measures adopted for Velocity’s Rozino diamond drilling have established that the sampling and assaying is representative and free of any biases or other factors that may materially impact the reliability of this data. Reliability of the Hereward and Asia Gold data has not been established with the same degree of rigour. This does not significantly affect confidence in the current Inferred Mineral Resource estimates. Sample preparation, security and analytical procedures adopted for the Rozino drilling provide an adequate basis for the current Mineral Resource estimates.

Mineral Processing and Metallurgical Testing

Material collected for metallurgical test-work, is considered representative of the deposit, considering the current stage of Project development. Test-work shows the optimal process option for treating the Rozino mineralization is bulk sulphide flotation using conventional flotation reagents at a grind size of nominally 80% passing 75 µm to produce a gold-bearing sulphide concentrate. Pyrite is the dominant sulphide and the concentrate is essentially a pyrite concentrate.

The gold-bearing pyrite concentrate is readily amenable to processing in a conventional CIL circuit to extract the gold in the pyrite concentrate with subsequent smelting to produce gold doré. Leach residence time is expected to be between 36 hours and 48 hours.

Adequate test-work data is available on the process to provide operating parameters for flowsheet design and major equipment sizing within the contingency allowances normally associated with a PEA.

The Base Case comminution circuit for the PEA is a three-stage crushing followed by a conventional ball mill. This comminution circuit minimizes capital cost and also reduces the technical and operating risk associated with a semi-autogenous grinding (SAG)/ball mill design which presently lacks SAG mill amenability test-work results.

Mineral Resource Estimation

Mineral Resources included in the PEA were estimated by Multiple Indicator Kriging of 2 m down-hole composited gold grades from diamond drilling by Hereward, Asia Gold and Velocity. Estimated resources include a variance adjustment to give estimates of recoverable resources above gold cut-off grades for selective mining unit (SMU) dimensions of 4 m east by 6 m north by 2.5 m in elevation.

Estimated resources are constrained within a mineralized envelope interpreted from composited gold grades and geological logging from diamond drilling and surface trenches. The envelope captures intervals of greater than 0.1 g/t, with the lower boundary reflecting the contact between variably mineralized sedimentary rocks and un-mineralized basement. It covers an area of approximately 700 m by 800 m. Estimated resources extend to the base of mineralized drilling at around 190 m depth, with around 90% of estimates from depths of less than 105 m and less than 1% from below 140 m.

The Mineral Resource estimates have been classified and reported in accordance with NI 43-101 Standards of Disclosure for Mineral Projects and the classifications adopted by the CIM in May 2014. The estimates are classified as Inferred, primarily reflecting the drill-hole spacing and uncertainty over the reliability of sampling data collected prior to Velocity’s involvement.

Table 1 presents Mineral Resources estimated for Rozino for selected cut off grades. The figures in this table are rounded to reflect the precision of the estimates and include rounding errors.

Table 1: Rozino Inferred Mineral Resource estimates at selected cut-offs

Effective date of estimates: 10 th September 2018			
Cut-off (Au g/t)	Tonnes (Mt)	Grade (Au g/t)	Metal (Au koz)
0.2	50	0.59	948
0.3	31	0.80	797
0.4	22	0.98	693

0.5	17	1.17	639
0.6	13	1.37	573
0.7	9.7	1.57	490
0.8	7.8	1.78	446
0.9	6.4	1.98	407
1.0	5.4	2.18	378
1.2	4.0	2.56	329
1.5	2.8	3.07	276

Mining Method

The mining method proposed within the PEA is that of conventional open pit mining.

The overall slope angle (“OSA”) for the open pit was set to 30° for the weathered material (Regolith and Oxide), 35° for the transitional and 45.3° for fresh material. These material types were coded into the block model. The Western sector of the pit required a flatter OSA for the fresh material and required an OSA of 40°.

Key input assumptions for the open pit optimization are listed below.

- Waste mining cost of US\$2.65/tonne
- Flotation process cost of US\$4.42/tonne
- CIL process cost of US\$39.03/tonne_{concentrate} (US\$1.72/tonne_{milled})
- Other costs of US\$7.70/tonne^{Note 1}
- Gold price of US\$1,250/oz
- Overall gold recovery to doré of 79.2%
- Note 1: Other costs include On-mine, Off-mine, Environmental Provision, Ore Incremental Costs, Contractor Monthly Management Fee and Sustaining Cost.

Mining by conventional open pit methods such as drill and blast followed by load and haul will be employed. Drilling and blasting will be performed on 5 m benches, as will loading of the blasted material. Where possible in the near surface weathered zone, “free dig” mining will be carried out (i.e. without drilling and blasting). Ripping by bulldozer may also be employed in transitional to reduce the quantity of drilling and blasting required.

The envisaged scale of mining at the Rozino deposit is relatively small with a peak total material movement of approximately 7 Mtpa. The annual processing plant feed requirement is approximately 1.75 Mtpa.

The mining fleet will consist of hydraulic excavators in backhoe configuration (90-tonne class) and 45 tonne capacity off highway articulated dump trucks. The estimated fleet size 3 x 90-tonne class excavators and 18 x 45-tonne class trucks will be the peak requirement. It is not anticipated the fleet size will increase significantly due to topography and the reference elevation. The primary mining fleet of trucks and excavators will be supported by standard open-cut drilling and auxiliary equipment.

Waste material will be hauled to the allocated waste rock dump positions to the east of the pit.

Rock fragmentation, aside from any free dig or ripping of ore, will be accomplished through drilling and blasting.

In-pit water management will primarily consist of runoff control and sumps. The dewatering infrastructure and equipment will be sized to handle groundwater inflows and precipitation. The surface water handling plan will be based on diverting as much surface water as possible away from the open pits, collecting it using ditches and sumps and then pumping it where necessary to a mine water pond. As the pit deepens, intermediate sumps may be required on the pit walls as well as on the surface between the pit and the mine water pond.

The proposed open pit mining operation at Rozino is considered relatively low risk from a technical mining operations standpoint for the following reasons:

- Mining rate of approximately 6 Mtpa will be required to sustain a 5,000 t/d plant feed, which is considered small and thus achievable.

