

VELA MINERALS LTD.
(the "Company" or "Vela")

Form 51-102F1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR MONTHS ENDED OCTOBER 31, 2016

The following Management's Discussion and Analysis ("MD&A"), prepared as of February 28, 2017, should be read in conjunction with the consolidated annual financial statements of the Company for the years ended October 31, 2016 and 2015 and related notes thereto, which have been prepared using accounting principles consistent with International Financial Reporting Standards (IFRS). All monetary amounts in this MD&A and in the financial statements are expressed in Canadian dollars unless otherwise stated. Additional information on the Company can be found on SEDAR at www.sedar.com. The reader should be aware that historical results are not necessarily indicative of future performance.

Vela Minerals Ltd. was incorporated under the BCA-BC on May 19, 2011 and began trading on the TSX-Venture exchange on October 24, 2012 under the trading symbol VLA.

Forward Looking Statements

Forward-looking statements look into the future and provide an opinion as to the effect of certain events and trends on the business. Certain statements contained in this MD&A constitute forward-looking statements. The use of any words such as "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "believe" and similar expressions are intended to identify forward-looking statements. These forward-looking statements are based on current expectations and various estimates, factors and assumptions and involve known and unknown risks, uncertainties and other factors.

It is important to note that:

- Unless otherwise indicated, forward-looking statements in this MD&A describe the Company's expectations as of February 28, 2017.
- Readers are cautioned not to place undue reliance on these statements as the Company's actual results, performance or achievements may differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements if known or unknown risks, uncertainties or other factors affect the Company's business, or if the Company's estimates or assumptions prove inaccurate. Therefore, the Company cannot provide any assurance that forward-looking statements will materialize.
- The Company assumes no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or any other reason except as required by law.

For a description of material factors that could cause the Company's actual results to differ materially from the forward-looking statements in this MD&A, please see "Mining Risks" and "Business Risks".

Overall Performance

The Company is engaged primarily in the business of evaluating, acquiring and, if warranted, developing natural resource properties in British Columbia and Jamaica. The Company's common shares trade on the TSX Venture Exchange under the symbol "VLA". The Company is a development stage company and has produced no revenues to date and is reliant on the issuance of shares to finance continued exploration activities and operations.

During the year ended October 31, 2013, the Company completed all conditions related to an option to acquire, subject to certain net smelter royalty interests, an undivided 100% interest in the Rossland Property, an exploration property situated in British Columbia as further described under the heading "*The Rossland Property*". Under the terms of the Rossland Agreement, the Company paid cash consideration of \$20,000 with an additional \$50,000 paid upon successful completion of the Company's initial public offering on October 22, 2012, and subsequent listing of the Company's shares on the TSX Venture exchange on October 24, 2012 ("Listing Date"). The Company also issued an aggregate of 500,000 common shares pursuant to the Rossland Agreement in four tranches of 125,000 shares each over a one year period with the first tranche issued on the Listing Date and the remaining three tranches were issued in three month intervals commencing six months after the Listing Date with the final tranche being completed on October 24, 2013. During the year ended October 31, 2014, the Company sold one mineral tenure from the Rossland property for proceeds of \$20,000.

Also during the year ended October 31, 2013, the Company acquired Rio Minerals Jamaica Limited, a company which holds 100% interest in Mavis Bank and Port Antonio Special Exclusive Prospecting Licenses ("SEPL") in Jamaica, which total 126 square kilometres (the "Property"). The major terms of the Agreement are: the Company paid a total of \$140,000US to the Vendor to acquire a 100% undivided interest in the Property; the Port Antonio and Mavis Bank properties are subject to a 2% net smelter royalty ("NSR"). The NSR can be purchased at a rate of \$1,000,000US per percent per property. The Mavis Bank property covers several known prospects including Epping Farm -Whitfield Hall and Mavis Bank. The Port Antonio property covers several known prospects including the Bellevue.

The Jamaican properties held by Rio Minerals Jamaica Limited required an increasing commitment level of exploration expenditure in order to retain right of ownership. Due to constrained financial resources, the Company decided that it did not want to continue with these exploration expenditure obligations and sold Rio Minerals Jamaica in February 2016. The purchaser paid \$19,000 cash as well as relinquish its 2% net smelter royalty interest in the Company's Rossland properties.

