

NR20-18

August 31, 2020

## Velocity Announces Positive Pre-Feasibility Study Results for the Rozino Gold Project, Southeast Bulgaria

**After-Tax NPV<sub>5%</sub> of CAD \$163 million and IRR of 27.4%**

**Vancouver, British Columbia** – Velocity Minerals Ltd. (TSXV: VLC) (“**Velocity**” or the “**Company**”) announces the results of an independent Prefeasibility Study (“**PFS**”) on its Rozino gold project (“**Rozino**” or the “**Project**”) located in southeast Bulgaria. The PFS establishes the Rozino deposit as supporting an economic open pit mine operation with gold recovery by a combination of on-site concentration in a flotation plant (“**Flotation Plant**”) and further processing to produce a gold-silver doré in the existing and operating processing plant (“**Processing Plant**”) located in Kardzhali, 85 km by road from Rozino, where doré would be produced. The PFS financial model base case returns an after-tax Net Present Value at a 5% discount rate (“**NPV<sub>5%</sub>**”) of CAD \$163 million and an after-tax internal rate of return (“**IRR**”) of 27.4%.

Rozino is located within the Tintyava prospecting and exploration licence owned by Tintyava Exploration AD (“**Tintyava**”), in which Velocity has 70% ownership.

“We are pleased to report results of the Rozino prefeasibility study, which further de-risks the project and provides opportunities for additional project enhancements as we advance the project towards production,” stated Keith Henderson, Velocity’s President and CEO, “The prefeasibility study presents financial results for the Rozino gold deposit as currently defined. Exploration work is ongoing aiming to discover and define additional mineralization within the 145 km<sup>2</sup> exploration licence and at Velocity’s other option properties in the region, which could potentially fit into a Hub and Spoke development model. Over the coming 12 months, Velocity will continue to aggressively explore the exploration properties in the surrounding area, aiming to discover and define mineral resources as part of this strategy.”

All amounts are reported in United States dollars (US\$) unless otherwise specified.

### Prefeasibility Study<sup>1</sup> Highlights

- **After-Tax Financials:** After-tax NPV<sub>5%</sub> of CAD\$163 (\$123) million and after-tax IRR of 27.4% using a base case gold price of \$1,500 per ounce.
- **Life of Mine Earnings:** \$293 million before interest, taxes, and depreciation.
- **Cash Cost:** All-in sustaining cost<sup>2</sup> of \$755 per ounce of gold and cash cost<sup>3</sup> of \$699 per ounce of gold.
- **Capital Costs:** Total estimated capital costs of \$94.8 million and pre-production capital costs of \$87.1 million (including an 11% contingency).
- **Mineral Resource:** Indicated Mineral Resource at a 0.3 g/t gold cut-off grade of 20.5 Mt at 0.87 g/t gold, for contained gold of 573,000 ounces and an Inferred Mineral Resource at a 0.3 g/t cut-off of 0.38 Mt at 0.8 g/t gold for 10,000 ounces<sup>4</sup>.
- **Initial Mineral Reserve:** Probable Mineral Reserve at a 0.5 g/t gold cut-off grade of 11.8 Mt at 1.22 g/t gold for 465,000 ounces.

- **Mining:** Open pit with 0.5 g/t gold cut-off grade (COG), low strip ratio of 2.2 and 1.22 g/t life of mine (“LOM”) gold grade.
- **Conventional Process Flow Sheet:** Returns 79.3% gold recovery to doré at the operating Processing Plant.
- **Processing:** On-site flotation producing gold-bearing pyrite concentrate assaying from 15 to 40 g/t and transportation to the Processing Plant (located 85 km from the Project) for processing to produce doré.
- **Low Environmental Risk:** Small project footprint with benign, non-acid generating and non-hazardous waste and tailings material.
- **Opportunities for Project Enhancement:** The Rozino gold deposit is open to the southeast and exploration is ongoing. Additional pit tailings storage capacity exists to accommodate potential increases in ore production.

*Notes:*

*(1) Base case parameters assume a gold price of US\$1,500/ounce and an exchange rate (CAD\$ to US\$) of 0.75. Financial results on 100% equity basis.*

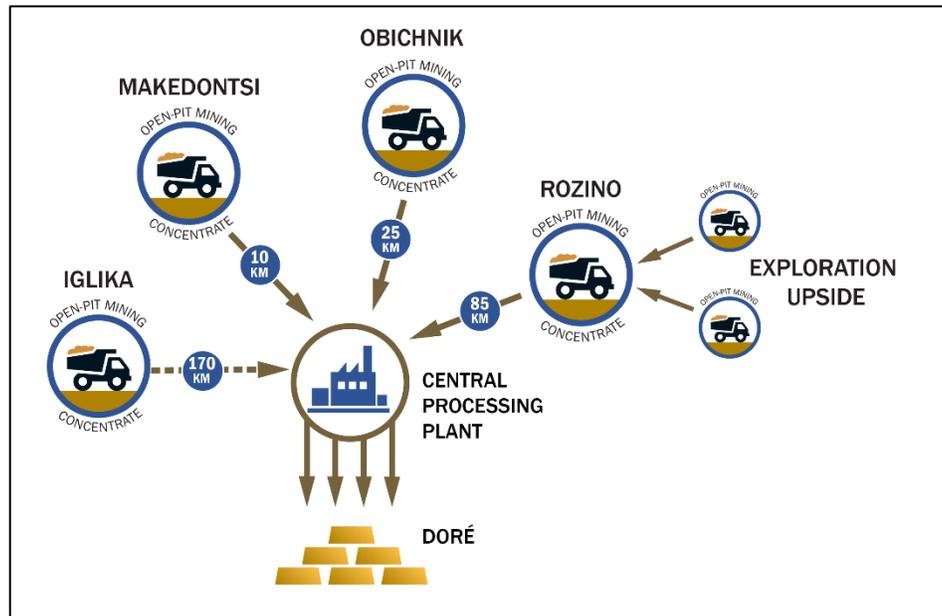
*(2) All-In Sustaining Cost (AISC) is defined as all cash costs related to production costs such as mining, processing, refining, site administration, and NSR royalty to final product (direct and indirect), and mine closure and rehabilitation. Sustaining capital costs related to continuing the business including development and equipment required to sustain production are included. Taxes, working capital, M&A, disposals, and acquisitions as well as new mine development capital costs are excluded. See “Use of Non-IFRS Financial Performance Measures” below.*

*(3) Cash Costs include production costs such as mining, processing, refining, site administration, and NSR royalty, divided by gold ounces sold to arrive at a cash cost per gold ounce sold. See “Use of Non-IFRS Financial Performance Measures” below.*

*(4) Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability. Inferred Mineral Resources are considered too speculative geologically in nature to enable them to be categorized as Mineral Reserves and there can be no certainty that all or any part of an inferred mineral resources will ever be upgraded to Indicated Mineral Resources or Measured Mineral Resources.*

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

Velocity’s strategy is to develop a low cost “Hub and Spoke” operation in southeast Bulgaria whereby multiple gold projects produce gold concentrates for trucking to an existing, central processing plant for the production of doré. Other than Rozino, the projects referred to in the “Hub and Spoke” development model do not have defined resources nor is there is any guarantee that resources will be defined. These projects are not included in the PFS. We refer to the risks and assumptions set out in our Cautionary Statement regarding Forward-Looking Information located at the end of this release.



