

# **Vela Minerals Ltd.**

## **Consolidated Financial Statements**

**For the years ended October 31, 2016 and 2015**

**(Expressed in Canadian Dollars)**

## Independent Auditors' Report

To: The Shareholders of **Vela Minerals Ltd.**

We have audited the accompanying consolidated financial statements of Vela Minerals Ltd., which comprise the consolidated statements of financial position as at October 31, 2016 and 2015 and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Vela Minerals Ltd. as at October 31, 2016 and 2015, and their financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards.

### Emphasis of Matter

We draw attention to Note 2 to the consolidated financial statements which indicates that at October 31, 2016 the Company has no consistent sources of cash and may require additional funding to continue operations in the future. This condition, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

February 28, 2017  
Calgary, Alberta

*Kenway Mack Slusarchuk Stewart LLP*  
Chartered Professional Accountants,  
Chartered Accountants

# Vela Minerals Ltd.

## Consolidated Statements of Financial Position

As at,	October 31, 2016	October 31, 2015
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 22,807	\$ 33,965
GST/HST receivable	1,218	1,564
Mineral exploration tax credit receivable (note 6 & 7)	-	1,880
Prepayments	1,000	1,100
	25,025	38,509
<b>Exploration and evaluation properties (note 7)</b>	194,177	214,204
	\$ 219,202	\$ 252,713
<b>Liabilities</b>		
<b>Current</b>		
Trade and other accounts payable (note 10)	\$ 9,545	\$ 11,855
<b>Shareholders' equity</b>		
Share capital (note 8)	896,891	896,891
Share option reserve	171,923	171,923
Deficit	(859,157)	(827,956)
	209,657	240,858
	\$ 219,202	\$ 252,713

Going concern (note 2)

Approved by the Board of Directors:

"Dale Hansen" Director

"Charles Chebry" Director

# Vela Minerals Ltd.

## Consolidated Statements of Loss and Comprehensive Loss

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	Years ended October 31,	
	2016	2015
<b>Expenses</b>		
Professional fees	\$ 7,576	\$ 14,262
Conferences & Travel	770	-
Management fees (note 9)	-	(6,476)
Office and administration	21,855	19,622
Write down of mineral property (note 7)	-	316,559
Loss on disposal of mineral property (note 7)	1,000	-
	<u>31,201</u>	<u>343,967</u>
<b>Other income</b>		
Interest income	-	511
		<u>511</u>
<b>Net and comprehensive loss for the year</b>	<u>\$ (31,201)</u>	<u>\$ (343,456)</u>
<b>Weighted average number of shares outstanding</b>	<u>10,574,711</u>	<u>10,574,711</u>
Basic and diluted net loss per common share	<u>\$ -</u>	<u>\$ (0.03)</u>

# Vela Minerals Ltd.

## Consolidated Statements of Cash Flows

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	Years ended October 31,	
	2016	2015
Cash provided by (used in)		
<b>Operating activities</b>		
Net loss	\$ (31,201)	\$ (343,456)
Items not involving cash		
Loss on disposal of mineral properties	1,000	-
Write down of mineral properties	-	316,559
Change in non-cash working capital items		
GST / HST receivable	346	(1,136)
Mineral exploration tax credit receivable	1,880	-
Prepayments	100	(1,100)
Trade and other accounts payable	(2,310)	(35,051)
	(30,185)	(64,184)
<b>Investing activities</b>		
Expenditures on exploration and evaluation properties, net of recoveries (note 7)	-	(30,303)
Mineral exploration tax credit receivable	27	-
Proceeds on sale of mineral properties (note 7)	19,000	-
	19,027	(30,303)
<b>Decrease in cash</b>	(11,158)	(94,487)
Cash - beginning of year	33,965	128,452
<b>Cash - end of year</b>	\$ 22,807	\$ 33,965