The Rossland Property

The Rossland Property is located approximately 13 km to 16 km southwest of the town of Rossland, British Columbia, Canada. The Rossland Property consists of ten contiguous Mineral Claims covering approximately 2,384.99 hectares located in the Trail Creek Mining Division of British Columbia. The Rossland Property Mineral Claims were staked using the British Columbia Mineral Titles Online computer Internet system. With the British Columbia mineral claim staking system there can be no internal fractions or open ground. The centre of the Rossland Property is located at latitude 49° 01' 37" N and 117° 55' 20" W longitude, located on NTS map sheet 082F-001. The southern boundary of the Mineral Claims is the Canadian – U.S.A. International Boundary. In November, 2013, the Company sold one mineral tenure on the Rossland property for proceeds of \$20,000. Claim data is summarized in Table 1.

The land lease on the Rossland property will expire in November 2017. The property can be extended for an additional twelve months by the Company incurring exploration expenditures of \$20 per hectare totalling \$47,700. It is management's current intention to maintain the Rossland property in good standing by incurring additional exploration expenditures.

Table 1

Tenure Number	Claim Name	Owner	Tenure Type	Good To Date	Area (ha)
509331	Portland-Velvet	Vela Minerals Ltd.	Mineral	2017/Nov/01	529.714
509340	Sunset	Vela Minerals Ltd	Mineral	2017/Nov/01	166.593
517766	SANTA ROSA	Vela Minerals Ltd	Mineral	2017/Nov/01	84.767
525852	BORDERLINE	Vela Minerals Ltd	Mineral	2017/Nov/01	127.138
525854	MAGGIE MAY	Vela Minerals Ltd	Mineral	2017/Nov/01	254.291
549877	VERMONT	Vela Minerals Ltd	Mineral	2017/Nov/01	529.697
843434	REPUBLIC	Vela Minerals Ltd	Mineral	2017/Nov/01	169.514
843436	KLONDIKE	Vela Minerals Ltd	Mineral	2017/Nov/01	423.8069
866070	SUNSET-2	Vela Minerals Ltd	Mineral	2017/Nov/01	42.3738
843440	V-2	Vela Minerals Ltd	Mineral	2017/Nov/01	57.10

Exploration Highlights

The Company carried out an exploration program, from July 19 to August 10, 2011, consisting of the following:

1. Soil sampling at three separate grid surveys:
 - Portland Grid - V-11: 13,200 metres, eleven – 1,200 metre lines with 25 metre stations – 481 soil samples;
 - Mitzi Grid – M-11: 4,500 metres, nine - 500 metre lines with 25 metre stations - 153 soil samples; and
 - Sunset: S-11: 3,500 metres, seven - 500 metre lines with 25 metre stations – 147 soil samples.
2. Hand-trenching and rock sampling at the Mitzi, Sunset, and Triumph Locations – a total of 89 rock samples were collected;
3. Regional stream sediment sampling – 13 samples; and
4. Regional prospecting.

Goals for the field season were to verify and to compile previous geological work and to outline new areas of possible mineralization.

Rock Sampling Results

A total of 89 rock samples were collected during 2011 exploration program. The rock samples were taken by hand trenching and sampling across one metre or less from workings in the Mitzi, Sunset, and Triumph area. The results display a wide range of concentrations for different metals. The results from Mitzi trench indicate high copper, lead, and zinc values. The copper values are from 40.1 ppm to 8,028.4 ppm, lead values are from 270.2 ppm to over 10,000 ppm, and zinc values are from 192 ppm to over 10,000 ppm. Gold and silver values are low in this area.

Samples from the Triumph area were taken by digging two trenches. The results of trench 1 indicate the concentration of gold is from 3.5 ppb to 1,896 ppb; silver 0.2 ppm to 38.2 ppm, copper 18 ppm to 1,434.9 ppm; lead 13.3 ppm to 3,591.1 ppm; and zinc 74 ppm to 4,185 ppm. Similarly, the results of trench 2 indicate the concentration of gold is from <0.5 ppb to 237.2 ppb; silver <0.1 ppm to 14.6 ppm, copper 3.8 ppm to 179.1 ppm; lead 11.2 ppm to 1,783 ppm; and zinc 19 ppm to 378 ppm.