**Velocity's Hub and Spoke Development Model**

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

Rozino is located within the Tintyava prospecting licence, a property owned by Tintyava in which Velocity Minerals Ltd has a majority 70% interest and is the operating partner. Gorubso Kardzhali AD ("Gorubso") holds a 30% interest and both partners contribute *pro rata* to joint venture costs.

The PFS establishes the Rozino deposit as supporting an economic open pit mine operation. The Project includes on-site crushing, milling and simple flotation to produce a gold concentrate with a grade ranging between 15 and 40 g/t. The concentrate will be trucked 85 km on existing roads to the currently operating Processing Plant where gold-silver doré will be produced. The sale of doré to Bulgarian refineries will be an important consideration in the Feasibility Study for the Project.

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

- the existing Processing Plant is permitted, currently operational, and has sufficient capacity to process concentrate from Rozino,
- the use of the existing Processing Plant reduces total capital cost requirements for Rozino, and
- on-site development at Rozino only requires permitting for mining, flotation concentration, and disposal of relatively benign waste rock and tailings. The area of disturbance has been kept relatively compact to facilitate reclamation and closure.

### **PFS Financial Results and Sensitivity**

The PFS financial model reflects an after-tax NPV<sub>5%</sub> of \$123 million and an after-tax IRR of 27.4%. Total undiscounted after-tax cash flow over the life of the Project is estimated to be \$179 million, with a robust return on capital employed (ROCE) of 3.1.

**Table 1. Headline Financial Results.**

| PRE-TAX                     |       | US\$  | CAD\$ |
|-----------------------------|-------|-------|-------|
| Pre-Tax NPV <sub>0%</sub>   | \$M   | 199   | 265   |
| Pre-Tax NPV <sub>5%</sub>   | \$M   | 137   | 183   |
| IRR                         | %     | 34.7% |       |
| Payback (Production Start)  | Years | 2.9   |       |
| AFTER-TAX                   |       | US\$  | CAD\$ |
| After-Tax NPV <sub>0%</sub> | \$M   | 179   | 239   |
| After-Tax NPV <sub>5%</sub> | \$M   | 123   | 163   |
| IRR                         | %     | 27.4% |       |
| Payback (Production Start)  | Years | 3.0   |       |

Single factor sensitivity analysis was completed on a number of key parameters, including gold price, capital expenditure and operating expenditure. These parameters are assessed as having the greatest impact on the economics of the Project. Parameters were increased and decreased, in isolation, in increments of 25% from the base case to assess the impact on the Project's NPV<sub>5%</sub>. The Project NPV<sub>5%</sub> is most sensitive to metal prices.

**Table 2. Project Sensitivities.**

|            | Sensitivities              | After-Tax IRR% | After-Tax NPV <sub>5%</sub> (\$M) |
|------------|----------------------------|----------------|-----------------------------------|
| CAPEX      | -25%                       | 46.5%          | 158                               |
|            | <b>Base Case</b>           | 27.4%          | 123                               |
|            | +25%                       | 15.3%          | 77                                |
| OPEX       | -25%                       | 37.9%          | 186                               |
|            | <b>Base Case</b>           | 27.4%          | 123                               |
|            | +25%                       | 13.8%          | 47                                |
| Gold Price | US\$1,125 (-25%)           | 10.2%          | 27                                |
|            | <b>Base Case US\$1,500</b> | 27.4%          | 123                               |
|            | US\$1,875 (+25%)           | 41.4%          | 218                               |

## Recommendations, Risks and Opportunities

### Recommendations

The PFS represents the best available estimates of operating and financial parameters of the Rozino Project. CSA Global recommend that the Company progress to complete a Feasibility Study for the Project, which will aim to resolve key project parameters with greater certainty. It is recommended that ongoing exploration drilling be completed prior to commencement of the Feasibility Study so that any additional discoveries can be integrated therein.

### Risks

The proposed open pit mining operation at Rozino is considered low to medium risk from a technical standpoint.

- CSA Global were able to determine that mineralization can be adequately modelled for its diluted, recoverable grade properties assuming a selective mining unit (SMU) of 4 x 6 x 2.5 m using the multiple indicator Kriging (MIK) methodology. No further dilution or mining loss was considered appropriate. Key to this recommendation is that the operational and technical

mining team, mine management, and key operators to be well trained and attentive to dilution and ore loss controls and consistently apply best practices in mineral handling.

- The small pit size and requirement for there to be six to eight working locations may result in ore and waste scheduling constraints. Detailed short-term planning will identify the stress points and enable mitigation.
- Concentrate transport will require approximately 12 X 20 t trucks per day transporting concentrate to the existing Processing Plant located at Kardzhali (85 km by road). Although considered a low risk, public safety and concentrate supply continuity will be areas of focus during the mine life.

### ***Opportunities to Enhance Project Value***

There are several opportunities to add value at Rozino during the advancement of the FS engineering work.

- Potential Additional Resources at Rozino: Further exploration drilling may create additional opportunity at the Project. Mineralization is open on the southeastern boundary of the deposit and ongoing drilling by Velocity has recently intersected moderate grade, near-surface gold mineralization (most recent news releases 21<sup>st</sup> July 2020). The recent exploration results are considered not material to the outcomes of this PFS. The results of the recent and proposed exploration drilling will be considered in a future evaluation of the Mineral Resources and Mineral Reserves.
- Ongoing Exploration: Exploration is ongoing on various other prospects within the Tintyava Property, all of which are within trucking distance of the Rozino Flotation Plant. There is some additional unused tailings capacity in the pit.
- Recoveries: Additional metallurgical testwork is recommended in the FS to undertake additional variability testwork to obtain more confidence in the grade-recovery function and the oxidation-recovery relationship. If gold recovery at lower grades is better than expected, there could be more value derived from lower grade ore. In addition, more accurate estimation of the oxidation rating will improve short-range recovery estimates.
- Silver upside: The metallurgical testwork indicates the presence of silver in the bulk concentrate and doré that could potentially add value. Routine drill core analyses have been limited to gold through much of the drilling campaigns. Consequently, silver was not able to be incorporated into the Mineral Resource estimate and Mineral Reserve statement. Silver analysis of laboratory pulps is recommended and will be undertaken for the FS.

### **Mineral Resource Estimate**

The estimates are based on 2 m down-hole composited gold assay grades from angled diamond drilling available on 23<sup>rd</sup> October 2019. Relative to the dataset available for the previous September 2018 Inferred Mineral Resource estimates, the estimation dataset contains assay results for an additional 114 holes for 12,733 m of drilling. This additional infill drilling, which reduced hole spacing for much of the deposit to around 50 m by 50 m, confirmed the general tenor and continuity of mineralization interpreted from the previously broad spaced drilling. This drilling, along with additional analytical information, supports the estimation of Indicated Mineral Resources.

The Rozino sampling database compiled for these estimates includes 311 diamond holes for 44,071 m of drilling, of which 86 drill holes (14,289 m) completed by Asenovgrad Geoengineering EAD during the 1980s are not included in the resource estimation dataset due to insufficient quality control data. The estimation dataset compiled for resource modelling and defining mineralization extent totals 204 diamond holes for 26,321 m and includes drill holes within the interpreted mineralised domain and rare holes up to

approximately 100 m from the domain. This drilling includes 170 holes (21,787 m) drilled by Velocity, 28 drill holes (3,794 m) completed by Hereward Ventures Ltd. (“**Hereward**”), and 6 drill holes (740 m) completed by Asia Gold Inc. (“**Asia Gold**”). The remaining angled drill holes from the database are located outside the modelling area and did not inform the resource estimation. Relative to the dataset available for the previous September 2018 Mineral Resource estimate, the estimation dataset contains data for an additional 114 diamond holes (12,733 m).