- Mining equipment suitable for this sized operation will require 30–45-tonne articulated dump trucks and 90-tonne class excavators. This equipment is considered non-specialised and common with reasonable procurement and mobilization timeframes.
- Considering the size of the equipment proposed for the open pit mining operation, mobilization and demobilization of mining equipment should not present significant challenges for the transport of these mining machines.
- Site conditions are expected to be low to moderate difficulty in terms of climatic and topographical conditions.
- The Rozino site is accessible via an unsealed road (in reasonable repair) from the Rozino village which is accessed by sealed road and a 20 kV energy distribution line is located some 2 km to the north in the Rozino village.
- Siting of infrastructure is contained within a single watershed area located to the east of the open pit mining operation. The Project is expected not to discharge any water beyond the water storage facility into the general environment.
- Concentrate transport will require approximately 12 trucks per day transporting concentrate to an existing CIL plant located at Kardzhali (some 85 km by road). The required number of truck journeys is not considered to be a significant risk to public safety and other road users.

Recovery Methods

The optimal process route for treating the Rozino sulphide mineralization is flotation to produce a gold-bearing sulphide (pyrite) concentrate, followed by cyanidation of the concentrate in a conventional CIL circuit to produce gold doré.

The process of gold recovery is to be by a combination of on-site preconcentration in a flotation plant (“Flotation Plant”) and further processing in an existing operating carbon-in-leach plant (“CIL Plant”) located in Kardzhali, 85km by road from Rozino. Saleable gold and silver doré will be produced at Kardzhali. Given the early stage of the Project’s development, limited test-work data was available to support the design. Database information, vendor advice and assumptions based on experience have been used in lieu of Project-specific criteria. The criteria allow for the definition of a preliminary mass balance, as well as the design and specification of equipment for the derivation of the Project capital cost estimate.

In addition, it allows for the development of operating cost requirements such as power, water and reagents. The Rozino Flotation Plant is designed to process 1.75 Mtpa of ore over the LOM following ramp-up. Being essentially a pyrite concentrator containing gold values, sulphur feed grades are expected to largely dictate concentrate production rates but a final concentrate mass pull of 4.5% by weight has been adopted.

Assuming a plant availability of 92%, the operating regime for the Flotation Plant has been set at 8,059 hours per annum (h/a), which is typical for a plant of this level of complexity and size. This sets the nominal throughput at 217 dry tonnes per hour.

Recoveries of sulphur and gold to flotation concentrate have been estimated from the available test-work carried out on the master composite sample representing sulphide mineralization from the Rozino deposit.

Based on a concentrate mass pull of 4.4% by weight, the CIL Plant is designed to process approximately 80,000 t/a of concentrate.

Assuming a CIL Plant availability of 92%, the operating regime for the CIL Plant has been set at 8,059 h/a, which is typical for a plant of this level of complexity and size. This sets the nominal throughput at 10 dry t/h.

The concentrate leach recovery has been estimated from the available test-work carried out on the cleaner concentrate sample obtained from the open cycle cleaner test undertaken at Eurotest Control EAD (“Eurotest”) on the master composite sample.

Project Infrastructure

The Rozino deposit is a brownfield mining prospect and no infrastructure currently exists at the proposed mining operations. The site is currently accessed from the main sealed road via an unsealed dirt road in reasonable repair. The village of Rozino, located 2 km to the north of the Project is electrified with a 22 kV supply stepped down from 110 kV main distribution line located some 22 km to the north.

Preliminary surface water and groundwater estimates have indicated that the Project will have a negative water balance and approximately 50% of the mining and processing requirements will be augmented by a planned well field.

The plant electrical power will be supplied by the local power authority via an overhead high voltage transmission line supplied from the Rozino 20 kV substation. A 20 kV main substation will be established at the plant site to facilitate power distribution to various areas within the plant.

The Project water management plan is central to maintaining an appropriate environmental and operational performance for the Project. The principle adopted for site water management is to intercept and control water flowing within the operational areas to ensure that it stays within a single watershed area located to the east of the mine operations. This contact water will report to the water storage facility located at the lowest elevation of the watershed. The water will then be pumped back to the water storage tanks located at the processing facility for use in the process plant and mining operation.

The proposed water storage facility will have a capacity of 1 million m³ (approximately 75% of the annual consumption at a usage of 0.8 m³ per tonne processed). A preliminary hydrological study has indicated that up to 650,000m³ per annum of surface runoff and groundwater inflows is to be expected. Considering this, it is anticipated the Project will have a negative water balance on an annual basis and will require additional sources of make-up water to supplement the groundwater and surface runoff quantities.

The concept of the flotation tailings storage facility (“TSF”) is to place flotation tailings into a main storage impoundment (located directly to the east of the main pit within a valley and watershed area) from mine rock and/or dehydrated tailings. The mine site will be linked to the nearest accessible public network using fibre-optic cable which will support both data and voice communications. A repeater system will provide the infrastructure to enable handheld and mobile radio sets to communicate around the site.

The proposed access road to the plant site is an existing unsealed road approximately 13 km in length which runs from the 59 main sealed road through Konnitsi village to Rozino village, thereafter the roads become exploration dirt tracks with varying condition.

Marketing Studies

No market studies have been completed by the Company to date, and no existing contracts are in place.

Environmental

Velocity is still developing the Project design but has initiated the environmental and social impact assessment (“ESIA”) process early, as results can be used to improve the design, as well as maximizing the benefits of the ESIA without incurring excessive costs. All necessary permits to conduct the work proposed for the property have been obtained and there are no known significant factors or risks that may affect access, title or the right or ability to perform work on the Property. The prospecting licence agreement for the Tintyava Property has been signed with the Minister of Energy and exploration activities have been approved by the Ministry of Environment.

Under the Bulgarian Environment Protection Act, the development of an economically viable mining reserve will require an Environmental Impact Assessment (“OVOS”) which is, in part equivalent to an international ESIA. Furthermore, the Project is located within the Eastern Rhodope mountains, which is an area of wide biodiversity. As such, an environmental assessment of the potential mining project “compatibility assessment” is required to comply with Bulgarian Law and the European Union Natura 2000 Habitats Directive. An initial compatibility assessment was conducted for the approved exploration program within the prospecting licence area and a second assessment for exploitation is underway as part of the OVOS and ESIA process.

The ESIA will include an assessment of the environmental and social impacts of the Project’s planned development compared to existing conditions. Velocity has commenced baseline monitoring to characterize environmental conditions, including groundwater levels and quality, surface water quality, air quality (specifically airborne dust) and ecology, and will continue to observe any changes in the social environment of the Project area.