# Vela Minerals Ltd.

## Consolidated Statements of Changes in Equity

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	Common Shares		Share Option Reserve	Deficit	Total Equity
	Number of Shares	Amount			
<b>Balance as at October 31, 2014</b>	10,574,711	\$ 896,891	\$ 171,923	\$ (484,500)	\$ 584,314
Net loss for the year	-	-	-	(343,456)	(343,456)
<b>Balance as at October 31, 2015</b>	10,574,711	\$ 896,891	\$ 171,923	\$ (827,956)	\$ 240,858
Net loss for the year	-	-	-	(31,201)	(31,201)
<b>Balance as at October 31, 2016</b>	10,574,711	896,891	171,923	(859,157)	209,657

# Vela Minerals Ltd.

## Notes to the Consolidated Financial Statements October 31, 2016 and 2015

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### 1. Description of business

Vela Minerals Ltd. (“the Company”) was incorporated in Canada with limited liability under the legislation of the Province of British Columbia on May 19, 2011. The registered and records office is located at 2500, 700 – West Georgia Street, Vancouver, British Columbia, V7Y 1B3.

The Company is in the business of acquiring and exploring mineral properties. The Company has not yet determined whether its properties contain mineral reserves that are economically recoverable. The Company’s plans are to carry out active exploration efforts on its mineral properties. The recoverability of the amounts shown for mineral properties is dependent upon the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain necessary financing to conduct operations, and ultimately upon future profitable production or proceeds from disposition of the mineral properties.

The Company’s common shares trade on the TSX Venture Exchange under the symbol “VLA”.

### 2. Going concern

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue to operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Management is aware, in making its assessment, of material uncertainties related to events or conditions that cast significant doubt upon the entity's ability to continue as a going concern.

The Company’s ability to continue to meet its obligations and carry out its planned exploration activities is uncertain and dependent upon the continued financial support of its shareholders and on securing additional financing. There is, however, no assurance that any such initiatives will be sufficient and, as a result, there is significant doubt regarding the going concern assumption and, accordingly, the ultimate appropriateness of the use of accounting principles applicable to a going concern. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations for the foreseeable future. These adjustments could be material.

### 3. Basis of presentation

#### Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The financial statements were authorized for issue by the Board of Directors on February 28, 2017.

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Basis of measurement and consolidation

The financial statements have been prepared on the historical cost basis as set out in the accounting policies below, except for the measurement of financial instruments at fair value through profit or loss.

The Company's financial statements are presented in its functional currency, Canadian dollars ("C\$").

These financial statements include the accounts of the Company and its wholly owned subsidiary Rio Minerals Jamaica Limited which uses US dollars as their functional currency due to the primary economic environment they operate in. During the year ended October 31, 2016, the wholly owned subsidiary Rio Minerals Jamaica Limited was sold for net proceeds of \$19,000.

Use of estimates and judgments

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

*Judgments:*

Exploration and evaluation properties: The Company is required to make significant judgments regarding the capitalization of exploration and evaluation properties expenditures. The Company is also required to make significant judgments on the ongoing feasibility of mineral exploration, and whether there are indicators that the right to explore the specific area has or will expire, that further exploration and evaluation plans have changed, or whether development of a specific area is unlikely to recover existing exploration and evaluation property costs. If any of these indicators are present, management would need to assess whether the exploration and evaluation properties should be impaired.

Business combinations: The Company makes significant judgments regarding the determination of whether a set of assets acquired and liabilities assumed constitute a business, taking into account all facts and circumstances. Upon acquisition of a set of assets and liabilities, the Company examines the criteria set forth in IFRS 3, *Business Combinations*. If a transaction does not meet the definition of a business, as defined in IFRS 3, it is accounted for as an asset acquisition.

*Estimates and assumptions:*

Share-based payments: Share-based payments are determined using the Black-Scholes option pricing model based on estimated fair values of all share-based awards at the date of grant and are expensed to the statement of loss and comprehensive loss over each award's vesting period. The Black-Scholes option pricing model utilizes subjective assumptions such as expected price volatility, forfeiture rate and expected life of the option. Changes in these input assumptions can significantly affect the fair value estimate.

Deferred taxes: The Company recognizes the deferred tax benefit related to deferred losses and resource tax assets to the extent recovery is probable. Assessing the recoverability of deferred tax assets requires management to make significant estimates of future taxable profit. In

addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions from deferred income and resource tax assets.