The combined hole spacing varies from around 50 m by 50 m and locally closer in central portions of the deposit, to around 100 m by 100 m in peripheral areas. Samples from Velocity’s diamond drilling provide 82% of the estimation dataset, with diamond holes drilled by Hereward and Asia Gold contributing 16% and 3% respectively.

Velocity’s work program at Rozino was 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 were prepared and analyzed by fire assay using a 30 gram charge in compliance with industry standards. Field duplicate samples, blanks, and independent controlled reference material (standards) are included in every batch.

Hereward and Asia Gold’s diamond core from angled drilling was sampled and analyzed by industry standard methods. The core was generally halved for analysis with a diamond saw over about 1 m intervals, and samples were analyzed for gold by fire assay by commercial laboratories. 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 data.

The Mineral Resource estimate was carried out by MPR Geological Consultants Pty Ltd.

Estimated Resources are constrained within a mineralised envelope interpreted from 2 m down-hole composited gold grades and geological logging from diamond drill core. The envelope captures intervals of greater than 0.1 g/t, with the lower boundary reflecting the contact between variably mineralised sedimentary rocks and un-mineralised basement. It covers an area of approximately 0.8 km by 1.0 km.

Bulk densities of 2.35, 2.40 and 2.55 tonnes per cubic metre were assigned to completely oxidized, transitional and fresh material respectively, using surfaces representing the base of complete oxidation (“**BOCO**”) and top of fresh rock (“**TOFR**”) interpreted by Velocity. The density values were derived from the results of 250 immersion density measurements performed by Velocity and Hereward on samples of diamond drill core. Within the resource area the depth to BOCO averages around 11 m, with fresh rock occurring at an average depth of around 22 m.

Recoverable resources were estimated using Multiple Indicator Kriging (MIK) with block support adjustment, a method that has been demonstrated to provide reliable estimates of recoverable open pit resources in gold deposits of diverse geological styles. Indicator class grades used for the MIK modelling were determined from the mean composite gold grade of each indicator class. The effect of extreme grades on estimates was reduced by cutting six outlier composites with gold grades of greater than 60 g/t to 60 g/t for determination of the mean grade for the highest indicator class.

Estimates for mineralization tested by generally consistently 50 m by 50 m and closer spaced drilling are classified as Indicated, with estimates for more broadly sampled zones assigned to the Inferred category.

Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability. To provide estimates with reasonable prospects for eventual economic extraction, Mineral Resources are reported within an optimized pit shell generated with the parameters shown in Table 3. These cost and revenue parameters were specified by Velocity and are compatible with the mining and recovery methods

described in this announcement. They generate a cut-off grade of 0.3 g/t, which is selected as the base case for Mineral Resource reporting.

The optimal pit shell generated for constraining Mineral Resources has dimensions of about 770 m by 660 m, with a maximum depth of around 150 m.

Table 4 shows the Indicated and Inferred Mineral Resource estimates for Rozino. The figures in this table are rounded to reflect the precision of the estimates and include rounding errors.

**Table 3. Parameters used to generate pit shell to constrain Mineral Resources.**

| Parameter                                       |                          | Value             |
|---|--------------------------|-------------------|
| Gold price                                      |                          | \$1,500 per ounce |
| Cost per tonne of material mined                |                          | \$2.59 per tonne  |
| Cost per tonne of material milled, excl. mining |                          | \$11.74 per tonne |
| Metallurgical recovery                          |                          | 79.3%             |
| Refining charge                                 |                          | \$1.44 per ounce  |
| Average pit wall angles                         | Wall azimuth 030 to 150° | 36°               |
|   | Wall azimuth 150 to 030° | 40°               |

Note:

(1) The reasonable prospects for eventual economic extraction utilizes a fixed metallurgical recovery of 79.3% that does not vary for ore type or grade.

**Table 4. Mineral Resource Estimate (effective date April 15, 2020).**

| Within \$1,500/oz pit shell         |              |                   |                       |
|-------------------------------------|--------------|-------------------|-----------------------|
| Indicated Mineral Resource Estimate |              |                   |                       |
| Cut-off<br>g/t                      | Tonnes<br>Mt | Grade Gold<br>g/t | Contained<br>Gold koz |
| 0.2                                 | 27.2         | 0.72              | 630                   |
| <b>0.3</b>                          | <b>20.5</b>  | <b>0.87</b>       | <b>573</b>            |
| 0.4                                 | 15.5         | 1.04              | 518                   |
| 0.5                                 | 12.0         | 1.22              | 471                   |
| 0.6                                 | 9.42         | 1.40              | 424                   |
| Inferred Mineral Resource Estimate  |              |                   |                       |
| Cut-off<br>g/t                      | Tonnes<br>Mt | Grade Gold<br>g/t | Contained<br>Gold koz |
| 0.2                                 | 0.49         | 0.7               | 11                    |
| 0.3                                 | 0.38         | 0.8               | 10                    |
| 0.4                                 | 0.29         | 0.9               | 8                     |
| 0.5                                 | 0.23         | 1.0               | 7                     |
| 0.6                                 | 0.17         | 1.2               | 7                     |

Notes:

- (1) The selected base case Mineral Resources are reported at a cut-off grade of 0.3 g/t gold.
- (2) Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability.
- (3) The Mineral Resources have been classified and reported in accordance with the Canadian Institute of Mining, Metallurgy and Petroleum "CIM Definition Standards - For Mineral Resources and Mineral Reserves" ("CIM Definition Standards").
- (4) Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability. Inferred Mineral Resources are considered too speculative geologically in nature to enable them to be categorized as Mineral Reserves and there can be no certainty that all or any part of an inferred mineral resources will ever be upgraded to Indicated Mineral Resources or Measured Mineral Resources.

## Mineral Reserves

The Rozino deposit supports an economic open pit mining operation. The Mineral Reserve estimate is based on the Indicated classification of the Mineral Resource contained within the pit design. The Mineral Reserve estimate has considered all modifying factors appropriate to the Rozino Gold Project.

The reference point at which the Mineral Reserves are defined is where the ore is delivered to the processing plant.

**Table 5. Probable Mineral Reserves (effective date 20<sup>th</sup> August 2020).**

| Ore Type     | Reserve Category | Tonnes Mt   | Gold Grade g/t | Contained Metal koz Gold | Metallurgical Recovery % | Recoverable Metal koz Gold |
|--------------|------------------|-------------|----------------|--------------------------|--------------------------|----------------------------|
| Oxide        | Probable         | 1.9         | 1.07           | 64                       | 67.4                     | 43                         |
| Transitional | Probable         | 1.8         | 1.15           | 68                       | 70.7                     | 48                         |
| Sulphide     | Probable         | 8.1         | 1.27           | 332                      | 83.3                     | 277                        |
| <b>Total</b> | <b>Probable</b>  | <b>11.8</b> | <b>1.22</b>    | <b>465</b>               | <b>79.3</b>              | <b>368</b>                 |

*Notes:*

- (1) The Mineral Reserve disclosed herein has been estimated in accordance with CIM Definition Standards.
- (2) Mineral Reserves discard cut-off grade was 0.5 g/t gold.
- (3) Mineral Reserves are based on a \$1,500/oz gold price.
- (4) Mineral Reserves account for mining dilution and ore loss.
- (5) Probable Mineral Reserves were based on Indicated Mineral Resources.
- (6) Sum of individual amounts may not equal due to rounding.