The Project is likely to give rise to a range of environmental and social impacts. Velocity is committed to managing the impacts of its operations, in conformance with recognized international best practice. Mitigation measures will be developed through the ESIA process in order to manage potential impacts and implemented to effective environmental and social development, operation and closure of the Project. An environmental management plan will be developed to ensure that appropriate control and monitoring measures are in place to deal with all significant impacts of the Project. The plan has been designed so that it can be reviewed and updated throughout the life of the Project.

Capital and Operating Costs

Capital costs for mining have been calculated from international benchmarked contractor rates for mobilization of equipment and construction on a mine services area that includes heavy equipment workshops, store and administrative structures. Mining capex has been estimated at US\$4.75M (CAD\$6.32M).

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

Flotation Plant estimated capital costs total US\$38.27M (CAD\$50.90M).

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

Total Project Capital requirements (including EPCM and contingency) are estimated to be US\$73.2M (CAD\$97.4M).

The mine operating costs were estimated from international benchmarked contractor mining rates and calculated per period based on the mine production schedule. Total LOM mine unit cost is estimated to be US\$0.24/t mined (US\$272/gold oz).

The processing costs for the Flotation Plant were estimated from international benchmarked rates and calculated per period based on the process feed schedule. Flotation plant unit costs is estimated to be US\$4.38/t (US\$113.8/gold oz).

The processing costs for the CIL Plant were estimated from actual and budget estimates for the operating CIL Plant and adjusted for expected concentrate throughput concentrate production schedule. CIL Plant unit cost is estimated to be US\$1.80/t of concentrate (US\$46.7/gold oz).

The on-mine costs for the Rozino site were estimated from first principles based on local labour rates (derived from similar operations within the region) and includes provision for stores and equipment. One mine unit cost is estimated to be US\$3.09/t (US\$80.1/gold oz).

A concentrate transport cost of US\$0.14/tonne/km has been used to calculate the cost attributable to the transportation of the gold bearing concentrate. The concentrate is required to be trucked 85 km to the Gorubso processing facility located in the city of Kardzhali, equating to an additional transport cost of US\$11.9/tonne concentrate or US\$0.6/tonne milled ore. Additional operating costs of 4% for sustaining capital and US\$0.75/tonne ore for the environmental provision was allowed in the operating cost estimate.

Total operating unit cost is estimated to be US\$20.92/t (US\$543.3/gold oz).

Economic Analysis

A standard discounted cash flow (“DCF”) method of financial valuation is used to value the Rozino Project. The DCF model is reported at 100% attributable equity. Key inputs to the financial valuation such as the Run Of Mine (“ROM”) production profile, operating costs and capital costs have been described in detail in the preceding sections of this report.

The DCF model has utilised US\$ as the base currency as majority of capital and operating cost estimates are based in US\$. Where stated (specifically in the output and reporting numbers), a Rate of Exchange of C\$0.75 to US\$1 has been used for currency conversion.

Corporate tax rates in Bulgaria are 10% payable on positive cash flows from operations.

A five-year straight line depreciation method of redeeming capital expenditure has been used to amortise the capital cash flows.

Cash flows are discounted at 5% to obtain an NPV of the Project.

Key financial assumptions are presented in the tables below.

Table 2: Key Project overview and metrics

Project Overview	Units	
Mining		
Total ore production	kt	9,471
Total waste production	kt	23,679
Total mined	kt	33,150
Metal mined	koz	461
Mine life	years	6.1
Steady state ROM production	kt/a	1750
Year at steady state	years	4.0
Average production rate	kt/d	4.3
Average head grades		
Au	g/t	1.51
Processing		
Overall metallurgical recovery	%	79.2%
Payable Au		
	LOM koz	365
	average koz/year	60

Table 3: Summary of LOM operating costs

Operating costs		US\$/tonne	C\$/tonne
Mining	\$/tonne	10.47	13.96
Flotation plant on site	\$/tonne	4.38	5.84
Milling (CIL to doré)	\$/tonne	1.80	2.40
On-mine	\$/tonne	3.09	4.11
Off-mine	\$/tonne	0.00	0.00
Environmental provision	\$/tonne	0.75	1.00
Sustaining capital	\$/tonne	0.43	0.57
All-in opex	\$/tonne	20.92	27.89
All-in opex (AISC)	\$/Au oz _{pay}	543.31	724.41

Table 4: Summary of initial capital costs

Capital costs	US\$M	C\$M
LOM capital	73.2	97.6
Mine infrastructure	4.8	6.3
Flotation plant on site	41.4	55.2
TSF	10.3	13.7
Water treatment plant	0.0	0.0
Gorubso upgrades	0.5	0.7
Study costs	0.0	0.0
Owner's cost	1.9	2.6
Indirects	0.8	1.1
EPCM	6.9	9.1
Contingency	6.7	8.9

Key financial outcomes are presented in the table below;

Table 5: Summary of economic results

Summary of economic results	Units	
Pre-tax		
NPV @ 0%	US\$M	168.2
	C\$M	224.3
NPV @ 5%	US\$M	108.6
	C\$M	144.8
IRR	%	35.1%
Payback (Project Start)	years	4.2
Payback (Production Start)	years	2.2
After-tax		
NPV @ 0%	US\$M	151.4
	C\$M	201.8
NPV @ 5%	US\$M	96.9
	C\$M	129.2
IRR	%	33.1%
Payback (Project Start)	years	4.3
Payback (Production Start)	years	2.3
ROCE	EBIT/CE	3.3

Adjacent Properties

Velocity has entered into an Alliance covering all existing and future Gorubso and Velocity projects within an area of 10,400 km² covering the prospective Eastern Rhodope Gold Mining District in southeastern Bulgaria. The Alliance provides an exclusive right for Velocity to earn a 70% interest in any existing or future project, plus access for all projects to the CIL Plant.

The Ada Tepe deposit (known as the Krumovgrad Project) is the most significant gold mineralization within the region. The property is owned by Dundee Precious Metals ("DPM") who is currently commissioning the plant of its Krumovgrad Project to exploit the Ada Tepe and Surnak deposits (6.2 Mt @ 4.0 g/t Au for 807 koz Au). First gold production at the Krumovgrad Project is slated for Q4, 2018.

Interpretation and Conclusions

The Mineral Resource estimate prepared for the Rozino Project has prospects of eventual economic extraction, classified in the Inferred category and thus suitable for inclusion in a PEA study. The PEA concludes that, at the current level of study, it is possible to mine the deposit via conventional open pit mining with a 1.51g/t gold LOM grade (at a 0.6g/t gold cut-off grade) and 2.5:1 average strip ratio. Processing by standard flotation suggests it is possible to achieve a gold concentrate grade of

30g/t gold and via transport of concentrate to an existing CIL plant, production of gold doré as a saleable product. Specific conclusions are set out in the sub-sections below.