Rock samples from the Sunset area indicate the concentration of gold is from <0.5 ppb to 44.7 ppb; silver 0.8 ppm to >100 ppm, copper 27.6 ppm to >10,000 ppm; lead 93 ppm to >10,000 ppm; and zinc 196 ppm to >10,000 ppm.

Stream Sediment Survey

A regional stream sediment sampling was carried out to establish the metal content of sediments brought down by drainage systems in various areas of the Rossland Property. The sediment survey results indicated arsenic values of 0.8 ppm to 25.7 ppm (higher values in the eastern part of the survey area), gold ranged from 0.5 ppb to 217.5 ppb (higher values in the Portland–Velvet area), barium from 46 ppm to 385 ppm, copper 8.9 ppm to 837.9 ppm, and lead 11.6 ppm to 183.8 ppm.

Soil Geochemistry Results

The results of soil samples from Rossland grid indicate a coincidental gold and copper anomaly in the south central part of the survey grid where isolated silver anomalies are also located. This grid is the northern extension of 2006 soil sampling grid. The gold copper anomaly extends to the south on the 2006 soil anomaly. Lead and zinc anomalies are more scattered and do not follow a definite trend, the eastern part of the grid is relatively more anomalous than the western part.

On the Sunset grid, there is a strong copper, lead, zinc, and silver anomaly in the southeast part of the grid. Moderate and dispersed gold anomalies are found throughout the survey grid area.

Highlights of the assay results are provided in the following table.

Method	G6	1D						
Sample ID	Au ppb	Ag ppm	Co ppm	Cu ppm	Mn ppm	Ni ppm	Pb ppm	Zn ppm
VM11-01	>10,000	8.6	>2,000	974	63	572	6	2
VM11-02	4,995	4.8	268	5,516	551	175	5	76
VM11-03	1,279	2	69	3,271	683	92	<3	100
VM11-04	111	>100	4	3,934	163	15	>10,000	4,976
VM11-05	765	49.3	21	>10,000	>10,000	99	6,425	>10,000
VM11-06	593	6.7	6	343	1,687	33	1,458	1,305
VM11-07	120	8.2	2	145	1,994	10	1,612	274
VM11-08	<5	36	68	>10,000	3,686	15	>10,000	>10,000
VM11-09	6	38.3	50	7,116	3,290	12	>10,000	6,617
VM11-10	5	3.4	21	474	3,392	15	2,203	1,071
VM11-11	143	>100	94	8,370	4,706	28	>10,000	>10,000
VM11-12	95	>100	258	>10,000	2,452	71	>10,000	>10,000
VM11-13	6	8.9	18	249	2,254	10	1,193	5,220
VM11-14	8	8.7	56	569	3,481	11	936	>10,000

Selected Annual Information

The following table summarizes financial information, prepared in accordance with IFRS, for the Company for the years ended October 31, 2016 and 2015 and 2014.

	For the year ended October 31, 2016	For the year ended October 31, 2015	For the year ended October 31, 2014
For the period ended or as at			
Current assets (\$)	25,025	38,509	130,760
Exploration and evaluation properties (\$)	194,177	214,204	500,460
Total assets (\$)	219,202	252,713	631,220
Current liabilities (\$)	9,545	11,855	46,906
Long term financial liabilities (\$)	-	-	-
Revenues (\$)	-	-	-
Net loss (\$)	(31,201)	(343,456)	(116,008)
Basic and diluted net loss per common share (\$)	-	(0.03)	(0.01)
Weighted average number of common shares outstanding	10,574,711	10,574,711	10,574,711

The Company has no dividend policy and has no intention of developing a dividend policy in the foreseeable future. The Company has paid no dividends and has no retained earnings from which it might pay dividends.

Summary of Quarterly Results

The following is a summary of selected financial data for the Company for the eight most recently completed quarters.

Period ended	Oct 31, 2016	Jul 31, 2016	Apr 30, 2016	Jan 31, 2016	*Oct 31, 2015	Jul 31, 2015	Apr 30, 2015	Jan 31, 2015
Net income (loss) (\$)	(5,300)	(5,864)	(13,395)	(6,642)	(7,708)	(9,590)	(25,198)	15,599
Basic and diluted loss per common share (\$)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)

*Excludes write-down of mineral property recorded in Q4 2015 in the amount of \$316,559.