None of the Inferred category of the Mineral Resources are included in the Mineral Reserves. Inferred Mineral Resources do not contribute to the financial performance of the Project and are treated in the same way as waste.

Mining losses and mining dilution are incorporated in the MIK Mineral Resource estimate. CSA Global were able to determine that mineralization can be adequately modelled for its diluted, recoverable grade properties assuming a selective mining unit (SMU) of 4 x 6 x 2.5 m using the MIK methodology. CSA Global consider that the Mineral Resources can be effectively mined by open cut extraction using the selected mining equipment and qualifications relating to training, grade control practices, and drilling and blasting technique applied, without additional dilution and loss factors being applied.

## Mining

The mine will be a conventional open pit shovel and truck operation.

The mine plan allows for the production of 9.2 Mt of high-grade ore and 2.7 Mt of low-grade ore (a total of 11.8 Mt) over a period of 7 years. High grade ore will have a cut-off of 0.8 g/t gold and an average head grade of 1.38 g/t. Low grade ore will have a cut-off of 0.5 g/t and an average head grade of 0.68 g/t. Low-grade ore will be stockpiled on the waste rock dump and processed over the last 18 months of mine life. The mining schedule also identifies ore by the degree of weathering (Oxidised, Transitional and Sulphide). Metallurgical testwork indicated that there was no benefit to processing the ore types separately and therefore there is no selectivity in the mining or processing operations.

This mine plan will allow the processing of 1.75 Mt of ore per annum for a total mine life of 7 years.

Primary and ancillary mining equipment will be leased and operated by the Company. Drilling and blasting will be carried out by a licenced contractor. The contractor will supply and manage explosives on a just-in-time use basis, thus requiring no on-site storage requirements.

Blasting will be on 5 m benches. The benches will be mined in two 2.5 m passes using three X 90 tonne class excavators for primary excavation. The blasted rock will be loaded into 55 tonne capacity trucks. The truck fleet will number between 12 and 15 units at steady state production rates.

The mine pit will comprise two phases: Phase 1 in the east will be mined first followed by Phase 2 in the west. Most of the Phase 2 waste will be placed into the depleted Phase 1 pit. The tailings from the high-grade ore will be stored in the valley TMF with a capacity of 8.6 Mt. When the Phase 2 pit is complete, the tailings from the low-grade ore (2.8 Mt) will be placed into the pit.

The mine sequence generates an optimised cash flow by deferring low grade ore to the end of mine life, minimising waste haulage costs, and generating a compact environmental footprint.

The pit optimisations were completed for a range of gold prices around \$1,450/oz and a gold cut-off grade of 0.50 g/t. The ultimate shell used to guide the pit design was selected at the 90% metal price or \$1,305/oz. This shell generates 11.9 Mt of ore at a strip ratio of 2.2 (waste : ore), and a cash operating cost of \$667/oz of payable gold.

The pit optimizations and designs were based on geotechnical parameters guided by weathering, rock type and wall orientation. Generally, the design criteria utilized a factor of safety of between 1.2 and 1.3 and overall slope angles of 32° to 59°.

**Table 6. Mining Production Parameters.**

| Mining Parameters                         | Units       | Base Case |
|---|-------------|-----------|
| Steady State Ore Mining Rate              | Mtpa        | 2.20      |
| Steady State Plant Processing Rate        | Mtpa        | 1.75      |
| Steady State Mining Rate (ore plus waste) | Mtpa        | 7.00      |
| Total HG Mineralization Mined             | Mt          | 9.2       |
| Total LG Mineralization Mined             | Mt          | 2.7       |
| Total Waste Mined                         | Mt          | 26.5      |
| Total Material Mined                      | Mt          | 38.3      |
| LOM Average Strip Ratio                   | Waste : Ore | 2.2       |
| Average HG Gold Head Grade                | g/t         | 1.22      |
| Total Mined Gold                          | koz         | 465       |
| Cut-off Gold Grade                        | g/t         | 0.5       |
| LOM                                       | Years       | 7         |
| Mining Operating Cost                     | \$/t mined  | 2.60      |

### Metallurgical Testing

To support the process design requirements for the Prefeasibility Study, extensive metallurgical testwork programs were undertaken by Wardell Armstrong International Ltd (“WAI”) in the UK, and Eurotest Control (“ETC”) in Sofia, Bulgaria. Testing evaluated different process options to confirm whether the base case flowsheet developed for the Company’s 2018 Preliminary Economic Assessment (“PEA”) using a composite sample was still optimal for processing the different ore types (Oxide, Transitional and Sulphide) as discrete entities.

The outcomes of the testwork programs confirmed that the flowsheet developed for the PEA, namely flotation followed by CIL (“FCIL”) to produce doré, remained the optimal basis for plant design in the PFS.

Testwork also investigated gravity gold recovery in combination with flotation and CIL recovery, but it was proven to be less economic than the simpler FCIL design.

Minor changes to the PEA flowsheet include:

- Operating the rougher-scavenger in a closed-circuit configuration;
- Addition of a cleaner stage in the flotation circuit;
- Inclusion of a concentrate regrind stage (at the Processing Plant) to a  $P_{80}$  of 20  $\mu\text{m}$ .

The testwork established grade-recovery and recovery-oxidation relationships which were applied to the processing schedule and gold recoveries per period over the life of the mine. The testwork permitted the development of grade-recovery and recovery-oxidation models to enable accurate pit optimisation and period-by-period estimates of the expected recovery as the proportions of oxide materials and head grade vary over the life of the Project. For the Mineral Reserve, the average expected recovery for Oxide material is 67.4%, Transitional 70.7% and Sulphide 83.3% for an average overall combined recovery of 79.3% to final doré. Over the life of the Project it is estimated that the expected recovery will vary from 65 to 85% on an annual basis depending on the relative proportions of oxidised ore and gold grade in the plant feed.

Adequate testwork 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 PFS.

### Process Engineering

The on-site Flotation Plant, including comminution, is designed to process 1.75 Mtpa of ore over the LOM following initial ramp-up. The optimal process identified for the Rozino sulphide mineralization is flotation to produce a gold-bearing sulphide (pyrite) concentrate at the Rozino site. This will be followed by grinding of the concentrate to a  $P_{80}$  of 20  $\mu\text{m}$  and CIL processing to produce a gold-silver doré at the Processing Plant.

The ROM ore will pass through a three-stage crushing process and a ball mill to produce a flotation feed with a final grind size of  $P_{80}$  of 75  $\mu\text{m}$ .

The concentrate will be thickened, filtered, and loaded into trucks for transport by road to the Processing Plant. The concentrate will have a moisture content of about 12%. The concentrate mass pull, depending on ore type, is anticipated to range between 2.14% (for oxide) and 4.18% (for sulphide) by weight, with an average of 3.8%. Approximately 67 000 t of concentrate, with gold grades averaging between 15 g/t and 40 g/t, will be produced annually.

The concentrate will be trucked 85 km on paved roads to Gorubso's existing and operating Processing Plant. The plant has a nominal throughput capacity of 162 ktpa. A total of 368 koz of gold in doré will be produced over the mine life.

Tailings from the Flotation Plant will be pumped to the TMF for the initial 5.25 years of mine life, and then to the Phase 2 pit (after termination of mining) during the last 1.75 years of project life.