Geology and Mineral Resources

- Rozino is an LSE gold deposit hosted within Palaeogene sediments as disseminations, replacement and vein mineralization. The dominant mineralization trend is northwest parallel to the regional extensional fault regime, with local mineralization development controlled by the intersection of steep structures sub-parallel to the bounding extensional faults and gently dipping bedding.
- The Mineral Resource estimates described in this report are based on drilling information available on the 30th of May 2018. The sampling database includes 197 diamond holes completed by Velocity, Hereward, Asia Gold and Geoengineering.
- Few details of sampling and assaying are available for the Geoengineering drilling. Although data from these holes were used to aid mineralized domain interpretation, they were excluded from the Estimation Dataset.
- The Estimation Dataset includes diamond holes drilled by Hereward, Asia Gold and Velocity and comprises 90 holes for 13,588 m. Relative to the dataset available for the previously disclosed March 2018 estimates, the current sampling database contains assay results for an additional 12 holes for 1,580 m of drilling. Samples from Velocity's diamond drilling provide 67% of the Estimation Dataset, with Hereward and Asia Gold drilling contributing 28% and 5%, respectively.
- Drilling has intersected mineralization over an area around 1,000 m by 800 m to a vertical depth of around 190 m. The mineralization is interpreted to be completely oxidized to average depth of around 7 m, with fresh rock occurring at an average depth of around 18 m.
- Hereward and Asia Gold holes are generally aligned sub-parallel with mineralization trends and define mineralized zones less robustly than Velocity's drilling which intersects mineralization trends at a greater angle providing a more reliable basis for resource estimation.
- Quality control measures adopted for Velocity's Rozino diamond drilling have established that the sampling and assaying is representative and free of any biases or other factors that may materially impact the reliability of this data. Reliability of Hereward and Asia Gold data has not been established with the same degree of rigour. This does not significantly affect confidence in the current Inferred Resource estimate. However, the reliability of the Hereward and Asia Gold data warrants further investigation as assessment of the Project continues.
- Sample preparation, security and analytical procedures adopted for the Rozino drilling provide an adequate basis for the current Mineral Resource estimates.
- Mineral Resources were estimated by Multiple Kriging of 2 m down-hole composited gold grades from diamond drilling by Hereward, Asia Gold and Velocity. Estimated resources include a variance adjustment to give estimates of recoverable resources above gold cut-off grades for SMU dimensions of 4 m east by 6 m north by 2.5 m in elevation.
- Estimated resources are constrained within a mineralized envelope interpreted from composited gold grades and geological logging from diamond drilling and surface trenches. The envelope captures intervals of greater than 0.1 g/t, with the lower boundary reflecting the contact between variably mineralized sedimentary rocks and un-mineralized basement. Estimated resources extend to the base of mineralized drilling at around 190 m depth, with around 90% of estimates from depths of less than 105 m and less than 1% from below 140 m.

Table 1 presents Mineral Resources estimated for Rozino for selected cut off grades. The figures in this table are rounded to reflect the precision of the estimates and include rounding errors.

- The Mineral Resource estimates have been classified and reported in accordance with NI 43-101 and the classifications adopted by CIM Council in May 2014 (CIM, 2014). The estimates are classified as Inferred reflecting the drill-hole spacing and uncertainty over the reliability of sampling data from pre-Velocity drilling.

Metallurgy and Processing

- Test-work shows that a gold bearing sulphide concentrate can be produced by standard flotation techniques, using conventional flotation reagents at a grind size of nominally 80% passing 75µm.
- The flotation concentrate can be treated in a conventional CIL circuit to extract the gold in the pyrite concentrate with subsequent smelting to produce gold doré. Leach residence time is expected to be between 36 hours and 48 hours.

- Predicted gold recovery to doré is 79.2%, based upon a flotation recovery of 91.4%, a leach recovery of 87.5%, and a 99% smelter recovery.
- Adequate test-work data is available on the process to provide operating parameters for flowsheet design and major equipment sizing within the contingency allowances normally associated with a PEA.
- The comminution circuit for the PEA is a three-stage crushing followed by a conventional ball mill. This comminution circuit minimises capital cost and reduces the technical and operating risk associated with a SAG/ball mill design which presently lacks SAG mill amenability test-work results.

Mining

- The Rozino deposit supports a conceptually economic open pit mining operation. The basis of the economic evaluation was the open pit extraction of gold bearing material, flotation of gold-bearing material to produce a 25–30 g/t gold concentrate for transport to the CIL Plant.
- A selected 0.6 g/t gold cut-off yields approximately 9.5 Mt of gold-bearing material at 1.5 g/t gold average grade and strip ratio of approximately 2.5.
- The proposed open pit operation at Rozino is considered small and a mining rate of approximately 6 Mtpa will be required to sustain a 5,000 t/d plant feed at an average strip ratio of 2.5. Mining equipment suitable for this sized operation will require 30–45-tonne articulated dump trucks and 90-tonne class excavators. Considering the size of the equipment proposed for the open pit mining operation, mobilization and demobilization of mining equipment should not present significant challenges for the delivery of these mining machines.
- It is anticipated that open pit mining at Rozino should not present any specific challenges or difficulties as environmental conditions and site conditions are expected to be low to moderate difficulty in terms of climatic and topographical conditions.
- No infrastructure currently exists at the Rozino site; however, the site is accessible via an unsealed road (in reasonable repair) and a 20 kV energy distribution line is located some 2 km to the north in the Rozino village. Water requirements for processing and mining operations will require augmentation from a developed well-field as preliminary estimates show that the Project will be in negative balance.
- Siting of infrastructure has been limited to the eastern watershed area to ensure that minimal contamination of the environment occurs. A number of surface constraints exist at the site:
 - Potentially environmentally sensitive areas for flora and fauna
 - Private land ownership
 - State owned primary industry (forestry).
- Placement of proposed infrastructure has considered these areas and has as far as possible located infrastructure either outside of these areas or has minimised the impact on these areas. Considering this, it is noted that placement of Flotation Plant and mining infrastructure will require careful planning as the project progresses as areas for the placement of infrastructure are limited and the minimisation earthworks costs should be considered.
- Trucking of concentrate will require approximately 12 trucks per day to deliver gold bearing concentrate to the CIL Plant located at Kardzali (some 85 km by road). The required number of truck journeys is not considered to be a significant risk to public safety and other road users.
- The following key risks to the Rozino Project:
 - Increased cost of energy supply infrastructure should the 20 kV line not be suitable to supply energy demands
 - Groundwater flows that will not be able to sustainably augment the negative water balance
 - Increased cost requirements due to legislative requirements for storage facilities (fell and stack, clear and grub and impoundment linings).