Results of Operations

Three months ended October 31, 2016

During the three months ended October 31, 2016 (the "Current Quarter"), the Company's comprehensive loss of \$5,300 (2015 – loss of \$324,267) resulted from general and administrative expenses.

General and administrative expenses for the current quarter, consisting of office and administration and professional fees totalled \$5,300 (2015 –\$7,708). The change is driven primarily by nil management fees in the current quarter relative to the prior year.

Year ended October 31, 2016

During the year ended October 31, 2016 (the "Current year"), the Company's comprehensive loss of \$31,201 (2015 – loss of \$343,456) resulted from general and administrative expenses as well as a \$1,000 loss on disposal of mineral properties.

The Company's comprehensive loss for the year ended October 31, 2015 included a write down in mineral properties in the amount of \$316,559 compared with a \$1,000 loss on disposal of mineral properties in the Current Year.

General and administrative expenses for the current period, consisting of office and administration and professional fees totalled \$30,201 (2015 – \$27,408). Included in general and administrative expenses for 2015 is the reversal of a management fee accrual that was made at October 31, 2014 in the amount of \$30,000. Costs related to management fees as well as professional fees are lower in the current year as a result of management's effort to control spending.

Liquidity and Capital Resources

	Oct 31 2016	Jul 31 2016	Apr 30 2016	Jan 31 2016	Oct 31 2015	Jul 31 2015	Apr 30 2015	Jan 31 2015
Working Capital, (\$)	15,480	20,780	26,644	20,012	26,654	34,363	45,199	99,453

The Company is a development stage company with no revenue producing properties and, consequently, does not generate operating income or cash flow. The Company has incurred losses since inception. The Company has relied upon the issuance of equity capital to provide working capital to fund the Company's operations.

Off Balance Sheets Transactions

The Company has no off-balance sheet arrangements.

Share Capital

Authorized: Unlimited common shares with no par value

Issued and Outstanding: The Company has 10,574,711 common shares issued and outstanding as at October 31, 2016, and its Share capital is \$896,891 net of share issuance costs of \$174,316 associated with the initial public offering.

Stock Options

The Company adopted a stock option plan (the "Stock Option Plan") under which it can grant options to directors, officers, employees, and consultants for up to 10% of the issued and outstanding common shares from time to time. Under the Stock Option Plan, the exercise price of an option may not be less than the closing market price during the trading day immediately preceding the date of the grant of the option, less any applicable discount allowed by the Exchange. The options can be granted for a maximum term of 10 years and vest at the discretion of the board of directors.

On November 30, 2011, the Company granted 1,050,000 stock options to its directors, exercisable on the Listing Date. Each option is exercisable into one common share of the Company at a price of \$0.15 per share for a term of five years from the Listing Date. On July 11, 2012, the number of options granted to officers and directors was reduced from 1,050,000 to 1,000,000. On August 14, 2012, the number of stock options granted was further reduced to 600,000. On September 10, 2012, 150,000 options were granted to a new director. Each option is exercisable into one Share of the Company at a price of \$0.15 per Share for a term of five years from the Listing Date. On January 2, 2013, the Company granted a total of 260,000 options to two new directors. Each option is exercisable into one Share of the Company at a price of \$0.175 per Share for a term of five years from the date of grant. During the year ended October 31, 2013, options which expired totalled 150,000. There were no new options granted in the current period. Subsequent to year end 600,000 options with an exercise price of \$0.150 and 130,000 options with an exercise price of \$0.175 expired unexercised.

Related party transactions and balances

Key management compensation

Key management are those personnel having the authority and responsibility for planning, directing and controlling the Company and include the President, and Chief Executive Officer, Directors, and Chief Financial Officer. Key Management compensation includes:

	Year ended October 31, 2016	Year ended October 31, 2015
Salary	nil	\$ 22,000
Total Key Management compensation	nil	\$ 22,000

Note – the above amount excludes the effect of a \$30,000 accrual made for management fees in the year ended October 31, 2014 that was reversed in the first quarter of 2015.

Financial Instruments

Fair Value of Financial Instruments

The Company's financial instruments recognized on the statement of financial position consist of cash and cash equivalents, and trade and other accounts payable. Cash and cash equivalents are carried at fair value. Due to their short-term nature, the carrying values of trade and other accounts payable approximate fair value.

The Company's exposure from its use of financial instruments is incorporated into the risk analysis of interest rate risk, credit risk and liquidity risk noted below.