**Table 7. Flotation Plant Production Parameters.**

| Flotation Plant Processing Parameters  | Units              | Base Case |
|--|--------------------|-----------|
| Flotation Plant Throughput             | tpd                | 5,000     |
| Annual Plant Throughput                | Mtpa               | 1.75      |
| Flotation Plant Metallurgical Recovery | %                  | 90.4      |
| Mass Pull                              | %                  | 3.8       |
| Moisture in Concentrate                | %                  | 12.0      |
| Average Annual Concentrate Production  | dkmt               | 65        |
| Total Concentrate Production           | kt                 | 454       |
| Average Concentrate Gold Grade         | g/t                | 29        |
| Flotation Process Costs - OPEX         | \$/processed t     | 7.04      |
| Concentrate Transport Cost             | \$/wmt concentrate | 13.92     |

**Table 8. Processing Plant Production Parameters.**

| Processing Plant Parameters          | Units                               | Base Case |
|--------------------------------------|-------------------------------------|-----------|
| Metallurgical Recovery               | %                                   | 87.6      |
| Overall Metallurgical Recovery       | %                                   | 79.3      |
| Steady State Payable Gold Production | kozpa                               | 59.4      |
| Total Gold Production                | koz                                 | 368       |
| Operating Cost                       | \$/t <sub>milled</sub>              | 2.35      |
| Operating Cost                       | \$/t <sub>concentrate treated</sub> | 61.16     |

### Production and Processing Schedule

The proposed open pit operation at Rozino will have a mining rate of up to approximately 8 Mtpa to sustain a 5,000 t/d flotation plant feed at an average strip ratio of 2.2. The plan relies on the use of two pit phases and a low-grade and high-grade stockpiling strategy to optimise cash flow and create a compact project footprint. The mine plan was developed on a quarterly basis (reported on an annual basis) to ensure that a robust production schedule was developed.

Plant production commences with the processing of about 50% oxidised ore (Oxide and Transitional) in the first year of feed. Low-grade sulphide and then oxide ore are fed back into the plant after the mining operation ceases and the pit is converted into a TMF.

Doré production varies depending on the ore type and head grade delivered. The production plan allows for inventory build up at the Flotation Plant and the Processing Plant, as well as delays in doré revenues. The gold-in-doré sold per annum is expected to vary from 30 to 76 koz and total 368 koz for the life of the Project.

Table 9. Life of Mine Production and Processing Schedule.

|                                   | Unit   | LOM Total | Year -2 | Year -1 | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 |
|-----------------------------------|--------|-----------|---------|---------|--------|--------|--------|--------|--------|--------|--------|
| <b>MINING PRODUCTION</b>          |        |           |         |         |        |        |        |        |        |        |        |
| Waste                             | Mt     | 26.49     |         | 1.82    | 4.89   | 5.42   | 5.15   | 5.20   | 3.47   | 0.53   | 0.00   |
| Low Grade (LG) ore                | Mt     | 2.65      |         | 0.10    | 0.76   | 0.84   | 0.46   | 0.28   | 0.17   | 0.04   | 0.00   |
|                                   | Au gpt | 0.68      |         | 0.72    | 0.70   | 0.68   | 0.66   | 0.66   | 0.64   | 0.65   | 0.00   |
| High Grade (HG) ore               | Mt     | 9.17      |         | 0.19    | 1.55   | 1.73   | 1.73   | 1.44   | 2.09   | 0.44   | 0.00   |
|                                   | Au gpt | 1.38      |         | 1.35    | 1.26   | 1.34   | 1.21   | 1.23   | 1.71   | 1.52   | 0.00   |
| Total Ore                         | Mt     | 11.82     |         | 0.29    | 2.32   | 2.57   | 2.19   | 1.73   | 2.26   | 0.47   | 0.00   |
|                                   | Au gpt | 1.22      |         | 1.12    | 1.08   | 1.12   | 1.10   | 1.14   | 1.63   | 1.46   | 0.00   |
| Total Pit Ore and Waste           | Mt     | 38.32     |         | 2.12    | 7.21   | 7.99   | 7.33   | 6.92   | 5.73   | 1.00   | 0.00   |
| High-Grade Ore Rehandle           | Mt     | 0.63      |         | 0.00    | 0.02   | 0.00   | 0.33   | 0.00   | 0.00   | 0.28   | 0.00   |
| Low-Grade Ore Rehandle            | Mt     | 2.46      |         | 0.00    | 0.00   | 0.00   | 0.00   | 0.00   | 0.00   | 0.88   | 1.59   |
| Strip Ratio                       | w:o    | 2.2       |         | 6.2     | 2.1    | 2.1    | 2.4    | 3.0    | 1.5    | 1.1    | 0.0    |
| <b>FLOTATION PLANT PRODUCTION</b> |        |           |         |         |        |        |        |        |        |        |        |
| Total Ore                         | Mt     | 11.82     |         |         | 1.49   | 1.75   | 1.75   | 1.75   | 1.75   | 1.75   | 1.59   |
|                                   | Au gpt | 1.22      |         |         | 1.26   | 1.32   | 1.22   | 1.21   | 1.67   | 1.12   | 0.71   |
|                                   | Au koz | 465       |         |         | 60     | 74     | 69     | 68     | 94     | 63     | 36     |
| Milling Rate                      | Ktpd   | 4.7       |         |         | 4.1    | 4.9    | 4.9    | 4.9    | 4.9    | 4.9    | 4.4    |
| Proportion Oxide                  | %      | 16%       |         |         | 32%    | 16%    | 5%     | 13%    | 0%     | 0%     | 50%    |
| Proportion Transitional           | %      | 16%       |         |         | 19%    | 28%    | 14%    | 4%     | 0%     | 0%     | 49%    |
| Proportion Sulphide               | %      | 69%       |         |         | 49%    | 56%    | 82%    | 83%    | 100%   | 100%   | 2%     |
| Flotation Recovery                | % Au   | 90.4%     |         |         | 84.7%  | 86.9%  | 92.3%  | 92.0%  | 96.7%  | 96.4%  | 75.0%  |
| <b>CIL PLANT PRODUCTION</b>       |        |           |         |         |        |        |        |        |        |        |        |
| Concentrate Processed             | Kmt    | 454.21    |         |         | 47.47  | 66.31  | 71.05  | 68.44  | 72.00  | 72.00  | 56.94  |
|                                   | Au gpt | 28.8      |         |         | 30.4   | 30.1   | 27.8   | 28.5   | 37.9   | 26.9   | 18.3   |
| CIL Recovery                      | % Au   | 87.6%     |         |         | 90.1%  | 89.3%  | 87.1%  | 87.3%  | 87.9%  | 85.3%  | 85.8%  |
| Gold                              | Au koz | 368       |         |         | 40.2   | 56.8   | 55.4   | 54.7   | 76.3   | 54.1   | 30.8   |
| Overall Metallurgical Recovery    | %      | 79.3%     |         |         | 66.7%  | 76.2%  | 80.8%  | 80.2%  | 81.2%  | 85.9%  | 85.4%  |

Note:

(1) Columns may not sum exactly due to rounding.

### Infrastructure

A 12 km paved road links the village of Rozino with the main II-59 provincial road. Capital for upgrades and operating costs for annual maintenance have been appropriately allocated. The final two kilometres between Rozino village and the mine site is currently a gravel road. This section of road will not be paved but will be upgraded to accommodate typical mine traffic and concentrate haul trucks. There are a further four kilometres of 12 m wide haul roads between the pit, waste rock dump and processing plant that will be completed during the construction period.