The preliminary economic indicators are favourable at a 0.6 g/t gold cut-off and production throughput of 1.75 Mtpa ore treated.

Environmental

- There are few receptors in the area, with no human settlements in proximity. Velocity has commenced baseline studies for the ESIA and OVOS, and data collection continues with a view to developing a detailed database covering the Project area and potentially affected areas. The remoteness of the area and depopulation reduces the number of potentially affected people. The Project is located within a Natura 2000 designated area, and any projects within these areas require careful management and strict mitigation measures to minimise any adverse impacts. However, the

Natura 2000 Habitat area covers much of southeastern Bulgaria, where many light and heavy industries operate, including large open pit mining operations. Climate data and weather data is being collected to compare to regional databases, to provide reliable data for the ESIA and design teams. Water data is also being collected, both from surface and groundwater sources.

- The exploration works are authorized through the approval of exploration permits and the compatibility assessment, which determined that exploration has a negligible impact on habitats and wildlife of the area. Additional biological surveys are continuing to verify the limited impact on sensitive habitats, and to determine potential for impact on protected birds, mammals and reptiles. Management measures have been recommended in the compatibility assessment and implemented by Velocity.
- The development of the Project is likely to give rise to a range of environmental and social impacts. However, assuming the implementation of mitigation measures proposed in the ESIA, these impacts are considered manageable and controllable. Therefore, the development, operation and closure of the Project could be undertaken in an effective environmental and social manner.

Water Management

- The Rozino Project area is located in south-eastern Bulgaria in a Continental-Mediterranean climate. The Project area has an annual average precipitation estimated to be approximately 770 mm, with the highest average monthly rainfall occurring in December (>100 mm) and the lowest in August (<25 mm).
- The Rozino deposit is hosted within Palaeogene breccia and conglomerate sedimentary rocks, which are likely to have low permeability with enhanced permeability associated with geological structures and contact zones. Groundwater flow through the fresh rock will be primarily associated with geological fractures and fissures within the rock mass. Groundwater levels in the Rozino Project area range from above ground level (artesian) to approximately 50 m below ground level.
- Pit inflows will be derived from both groundwater and surface water (rainfall runoff) sources. Groundwater inflows into the pits are likely to be low to moderate, with enhanced inflows associated with zones of higher permeability. Surface water (rainfall runoff) inflows will be highly influenced by the seasonal rainfall patterns. The total annual average pit inflow volume, for the two pits, is predicted to be up to 490,000 m³, comprising annual average rainfall runoff/surface water inflows of approximately 175,000 m³ and annual average groundwater inflows of approximately 315,000 m³ (based on a total average inflow of 10 L/s).
- Pit inflows can be effectively managed by the commissioning of an appropriate pit dewatering systems. Based on the current pit designs and currently available data, an in-pit sump dewatering system capturing both groundwater and surface water inflows will be a feasible pit dewatering strategy. Inflows will gravity drain to an in-pit sump(s) at the base of the pit and will be subsequently pumped out of the pit to a sediment treatment system. Dewatering bores, targeting discrete zones of enhanced permeability, are another possible pit dewatering option; however, at this stage there is insufficient data to confirm whether they would be a feasible option.
- Depressurisation (if required) would likely be achieved primarily by horizontal drain holes installed, as needed, along benches within the pits.
- Standard surface water management principals should be adopted for the site. Based on the current pit designs, the two pit developments will have minor surface water drainage and diversion requirements to mitigation rainfall runoff from external catchments draining into the pits. There may also be the opportunity to gravity drain rainfall runoff along the upper benches within the pits, to discharge laterally outside the pit perimeter which would result in reduced dewatering requirements within the pit development and associated capital and operating costs.
- The process plant site would only require relatively minor surface water management works to divert rainfall runoff from the small upstream catchment to downstream of the plant site. The proportion of water supply required from the TSF and the raw water storage dam may dictate the surface water management logic in the vicinity of the two dams.
- A water storage dam with a design capacity of approximately 1 Mm³ is proposed to be constructed in the catchment adjacent to the pit. The average annual rainfall runoff captured by the dam may be in the order of approximately 180,000 m³. This could potentially be supplemented by pumping pit dewatering to the dam (predicted to be up to an annual average of 490,000 m³); however, significant groundwater inflows are unlikely to be available in the early stage of mine development and the rainfall runoff related pit inflows are rainfall dependent.

Recommendations

The results of the PEA suggest positive economics for the project, at this level of study. Progression to a Preliminary Feasibility Study is warranted based on the conclusions drawn from the PEA and the following specific recommendations are set out in the sub-sections below.

Mineral Resources and Exploration

- The work plan recommended in the PEA comprises exploration of regional targets and areas adjacent the current Mineral Resources targeting expansion of the current Inferred Resource estimates and infill drilling aimed at upgrading Inferred Mineral Resource estimates to the Indicated category to support the preparation of a PFS. Estimated costs for this work plan total CAD \$3,934,000.
 - In addition to infill drilling, the PEA makes recommendations aimed at increasing confidence in estimated Mineral Resource are outlined below. Costs for these activities are included in the 2018 and 2019 work plan budget. Inter-laboratory check assays of representative pulp samples from Velocity's 2017 and 2018 drilling programs
 - Undertake check sampling and analysis of selected representative samples of Hereward and Asia Gold drill core
 - Further DGPS topographic surveying of the deposit area and surrounding areas.

Mining

- Considering the indicated economic potential of the base case at a 0.6 g/t gold cut-off and production throughput of 1.75 Mtpa ore treated, it is recommended the Project proceeds to the PFS.
- As part of the PFS, all considerations should be given to mobile and modular type construction of all infrastructure due to the short-term nature of the extraction and the potential surrounding deposits that may be exploited following the depletion of the Rozino deposit.
- Considering the additional test-work required in light of a potential PFS, it is further recommended that careful planning of any additional resource definition drilling to upgrade the resource may provide cost savings if coupled with the requirements for geohydrology and geotechnical disciplines.
- The PEA further recommends as part of a PFS that knowledge and understanding of the following is improved:
 - Ampacity of the Rozino 20 kV energy distribution lines
 - Bore-hole yield and recharge rates
 - Legislative requirements for fell and stack, clear and grub and topsoil stockpiling
 - Requirements for lining of tailings impoundments and waste rock storage facilities.
- The PEA report notes that the exploratory work required to increase the level of confidence of the Inferred Mineral Resource to a minimum required classification of Indicated is the critical path for the commencement of a PFS on the Rozino deposit.