Capital Management

The Company considers its capital to be the total shareholders' equity which at period end was \$209,657 (October 31, 2015 - \$240,858).

The Company's objectives in managing its capital are: to maintain corporate and administrative functions necessary to support the Company's operations and corporate functions; to perform mineral exploration activities on the Company's exploration projects; and to seek out and acquire new projects of merit. In order for the Company to carry out planned exploration, additional equity financing will be required.

The Company is not subject to any externally imposed capital requirements. Funds are secured, when necessary, through the sale of common shares.

Market Risk

Interest rate risk

Interest rate risk is the risk arising from the effect of changes in prevailing interest rates on the Company's financial instruments. The Company had \$22,807 in cash as at October 31 2016. The Company's cash balances held at financial institutions earn interest at rates which vary according to prevailing rates. The Company does not deem the associated interest rate risk to be material.

Credit risk

Credit risk is the risk of potential loss to the Company if counterparty to a financial instrument fails to meet its contractual obligations. The Company's receivable balances are from tax authorities, therefore, the Company is not subject to significant credit rate risk.

Liquidity Risk

Liquidity risk is the risk that the Company will not meet its financial obligations as they fall due. As at October 31, 2016, the Company's current liabilities consisted of trade payables and other liabilities totalling \$9,545 (October 31, 2015 - \$11,855), due primarily within the next fiscal quarter. The Company currently intends to incur exploration expenses of at least \$47,700 to maintain the Rosslund property in good standing until November 2018. In order to undertake this exploration program and to continue operations, beyond what is currently anticipated it will require additional equity financing..

Mining Risks

The Company is subject to the risks typical in the mining business including uncertainty of success in exploration and development; operational risks including unusual and unexpected geological formations, rock bursts, particularly as mining moves into deeper levels, cave-ins, flooding and other conditions involved in the drilling and removal of material as well as environmental damage and other hazards; risks that intended drilling schedules or estimated costs will not be achieved; and risks of fluctuations in the price of commodities and currency exchange rates. Metal prices are subject to volatile price movements over short periods of time and are affected by numerous factors, all of which are beyond the Company's control, including expectations of inflation, levels of interest rates, sales of gold by central banks, the demand for commodities, global or regional political, economic and banking crises and production rates in major producing regions. The aggregate effect of these factors is impossible to predict with any degree of certainty.

Business Risks

Natural resources exploration and development involve a number of business risks, some of which are beyond the Company's control. These can be categorized as operational, financial and regulatory risks.

- Operational risks include finding and developing reserves economically, changing governmental law and regulation, hiring and retaining skilled employees and contractors and conducting operations in a cost effective and safe manner. The Company continuously monitors and responds to changes in these factors and adheres to all regulations governing its operations. Insurance may be maintained at levels consistent with prudent industry practices to minimize risks however the Company is not fully insured against all risks nor are all such risks insurable.
- Financial risks include fluctuations in commodity prices, interest rates and foreign exchange rates, all of which are beyond the Company's control.
- Regulatory risks include possible delays in getting regulatory approval for transactions that the Board of Directors believe to be in the best interest of the Company, increased fees for filings,

and the introduction of ever more complex reporting requirements, the cost of which the Company must meet in order to maintain its exchange listing.

Other MD&A Requirements

Additional Disclosure for Venture Issuers without Significant Revenue

Details of the Company's general and administrative expenses for the quarters ended October 31, 2016 and 2015 are included in the results of operations section of this MD&A. Details of the Company's expenditures relating to exploration and evaluation properties are presented in note 7 to the financial statements.

Disclosure of Outstanding Security Data

The following table summarizes the Company's outstanding share capital:

	February 28, 2017
Common shares issued and outstanding	10,574,711
Stock options outstanding (weighted average exercise price \$0.175)	130,000
Fully diluted common shares outstanding	11,704,711

Outlook

The Company's focus is the exploration and development of the Rossland property. In addition, the Company may evaluate other prospects worthy of exploration and development. The ability of the Company to do so is contingent upon its ongoing ability to raise the capital necessary to advance such prospects.

Approval

The Board of Directors of the Company have approved the disclosure contained in this MD&A.

Other Information

Additional information related to the Company is available for viewing on SEDAR at www.sedar.com and on the Company's website at www.velaminerals.com.