Water management 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 contact water flowing within the operational areas. The site water balance indicates that the Project will have a negative water balance. Water reuse will be maximised, but plant process make-up water will need to be sourced from local water sources. This water will be pumped to a raw water dam directly below the contact water dam, and then pumped to water storage tanks at the processing facility.

The TMF is designed to hold 8.6 Mt of tailings and is located directly to the northeast of the plant in a valley. Tailings from the processing of the low-grade ore (2.8 Mt) will be pumped to the Phase 2 pit on completion of mining. High-head tailings pumps and new tailings and return water lines will be installed

to accommodate this strategy. The Phase 2 pit is required to store 2.8 Mt but has capacity for double that tonnage without the need to construct a retention wall.

Electrical power will be supplied from the Madjarovo substation by a 23 km 110 kVA overhead high voltage transmission line. Power to the Madjarovo substation is supplied by the 85 MW Studen Kladenets and the 217 MW Ivaylovgrad hydroelectric power stations. A substation will be established at the plant site to facilitate power distribution to various areas across the site, but mainly to the plant. The transmission line was designed with a peak load capacity of 10 MW. Average consumption for the Rozino site is estimated at 4.5 MW.

### **Environmental, Permitting and Community**

Velocity has initiated the environmental and social impact assessment (“ESIA”) process, including the permitting procedures to meet Bulgarian regulations and gather environmental data. Under the Bulgarian Environment Protection Act, the development of an economically viable mining reserve requires an Environmental Impact Assessment (“EIA”) which complies with European environmental regulations and will inform the environmental component of the ESIA. The prospecting and exploration 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 and Waters. 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.

Rozino is located within the Eastern Rhodope mountains and therefore requires a compatibility assessment to comply with Bulgarian law and the European Union Natura 2000 Habitats Directive. An initial compatibility assessment was conducted and approved for the exploration program, with a second preliminary assessment completed for exploitation. The results of this preliminary assessment have informed the Project design, resulting in a significantly reduced Project footprint. Additional measures include surface and groundwater studies, and trial blasts to further understand potential impacts arising from operations.

Velocity has commenced baseline monitoring to characterise environmental conditions, including surface and groundwater quantity and quality, air quality, acid drainage potential, local meteorological conditions, and ecological aspects.

Geochemistry results indicate that the ore and waste material is non-potentially acid generating (NPAG) and the risk for metal leaching is negligible. The potential for acid drainage from waste rock and tailings is low due to the low sulphide content and significant neutralisation potential of contained carbonate minerals. Metal leaching results indicate that the risk of harmful leachate is low.

Social engagement activities have commenced and are ongoing. Local stakeholders are supportive of the Project and have been included and employed in the Project where possible.

The Project has the potential to result in a range of environmental and social impacts. Velocity is committed to managing the impacts of its operations in conformance with recognised international best practice. Mitigation measures will be developed through the ESIA process to manage potential impacts and implement an effective environmental and social development plan during the operation and at closure.

Progressive mine closure will commence towards the end of mine life as portions of the waste rock dump and TMF become available for rehabilitation. Initial closure and site rehabilitation will be achieved in Year 8. Post-closure site maintenance will endure for a period of 10 years.

## Operating Costs

Operating costs were based on the development of equipment productivities, the Rozino operating environment and contractor quotations or supplier costs for machinery and services in Bulgaria.

Labour costs across all activities were estimated from a detailed labour survey and benchmarking exercise undertaken by a Bulgarian human resources consultant. An adjustment factor to allow for upward pressure in labour rates due to the integration of Bulgaria into the European Union commences at 7% in the first year of construction and reduces to 2% in the last year of production.

The mining operating costs includes the leasing of primary and ancillary mining equipment, drilling and blasting carried out by a contractor, loading, hauling of ore and waste, and ore rehandling.

Flotation Plant operating costs include all consumable items (balls for the ball mill, reagents, and chemicals) power, external services, and maintenance. A contingency of 7.5% is included.

Concentrate haulage will be provided a by a contractor at a rate of \$0.146 /wmt/km. The Processing Plant costs include concentrate handling, cyanidation, and production of gold-silver doré.

Mine closure and rehabilitation costs as well as post-closure management for a period of 10 years have been estimated. These costs are reflected as an environmental provision per processed tonne over the operational life of the mine.

Administration costs were developed from first principles and based on Bulgarian labour, service and material costs.

The average LOM mine operating cost is estimated to be \$20.62/t of material milled.

**Table 10. Life of Mine Operating Costs.**

| Operating Costs  | \$/tonne milled |
|--|-----------------|
| Mining   | 8.43            |
| Flotation Plant  | 7.04            |
| Concentrate Haulage  | 0.53            |
| CIL Plant  | 2.35            |
| Administration   | 1.93            |
| Environmental Provision  | 0.33            |
| <b>All-In OPEX</b>   | <b>20.62</b>    |
| <b>All In Sustaining Cost (AISC) US\$/oz<sub>payable</sub></b> | <b>755.00</b>   |

## Capital Costs

Capital expenditure was estimated from quotations and suppliers' costs for equipment or services supplied in Bulgaria.

The Rozino Project total capital expenditure is estimated at \$94.8 M. Some \$7.8 M of the total is required for sustaining capital expenditure over the operating life. Approximately 95% of the sustaining capital is for the tailings dam construction. Pre-production capital for the Rozino Project totals \$87.1 M.

Capital includes equipment mobilisation, ground clearing, grubbing and topsoil removal (for all site facilities), access road upgrades, haul road construction, and mine pre-stripping costs. Mine pre-stripping is required to deliver waste for the commencement of the construction of the initial TMF wall. The cost to haul the waste rock the additional distance to the TMF is included. No project indirect or EPCM costs are applied to these costs.

A short project life was an important design consideration for the construction of the Flotation Plant and ancillary structures. Consequently, the building structures use relatively short-life concepts that not only keep capital costs down but facilitate closure and rehabilitation. The mine facilities include a main mine workshop plus two minor workshops for contractors. Mine warehousing utilises containers located near to the workshop complex. The workshop complex also includes diesel storage, bunding, washdown pad and contaminated oil sump.

The Rozino Flotation Plant capital estimate includes site preparation, comminution circuit, rougher and single-stage cleaner circuit, tailings thickener, concentrate thickener and filtration, reagent warehousing housing / enclosing structures. Ancillary structures include maintenance workshop, security gatehouse, truck weighbridge, sewage treatment, water purification unit, and a general administration building. The total capital estimate before application of indirects, EPCM and contingency is \$39.0 M.

A capital estimate for upgrades and additions to Gorubso's Processing Plant was also undertaken. This included the construction of a truck off-load facility, concentrate storage, a re-pulping facility, a stirred mill and cyclone classification, and additions to the gold recovery circuit. The remaining equipment and facilities at the Processing Plant are of adequate size and condition to accommodate the Rozino concentrate throughput and no further capital expenditure is envisaged. The total capital estimate before application of indirects, EPCM and contingency is \$1.1 M.

The construction cost estimate for the TMF is \$8.7 M. An additional \$0.2 M will be required for pumps and additional tailings lines once the Phase 2 pit starts accepting tailings in Year 6. The estimate does not include the incremental cost of waste rock hauled from the pit (the source for all the rock fill), access roads, and clearing, grubbing and topsoil removal. These costs are included elsewhere. Included in the cost estimate is the supply and installation of a geomembrane under-liner on the wall, and the rental of a crushing and screening plant to generate sized material from waste rock on site. All screened material for the life of the Project will be produced in Year -1 of the operation.