The Company recognizes deferred tax liabilities when there are taxable temporary differences that will reverse and result in a future outflow of funds to a taxation authority. The Company records a provision for the amount that is expected to be settled, which requires the application of judgment as to the ultimate outcome. Deferred tax liabilities could be impacted by changes in the Company's estimate of the likelihood of a future outflow, the expected settlement amount, and future changes in tax laws.

#### **4. Significant accounting policies**

##### Exploration and evaluation properties ("E&E")

The Company capitalizes all E&E property expenditures which include the costs associated with acquisition, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination or asset acquisition. Costs that are incurred prior to obtaining the legal right to explore, develop or extract resources are expensed in the period they are incurred.

E&E assets are not depleted. Proceeds received from the sale of an interest in a property are credited against the carrying value of the property, with any excess included in income for the period. If the properties are sold or abandoned, these expenditures will be written off. Costs associated with administrative overhead are expensed as incurred.

E&E properties are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. Where there is evidence of impairment, the net carrying amount of the property will be written down to its fair value, with any excess included in net income for the period. The loss on impairment is reversed if the circumstances change and the net recoverable amount subsequently increases.

Technical feasibility and commercial viability of extracting a mineral resource is considered to be determinable when proved or probable reserves are determined to exist. Upon determination of proved or probable reserves, intangible exploration and evaluation assets attributable to those reserves are first tested for impairment and then reclassified from E&E assets to property, plant and equipment.

##### Cash and cash equivalents

Cash and cash equivalents include amounts on deposit with financial institutions and readily convertible, highly liquid investments with maturities of three months or less on inception that are expected to be used to fund current operations.

##### Financial instruments

###### *Recognition and measurement*

Financial assets and financial liabilities are recognized on the Company's statement of financial position when the Company becomes party to the contractual provisions of the instrument.

Financial instruments are measured at fair value on initial recognition of the instrument. Measurement in subsequent periods depends on whether the financial instrument has been classified as "fair value through profit or loss", "held-to-maturity", "loans and receivable", "available-for-sale" ("AFS"), or "financial liabilities at fair value through profit or loss" and "financial liabilities measured at amortized

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cost” as defined by IAS 39, “Financial Instruments: Recognition and Measurement”. Fair value through profit or loss financial assets or liabilities are measured at fair value and changes in fair value are recognized in net income. AFS financial instruments are measured at fair value and changes in fair value are recognized in comprehensive income. Loans and receivables and held to maturity assets are measured at amortized cost. Other financial liabilities are measured at amortized cost.

Transaction costs are included in the initial carrying value of financial instruments, except for those instruments classified as fair value through profit or loss, and are amortized into income using the effective interest rate method.

Financial assets are de-recognized when the contractual rights to the cash flows from the financial asset expire or when the contractual rights to those assets are transferred. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expired.

The Company’s financial assets and liabilities are classified and measured as follows:

- Cash and cash equivalents are classified as fair value through profit or loss.
- Trade and other accounts payable are classified as other liabilities.

The fair value of financial instruments is measured within a ‘fair value hierarchy’ which comprises the following three levels:

- Level 1: Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices, such as quoted interest or currency exchange rates; and
- Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

#### *Impairment*

Financial assets, other than those classified as fair value through profit or loss and AFS, are assessed for indicators of impairment at the end of each reporting period. A financial asset or group of financial assets is considered impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

#### Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss, except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

Deferred tax is recognized using the liability method of tax allocation accounting. Temporary differences arising from the difference between the tax basis of an asset or liability and its carrying amount on the statement of financial position are used to calculate deferred income tax liabilities or assets. Deferred income tax liabilities or assets are calculated using tax rates anticipated to apply in the periods that the temporary differences are expected to reverse. The effect on deferred tax assets and

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liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority. A deferred tax asset will be recognized to the extent that the Company considers it to be probable that future taxable profits will be available against which the temporary differences can be utilized.

Mineral exploration tax credits

Provincial Taxation authorities provide tax incentives for undertaking mineral exploration directives in certain areas. Refundable mineral exploration tax credits on eligible mineral exploration expenditures incurred in those areas are accrued when there is reasonable assurance that the credits will be realized and are treated as a reduction of the capitalized exploration costs of the respective mineral properties. Mineral exploration tax credits are recoverable from the Government of British Columbia and are subject to government approval.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, if it is probable that the Company will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as a finance cost.