Metallurgy and Processing

- Additional ore characterisation test-work is required to determine whether the Rozino sulphide mineralization is amenable to into SAG milling. Based on these results it is recommended to undertake an options study to determine the optimum comminution circuit.
- Further flotation test-work is recommended to optimize reagent additions.
- Bulk samples of the sulphide concentrate will be required to undertake further testing to determine the downstream equipment requirements for the ultimate Flotation Plant design.

Environmental

- Develop a water quality monitoring network to understand surface water patterns of the area
- Monitor wildlife presence, particularly of species considered to be protected, in order to determine true numbers and habitat use of potentially impacted and sensitive species
- Conduct road condition assessment for haul routes
- Examine the potential for renewable power supplies

Water Management

Additional studies are recommended to improve the understanding of the hydrology and hydrogeology of the Project area and to improve confidence with regards to predictions on pit dewatering, depressurisation, surface water management and water supply options:

- Installation of an on-site rain gauge, ideally a tipping bucket rain gauge, in order to record site specific rainfall data relating to both individual storm events and daily totals.
- Monitoring of flows (and some limited water quality) associated with surface water features in the immediate Project area.
- A comprehensive hydrogeological field investigation program is required in order to obtain site specific hydrogeological data for the Project, including the following:
 - Estimates of hydraulic parameters for the various lithologies, structures and contact zones across the project site
 - Hydraulic inter-connection between different lithological units and geological features
 - Groundwater levels, flow direction and quality and any seasonal variation
 - Mapping of local geological structures across the Project area.
- It is critical to note that all the predictions provided in this report are derived from limited site-specific data. Site-specific data for the Project is required in order to confirm all the predictions presented in this report and to allow the level of certainty to increase commensurate with progression of this study to the next stage (PFS level).

Ekuzya Gold Property – Bulgaria

Velocity (through a Bulgarian subsidiary) held an option to acquire an undivided 50% legal and beneficial interest in the Ekuzya property, free and clear of all liens and encumbrances, in consideration for incurring US\$1 million in exploration expenditures over a two year period, as to US\$500,000 in the first year and US\$500,000 in the second year; provided that if after Velocity has incurred the expenditures and there is a delay of more than 180 days in effecting the transfer of the earned interest in the property to Velocity or if at any time prior thereto Velocity elects not to exercise the option, then Velocity's interest in the property will be limited to the obligation of Gorubso to pay Velocity a 5% gross value commission on all metals discovered on the property as a result of Velocity's exploration activities thereon.

Velocity has filed on SEDAR a technical report prepared under National Instrument 43-101 on the Ekuzya property. The technical report includes exploration recommendations for the first year of exploration include acquisition of satellite imagery and topographic data, DGPS survey of historic exploration collars and trenches, soil sampling over the Ekuzyata target, systematic trenching of soil geochemistry anomalies, twinning of one drill hole, up to eight drill holes at target Zone 5, and if appropriate, drill testing of Ekuzyata soil and trench anomalies. The recommended budget for the first year of exploration of US\$510,000 includes 1,000m of diamond core drilling after the completion of soil sampling and trenching.

On May 11, 2018, the Company entered into the "Chala Mine Option Agreement" ("Chala Option"), which included the Ekuzya property and superseded the Ekuzya Option. The Ekuzya property thereafter fell under the terms of the Chala Option, from which the Company has subsequently withdrawn.

Chala Mine – Bulgaria

Under the terms of the Chala Option, Velocity committed to incurring \$0.5 million in exploration expenditures at the Chala Mine within an initial 12-month period. Thereafter, if Velocity incurred an additional \$0.5 million in exploration expenditures at the Chala Mine, Velocity would have the exclusive option to acquire an initial 50% undivided beneficial interest in the Chala Mine, in which case Velocity would form a joint venture with Gorubso for the further development and expansion of the mine. The Chala Option would be governed by a separate option agreement, which would be finalized by the parties in Q4 2018.

Prior to entering the Chala Option, Velocity completed extensive due diligence and resource targeting at the Chala Mine and identified multiple high-priority targets adjacent to or below existing mine infrastructure. Velocity digitally captured all available paper datasets at Chala, including, 20,798m of surface trenching, 55 historical surface drill holes, all existing underground development and production stopes including details of underground sampling within 31,664m of exploration and mine development and face sampling within 657 mining stopes.

Using the data set, Velocity built a comprehensive 3D geological model, which was then used to generate the priority drill targets. Velocity believed that mineralization could be continuous at depth, below the levels of current mine development, and the Company aimed to define mineralization of sufficient quantity to justify future capital investment for further development and expansion of the Chala Mine.

The Company began drilling in late June 2018 and completed exploration work including 23 diamond drill holes for a total of 3,016m with 1,009 samples sent for analysis. Based on largely negative results, management decided to withdraw from the Chala option. Notice of withdrawal from the Chala option has been delivered to and accepted by Gorubso.

Other Bulgaria Properties – Bulgaria

Under the terms of the Agreement, Velocity will have the exclusive option to earn an undivided 70% interest in all existing and future Gorubso properties (the “Gorubso Properties”) located within the Alliance Area.

The existing Gorubso Properties are at various stages of exploration and development. Depending on how advanced the particular property is, the associated option is exercisable by Velocity by the delivery of either a mineral resource estimate (for grass roots properties), a PEA (for advanced exploration properties) or a feasibility study (for properties with a mining concession).

Mt. Haskin Molybdenum Property – British Columbia, Canada

The Company’s wholly-owned subsidiary, Velocity Exploration Ltd., holds a 100% interest in the Mt. Haskin property, a molybdenite prospect located in the Cassiar District of the Liard Mining Division in northwestern British Columbia, Canada. The claims are subject to a 3% NSR, which may be acquired by the Company for a cash payment of \$1,500,000.

At June 30, 2013, the Company determined that the Mt. Haskin property was impaired and wrote off all associated costs to operations. Since that time, no significant exploration has been carried out on the property. During the year ended June 30, 2016, the Company completed the reclamation work required by the Government of B.C. and filed a report supporting this work. The work and report were approved by the BC Government which resulted in the refund in full of the \$25,000 bond that had been posted with the Government of B.C.