The power-line construction cost, including design, permitting, land acquisition and substations is estimated at \$6.0 M.

The supply of water from local water sources over a distance of 1.2 km entails the installation of a pump station and a pipeline to deliver water to the raw water dam in Year -1. The cut-off dam and raw water dam construction costs were estimated at \$1.5 M.

EPCM costs are estimated on 9% of capital construction and equipment cost (\$73 M) to the value of \$6.5 M. Commissioning costs are estimated to be \$0.5 M.

Indirect costs are estimated at 3% of capital construction and equipment cost (\$73 M) to the value of \$2.2 M.

Owner's administration costs (\$2.9 M) were derived from administration costs estimated for the operational phase of the mine. It was assumed that administration costs would increase progressively from about 30% of the full loading at the start of construction and increase to 75% in the final months of construction and plant commissioning.

A project capital contingency of 13% is applied.

**Table 11. Total Capital Expenditure.**

| Capital Expenditure                | \$M         |
|------------------------------------|-------------|
| Site Preparation                   | 13.5        |
| Mine Infrastructure                | 10.6        |
| Flotation Plant and Mine Buildings | 39.0        |
| TMF                                | 8.9         |
| Processing Plant Upgrades          | 1.1         |
| Owner's Administration Costs       | 2.9         |
| Indirect Costs                     | 2.2         |
| EPCM and Commissioning Costs       | 7.0         |
| Contingency                        | 9.6         |
| <b>Total Project CAPEX</b>         | <b>94.8</b> |

### Financial Analysis

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

The DCF model utilises US Dollars as the base currency as the majority of capital and operating cost estimates are based in US Dollars. Where stated (specifically in the output and reporting numbers), a Rate of Exchange of C\$0.75 to US\$1.00, BGN\$0.58 to US\$1.00, EUR\$1.10 to USD1.00 has been used for currency conversions.

The DCF does not include costs relating to financing the Project.

The cash flow allows for delayed revenues in concentrate processing and doré sales due to inventory movements.

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

A five-year straight-line method of redeeming capital expenditure is used to amortise most of the capital expenditure. Project exploration and evaluation costs to the value of \$6.7 M incurred prior to the start of construction and allowable for depreciation in Bulgaria are included. Depreciation of these costs use the straight-line method over the operating mine life (7 years).

Working capital to cover the first three months of operating and sustaining capital expenses is provided for (\$9.7 M). The working capital loan, reduced as the Project advances, is based on the presumption of increasing operation stability and positive cash flows until it is fully repaid at the end of mine life.

No silver revenue has been allowed for in the cash flow.

**Table 12. Headline Financial Results.**

| PRE-TAX                     |       | US\$  | CAD\$ |
|-----------------------------|-------|-------|-------|
| Pre-Tax NPV <sub>0%</sub>   | \$M   | 199   | 265   |
| Pre-Tax NPV <sub>5%</sub>   | \$M   | 137   | 183   |
| IRR                         | %     | 34.7% |       |
| Payback (Production Start)  | Years | 2.9   |       |
| AFTER-TAX                   |       | US\$  | CAD\$ |
| After-Tax NPV <sub>0%</sub> | \$M   | 179   | 239   |
| After-Tax NPV <sub>5%</sub> | \$M   | 123   | 163   |
| IRR                         | %     | 27.4% |       |
| Payback (Production Start)  | Years | 3.0   |       |

*Notes:*

(1) 100% project basis. Velocity holds a 70% participating interest in the Project.

(2) Canadian dollar net present value estimate calculated using CAD : USD exchange rate of 0.75.

(3) Financial estimates are presented on a real 2020 basis with no inflation or escalation applied (other than estimates made for Bulgarian/EU labour market integration).

(4) Financial estimates account for government royalties and production sharing taxation but do not include corporate overheads or corporate taxation.

(5) Estimates are presented on a pre-financing basis.

**Filing of Amended Preliminary Economic Assessment**

As a result of a technical disclosure review by the British Columbia Securities Commission, the Company has filed an amended technical report dated August 31, 2020 on the Project (the “**Amended Report**”). The technical disclosure review identified disclosure in the Company’s NI 43-101 Technical Report dated October 26, 2018 (and filed on SEDAR on October 29, 2018) on the Project, that did not comply with the requirements of NI 43-101 and Form 43-101F1. The Amended Report includes, among others, the following changes:

- Amended cautionary language has been added in respect of the use of Inferred Mineral Resources in accordance with part 2.3(6) of the companion policy to NI 43-101.
- Table 1 in the Summary and Table 44 in Item 14 *Mineral Resource Estimates* have been revised to include a single cut-off best applicable to the reasonable prospect of eventual economic extraction.
- The amended Mineral Resource is now reported as being contained within a pit shell and a description and a table of the parameters used in determining the shell for reasonable prospect for eventual economic extraction has been included. It has been determined that the changes to the Mineral Resource in the Amended Report are not material to the outcomes of the Preliminary Economic Assessment.
- In Item 5 *Accessibility, Climate, Local Resources, Infrastructure and Physiography*, disclosure stating that “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” was removed. These items were individually assessed and were documented separately in various sections of the technical report.
- A comparison to a previous Mineral Resource estimate that was included in Item 6.3 was not a historical estimate as defined by NI 43-101 and has been superseded by the current Mineral Resource estimate in Item 14 *Mineral Resource Estimates*. Accordingly, the previous Mineral Resources estimate contained in Item 6.3 was considered not material to the Amended Report and has been removed.

- Certain disclosure in item 23 *Adjacent Properties*, relating to other properties for which Velocity has an interest or option has been moved to section 24. In addition, disclosure regarding Ada Tepe tonnage and grade was removed.
- Some information previously disclosed in Item 24 *Other Relevant Information* has been moved to more appropriate locations within the Amended Report.
- Cautionary language has been added in relation to the recommendation the Company progress to a Preliminary Feasibility Study. That wording now reads “Readers are cautioned that the PEA is preliminary in nature. It includes inferred Mineral Resources that have economic considerations applied to them in this report. However the Inferred Mineral Resources are considered too speculative geologically in nature to enable them to be categorized as Mineral Reserves, and there is no certainty that the PEA results will be realized. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability. Additional work is needed to upgrade Mineral Resources to Mineral Reserves”.

### **Qualified Persons**

Andrew Sharp FAusIMM, P.Eng, has overall responsibility for the PFS and has approved the content of this news release. Mr. Sharp is a Fellow of the Australasian Institute of Mining and Metallurgy and a Professional Engineer in British Columbia and is a Qualified Person, as defined by NI 43-101, and is independent of the Company. He is a full-time employee of CSA Global.

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

The technical content of the section related to the Mineral Resource Estimate in this news release has been approved for disclosure by Jonathon Abbott, a member of the Australian Institute of Geoscientists and employee of MPR Geological Consultants Pty Ltd. Mr. Abbott is a Qualified Person, as defined by National Instrument 43-101. Mr. Abbott is independent of the Company.

### ***About Velocity Minerals Ltd.***

Velocity is a gold exploration and development company focused on southeastern Bulgaria. Velocity’s strategy is to develop a low cost centralised “Hub and Spoke” operation whereby multiple projects within this emerging gold district produce gold concentrates for trucking to a central processing plant for production of doré. The Company envisions staged open pit mining of satellite deposits and processing in a currently operating CIL plant. Velocity has a 70% interest in the Tintyava prospecting licence, which includes the advanced Rozino gold project, option agreements to earn a 70% interest in the Obichnik, and Makedontsi gold projects, and an option agreement to earn a 100% interest in the Igljika project. Velocity’s management and board includes mining industry professionals with combined 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.

### ***About Bulgaria***

Bulgaria is a member of NATO (2004) and a member of the European Union (2007). The local currency (BGN) has been tied to the Euro since 1999 (1.956 BGN/EUR). The country is served by modern European

infrastructure including an extensive network of paved roads. Bulgaria boasts an exceptionally low corporate tax rate of only 10%. The country's education system is excellent with good availability of experienced mining professionals in a favourable cost environment. Foreign mining companies are successfully operating in Bulgaria. The country's mining law was established in 1999 and updated in 2011. Mining royalties are low and compare favourably with more established mining countries.

On Behalf of the Board of Directors  
"Keith Henderson"  
President & CEO

For further information, please contact:

Keith Henderson  
Phone: +1-604-484-1233  
E-mail: [info@velocityminerals.com](mailto:info@velocityminerals.com)  
Web: [www.velocityminerals.com](http://www.velocityminerals.com)

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION: This news release includes certain forward-looking information (collectively, "forward-looking statements") within the meaning of applicable Canadian and U.S. securities legislation, including the United States *Private Securities Litigation Reform Act of 1995*. All statements, other than statements of historical fact, included herein including, without limitation, statements with respect to: our estimates, expectations, forecasts and guidance for production, all-in sustaining cost, cash costs and capital expenditures, cost savings, Project economics (including net present value and internal rates of return) and other information contained in the PFS; as well as references to other possible events, the future price of gold, and silver the estimation of mineral reserves and mineral resources, the realization of mineral reserve and mineral resource estimates, the timing and amount of estimated future production, costs of production, capital expenditures, costs and timing of the development of the Project and mining and processing activities, permitting timelines, currency fluctuations, requirements for additional capital, government regulation of mining operations, and environmental risks. 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 statements can be identified by words such as "will", "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. The forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company as of the date of such statements, are inherently subject to significant business, economic and competitive uncertainties and contingencies. The estimates, models and assumptions of the Company referenced, contained or incorporated by reference in this news release, which may prove to be incorrect, include, the various assumptions set forth herein and in the PFS, our annual 2020 and first quarter 2020 Management's Discussion and Analysis as well as: (1) there being no significant disruptions affecting the operations of the Company whether due to extreme weather events and other or related natural disasters, labour disruptions, supply disruptions, power disruptions, damage to equipment, pandemics, including, COVID-19 or otherwise; (2) permitting, development, operations and production from the Project being consistent with the Company's expectations; (3) political and legal developments in any jurisdiction in Bulgaria being consistent with its current expectations; (4) the exchange rate between the U.S. dollar, the Canadian Dollar, the Euro and the Bulgaria Leva being approximately consistent with current levels; (5) certain price assumptions for gold and silver; (6) prices for diesel, natural gas, fuel oil, electricity and other key supplies being approximately consistent with current levels; (7) production and cost of sales forecasts meeting expectations; (8) the accuracy of the current mineral reserve and mineral resource estimates of the Company; (9) labour and materials costs increasing on a basis consistent with the Company's current expectations; and (10) asset impairment (or reversal) potential being consistent with the Company's current expectations. Known and unknown factors could cause actual results to

differ materially from those projected in the forward-looking statements. These uncertainties and contingencies can directly or indirectly affect, and could cause, the Company's actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, the Company, including but not limited to resulting in an impairment charge on goodwill and/or assets. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements.

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

**CAUTIONARY NOTE TO UNITED STATES INVESTORS CONCERNING ESTIMATES OF MINERAL RESERVES AND MINERAL RESOURCES.** The Company prepares its disclosure in accordance with the requirements of securities laws in effect in Canada, which differ from the requirements of U.S. securities laws. All mineral resource and mineral reserve estimates contained in this news release or in documents referenced in this news release have been prepared in accordance with NI 43-101 and the CIM Definition Standards. NI 43-101 is a rule developed by the Canadian Securities Administrators, which established standards for all public disclosure an issuer makes of scientific and technical information concerning mineral projects. The terms "Mineral Reserve", "Proven Mineral Reserve" and "Probable Mineral Reserve" are Canadian mining terms as defined in accordance with NI 43-101 and the CIM Definition Standards. These definitions differ materially from the definitions in the Securities Exchange Commission (the "SEC") Industry Guide 7 ("SEC Industry Guide 7") under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"). Under SEC Industry Guide 7 standards, a "final" or "bankable" feasibility study is required to report mineral reserves, the three-year historical average price is used in any mineral reserve or cash flow analysis to designate mineral reserves and the primary environmental analysis or report must be filed with the appropriate governmental authority. The terms "Mineral Resource", "Measured Mineral Resource", "Indicated Mineral Resource" and "Inferred Mineral Resource" are defined in and required to be disclosed by NI 43-101 and the CIM Definition Standards; however, these terms are not defined terms under SEC Industry Guide 7 and are normally not permitted to be used in reports and registration statements filed with the SEC. U.S. investors are cautioned not to assume that any part of a "Mineral Resource", "Measured Mineral Resource", "Indicated Mineral Resource" or an "Inferred Mineral Resource" will ever be converted into a "Reserve". In addition, "Reserves" reported by the Company under Canadian standards may not qualify as reserves under SEC standards. Under SEC standards, mineralization may not be classified as a "Reserve" unless the mineralization can be economically and legally extracted or produced at the time the "Reserve" determination is made. Accordingly, information contained or referenced in this news release containing descriptions of the Company's mineral deposits may not be compatible to similar information made public by U.S. companies subject to the reporting and disclosure requirements of U.S. federal securities laws, rules and regulations. Inferred Mineral Resources have a great amount of uncertainty as to their existence and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an Inferred Mineral Resource will ever be upgraded to a higher category. Historical results or feasibility models presented herein are not guarantees or expectations of future performance.

The SEC has adopted final rules, effective February 25, 2019, to replace SEC Industry Guide 7 with new mining disclosure rules under subpart 1300 of Regulation S-K of the U.S. Securities Act (the "SEC Modernization Rules"). The SEC Modernization Rules replace the historical property disclosure requirements included in SEC Industry Guide 7. As a result of the adoption of the SEC Modernization Rules, the SEC now recognizes estimates of "Measured Mineral Resources", "Indicated Mineral Resources" and "Inferred Mineral Resources". In addition, the SEC has amended its definitions of "Proven Mineral Reserves" and "Probable Mineral Reserves" to be substantially similar to international standards. The SEC Modernization Rules will become mandatory for U.S. reporting companies beginning with the first fiscal year commencing on or after January 1, 2021.

**USE OF NON-IFRS FINANCIAL PERFORMANCE MEASURES:** This news release refers to all-in sustaining cost (AISC) and cash costs. These measures are not recognized under IFRS as they do not have any standardized meaning prescribed by IFRS and are, therefore, unlikely to be comparable to similar measures presented by other issuers. The Company uses these measures internally to evaluate the underlying operating performance of the Company. The use of these measures enables the Company to assess performance trends and to evaluate the results of the underlying business. Velocity understands that certain investors, and others who follow the Company's performance, also assess performance in this way. The Company believes that these measures reflect our

performance and are useful indicators of our expected performance in future periods. This data is intended to provide readers with additional information and should not be considered in isolation of, or as a substitute for, measures of performance prepared in accordance with IFRS.