Quality Assurance and Quality Control

The work programs in Bulgaria are designed and supervised by Stuart A. Mills, CGeol, the Company's Vice-President Exploration, who is responsible for all aspects of the work, including the quality control/quality assurance program.

On-site personnel at the project rigorously collect and track samples which are then security sealed and shipped to ALS Global laboratory in Romania. Samples used for the results described herein are prepared and analyzed by fire assay using a 30-gram charge in compliance with industry standards. Field duplicate samples, blanks and independent controlled reference material (standards) are added to every batch.

Qualified Person

Stuart Mills, the Vice President Exploration for the Company, and a Qualified Person as defined by National Instrument 43-101, has approved the scientific and technical information concerning the Company discussed in this MDA. Mr. Mills is not independent of the Company as he is an officer, a shareholder and holds incentive stock options.

SUMMARY OF QUARTERLY RESULTS

The following selected financial data have been prepared in accordance with IFRS and should be read in conjunction with the Company's consolidated financial statements. The following is a summary of selected financial data for the Company for its eight completed financial quarters ended September 30, 2018.

Quarter Ended Amounts in 000's	Sept. 30, 2018	June 30, 2018	Mar. 31, 2018	Dec. 31, 2017	Sept. 30, 2017	June 30, 2017	Mar. 31, 2017	Dec. 31, 2016
Net income (loss)	(943)	(267)	(372)	(352)	(8,196)	(148)	(79)	(157)
Earnings (loss) per share – basic and diluted	(0.01)	(0.01)	(0.01)	(0.00)	(0.15)	(0.01)	(0.01)	(0.01)
Total assets	3,162	4,071	2,845	3,190	3,508	544	44	10
Working capital	53	417	(44)	(766)	2,211	(924)	(80)	(183)

During the period ended September 30, 2018, the Company incurred exploration and evaluation expenditures of \$283,199, general and administrative expenditures of \$269,610 and an impairment of exploration and evaluation assets of \$663,840 on the Chala Property.

During the period ended June 30, 2018, the Company the Company incurred exploration and evaluation expenditures of \$530,437, incurred exploration and evaluation advances of \$174,693 and general and administrative expenditures of \$266,171, including share-based compensation of \$129,561. The Company also completed a financing during the period for net proceeds of \$1,303,050.

During the period ended March 31, 2018, the Company incurred exploration and evaluation expenditures of \$360,828, incurred exploration and evaluation advances of \$76,777 and general and administrative expenditures of \$372,579.

During the period ended December 31, 2017, the Company incurred general and administrative expenses of \$332,573.

During the nine months ended September 30, 2017, the Company completed a reverse acquisition and became a publicly listed company. The Company completed financings during the period for net proceeds of \$3,341,006 and acquired \$239,832 from the reverse acquisition. The Company also incurred exploration and evaluation expenditures of \$1,768,532. Details of operating expenses are reviewed under Overview – 2017.

During the period ended June 30, 2017, the Company received funding through a promissory note of \$350,000. The Company incurred professional fees of \$204,528 and property investigation costs of \$95,304 and incurred exploration and evaluation expenditures of \$514,815.

Three months ended September 30, 2018 compared to three months ended September 30, 2017

The Company's general and administrative costs were \$269,610 (2017 - \$1,634,511), and reviews of the major items are as follows:

- Consulting of \$160,723 (2017 - \$338,067) consisting of business development and VP of Exploration in Bulgaria;
- Investor relations of \$(1,284) (2017 - \$53,418) decreased because of the reverse acquisition and the Company started an investor relations program in the prior period;
- Professional fees of \$56,102 (2017 - \$67,096) consisting of legal which decreased as result property agreements and the company incorporation agreements completed in the prior period;
- Salaries of \$30,406 (2017 - \$116,235) decreased as the Company became active because of the reverse acquisition in the prior period;

- Share-based compensation of \$Nil (2017 - \$987,834) decreased as the Company did not issue any options in the current quarter; and
- Foreign exchange loss of \$10,022 (2017 – \$27,453) decreased due to fluctuations in the exchange rate in Bulgaria.

Nine months ended September 30, 2018 compared to nine months ended September 30, 2017

The Company’s general and administrative costs were \$908,360 (2017 - \$1,819,382), and reviews of the major items are as follows:

- Consulting of \$386,166 (2017 - \$338,067) remained consistent from period to period and consists of business development and VP of Exploration in Bulgaria;
- Investor relations of \$71,836 (2017 - \$53,418) increased because the Company started an investor relations program;
- Professional fees of \$225,777 (2017 - \$192,708) consisting of legal which increased and accounting and auditing;
- Salaries of \$109,427 (2017 - \$116,235) remained consistent from period to period.
- Share-based compensation of \$129,561 (2017 - \$987,834) decreased based on the number of options issued compared to the prior period; and
- Foreign exchange gain of \$134,381 (2017 – (\$28,615)) increased as the exchange rate in Bulgaria weakened in the current period.

LIQUIDITY AND CAPITAL RESOURCES

The financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. The Company draws attention to matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern.

\$	September 30, 2018	Dec. 31, 2017
Working capital surplus (deficiency)	52,684	766,369
Deficit	(10,539,259)	(8,957,657)

Net cash used in operating activities during the nine months ended September 30, 2018 was \$714,967 (2017– \$85,712).

Net cash used in investing activities during the nine months ended September 30, 2018 was \$1,237,936 (2017 - \$6,160). The Company had exploration and evaluation expenditures of \$1,174,446 (2017 - \$Nil).

Net cash provided by financing activities during the nine months ended September 30, 2018 was \$1,303,050 (2017 - \$94,833).

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 property.

On June 29, 2017 14,000,000 previously issued warrants were transferred by the holders to the shareholders of 7076 and all the 14,000,000 warrants were exercised such that Velocity received exercise proceeds of \$1,050,000.

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 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.

On May 3, 2018, the Company issued 6,621,824 units at a price \$0.20 per unit for gross proceeds of \$1,324,400. All securities issued in connection with the financing are subject to a hold period of four months and one day in Canada. Each unit consists of one common share in the capital of the company and one-half of one common share purchase warrant, with each whole warrant entitling the holder to purchase one share at a price of 30 cents per share for a period of 12 months from the issue date. The expiry of the warrants will be accelerated if the closing price of the shares on a stock exchange in Canada is at least 50 cents for a minimum of 10 consecutive trading days during the term commencing after four months and one day from the issue date (the triggering event). The expiry of the warrants will be automatically accelerated upon the occurrence of the triggering event and the holders' rights to exercise their warrants will automatically expire and terminate at 4 p.m. Vancouver time 30 days following notice by the company to the holders of the occurrence of the triggering event.

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

There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favorable. If adequate financing is not available when required, the Company may be required to delay, scale back or eliminate various programs and may be unable to continue in operation. The Company may seek such additional financing through debt or equity offerings, but there can be no assurance that such financing will be available on terms acceptable to the Company or at all. Any equity offering could result in dilution to the ownership interests of the Company's shareholders and may result in dilution to the value of such interests.

The Company's future revenues, if any, are expected to be in large part derived from the development of its mineral properties for the mining of certain minerals, particularly gold, or interests related thereto. The economics of developing and producing resource properties are affected by many factors including the cost of operations, variations in the grade of ore discovered or mined and the price of the metals produced. Depending on metal prices, the Company may determine that it is impractical to continue development of its mineral properties or to pursue commercial production. In the case of molybdenum, its price has fallen in recent years. goldprices are affected by factors that include anticipated changes in international investment patterns and monetary systems, economic growth rates, political developments and shifts in supply and demand. In the case of gold, prices remain moderate to strong for the foreseeable future.

RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties:

Key management personnel compensation

During the nine months ended September 30, 2018 the Company entered into the following transactions with key management personnel, being those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including directors and management.

Name	Relationship	Purpose of transaction	Nine Months Ended September 30, 2018
Keith Henderson	CEO, President & Director of the Company	Salary	\$ 112,500
Promaid Services Ltd	Personal services company controlled by the CFO of the Company	Consulting	36,000
Marvel Office Management Ltd.	Company controlled by the Corporate Secretary of the Company	Consulting	18,000
Stewart Mills	VP Exploration - Bulgaria	Consulting	187,200
Danial Marinov	Director	Consulting	20,790

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

These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

OUTSTANDING SHARE DATA

- (a) As of the date of the MDA the Company has 74,886,759 issued to date and outstanding common shares. The authorized share capital is unlimited no par value common shares.
- (b) As at the date of the MDA the Company has 7,300,000 incentive stock options outstanding.
- (c) As at the date of the MDA the Company has 7,525,753 share purchase warrants.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Areas requiring a significant degree of estimation and judgment relate to the recoverability of the carrying value of exploration and evaluation assets, fair value measurements for financial instruments and share-based compensation and other equity-based payments, the recognition and valuation of provisions for restoration and environmental liabilities, and the recoverability and measurement of deferred tax assets and liabilities. Actual results may differ from those estimates and judgments.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has not entered into any off-balance sheet financing arrangements.

PROPOSED TRANSACTIONS

Currently the Company is not a party to any material proceedings. The Company continually evaluates new opportunities, including new properties by staking, acquisition or joint venture, and corporate consolidation or merger opportunities.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

There were no changes in the Company's significant accounting policies during the period ended September 30, 2018 that had a material effect on its condensed consolidated interim financial statements. The Company's significant accounting policies are disclosed in Note 2 to its audited annual consolidated financial statements for the period ended December 31, 2017.

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. The Company does not expect any impact to the financial statements from the adoption of this standard.

RISKS AND UNCERTAINTIES

The Company's business is mineral exploration. Companies in this industry are subject to many and varied kinds of risks, including but not limited to, environmental, mineral prices, political, and economical.

The Company will take steps to verify the title to any properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties. These procedures do not guarantee the Company's title. Property titles may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

The Company has no significant sources of operating cash flow and no revenue from operations. Additional capital will be required to fund the Company's exploration program. The sources of funds available to the Company are the sale of equity capital or the offering of an interest in its project to another party. There is no assurance that it will be able to obtain adequate financing in the future or that such financing will be advantageous to the Company.

The property interests to be owned by the Company or in which it may acquire an option to earn an interest are in the exploration stages only, are without known bodies of commercial minerals and have no ongoing operations. Mineral exploration involves a high degree of risk and few properties, which are explored, are ultimately developed into production. If the Company's efforts do not result in any discovery of commercial minerals, the Company will be forced to look for other exploration projects or cease operations.

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous materials and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties in which it previously had no interest. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liabilities to the Company.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial Risk Factors

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 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data

The fair value of cash is measured at Level 1 of the fair value hierarchy. The carrying value of receivables, and accounts payable and accrued liabilities approximate their fair value because of the short-term nature of these instruments.

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

Credit Risk

Credit risk is the risk of loss associated with a counter party's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and receivables. Management believes that the credit risk concentration with respect to receivables is remote as they are due from the Government of Canada. The Company's cash is deposited in accounts held at a large financial institution in Canada. As such, the Company believes the credit risk with cash is remote. Receivables comprise input tax receivables due from the Government of Canada. The Company considers the credit risk of receivables to be low.

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.

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

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

Interest Rate Risk

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade demand investments issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. The Company is not subject to significant exposure to interest rate risk.

Foreign Currency Risk

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

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, the ability to obtain financing, or the ability to obtain a public listing 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.

CAPITAL MANAGEMENT

The Company defines capital that it manages as shareholders' equity, consisting of issued common shares, stock options and warrants included in reserve, and subscriptions receivable.

The Company manages its capital structure and adjusts it, based on the funds available to the Company, in order to support the acquisition, exploration and development of exploration and evaluation assets. 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 property in which the Company currently has an interest is in the exploration stage; as such the Company has historically relied on the equity markets to fund its activities. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to externally imposed capital restrictions. There are no changes to the Company's approach to capital management during the year.

DISCLOSURE OF MANAGEMENT COMPENSATION

In accordance with the requirements of Section 19.5 of TSXV Policy 3.1, the Company provides the following disclosure with respect to the compensation of its directors and officers during the period:

1. During the nine-month period ended September 30, 2018, the Company did not enter into any standard compensation arrangements made directly or indirectly with any directors or officers of the Company, for their services as directors or officers, or in any other capacity, with the Company or any of its subsidiaries except as disclosed under "Related Parties Transactions".
2. During the nine-month period ended September 30, 2018, officers of the Company were paid for their services as officers by the Company as noted above under "Related Parties Transactions".
3. During the nine-month period ended September 30, 2018, the Company did not enter into any arrangement relating to severance payments to be paid to directors and officers of the Company and its subsidiaries.

APPROVAL

The Board of Directors of the Company has approved the disclosures in this MDA.

Additional information related to the Company is available on SEDAR at www.sedar.com.