Share based payments

The Company has a stock option plan that allows certain officers, directors and related company employees to acquire shares of the Company. The fair value of the options granted is recognized as an expense or capitalized in the same manner in which the salaries for the related employees are treated, with a corresponding increase in equity.

Share-based payments to employees and others providing similar services are measured at the grant date at the fair value of the instruments issued. Fair value is determined using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. The amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. The expected volatility reflects management's assumption of expected volatility over the life of the option at the time of grant. The forfeiture rate is estimated using historical information. Each tranche in an award with graded vesting is accounted for as a separate grant with a different vesting date and fair value.

The Company measures transactions with third parties where stock is issued in exchange for goods or services based on the fair value of the consideration received, or the fair value of the stock issued, whichever is more reliably measurable. The value of the goods or services is recorded at the earlier of the vesting date, or the date the goods or services are received.

The offset to the recorded cost is to share option reserve. Consideration received on the exercise of stock options is recorded as share capital and the related share-based payments originally recorded as share option reserve are transferred to share capital.

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Net income or loss per common share

Net income or loss per common share is computed by dividing the net income or loss by the weighted average number of common shares outstanding during the period. The treasury stock method of calculating diluted per share amounts is used whereby any proceeds from the exercise of stock options or warrants that are in-the-money are assumed to be used to purchase common shares of the Company at the average market price during the period. For periods in which the Company is in a net loss position, the effect of the exercise of stock options and warrants is anti-dilutive.

**5. Accounting standards issued but not yet effective**

The IASB has issued a number of new standards, amendments to standards and interpretations that are not yet effective as of October 31, 2016, and have not been applied in preparing these statements. The Company is currently assessing the impact of these new standards; however it anticipates that these new standards will not have a material impact on the Company's financial statements.

Amendment of IFRS 10 "Consolidated Financial Statements"

The amendments to IAS 10 Consolidated financial statements deal with the circumstances where the assets being sold or contributed by an investor to its associate or joint venture constitutes a subsidiary and the transaction results in the investor losing control of the subsidiary. If the subsidiary does not constitute a business a partial gain or loss is recognized. The remaining part of the gain is eliminated against the carrying amount of the investment in the associate or joint venture. If the parent retains an investment in the former subsidiary that investment is re-measured to fair value. The accounting for any gain or loss resulting for the re-measurement depends on whether the investment retained is accounted for as an associate or a joint venture or a financial asset. IFRS 10 is effective for annual periods beginning on or after January 1, 2016.

Amendment of IFRS 15 "Revenue Recognition"

The IASB has issued IFRS 15 Revenue from contracts with customers which will replace the current revenue guidance on revenue and construction contracts. The expectation is that IFRS 15 provides a recognition standard that can be applied consistently across various transactions, industries and capital markets. The standard specifies the five steps that an organization would apply to recognize revenue; identifying the contract with the customer, identifying the performance obligations to transfer distinct goods or services within the contract, determining the transaction price, allocating the transaction price to each separate performance obligation on the basis of relative stand-alone selling prices, and recognizing revenue when or as the performance obligation is satisfied. An organization will be considered to have satisfied a performance obligation by transferring a promised good or service to a customer with a transfer being defined in terms of when the customer obtains control of the promised good or service. IFRS 15 is effective for annual periods beginning on or after January 1, 2018.

Amendment of IFRS 9 “Financial instruments”

IFRS 9 Financial instruments simplifies existing standards for the recognition and measurement of financial instruments. It will replace IAS 39 Financial instruments: recognition and measurement. Under IFRS 9 all financial instruments would be classified into one of two basic categories; those measured at amortized cost or those measured at fair value. The classification of financial assets is based on both the characteristics of the instrument and the business model under which it is managed. As a result, whether a financial instrument such as an interest-bearing investment certificate is measured using the amortized cost method or the fair value method will be determined by whether it is managed to collect contractual cash flows or whether it is managed more speculatively. At initial recognition, an organization may irrevocably designate a financial asset as measured at fair value through profit or loss ("FVTPL"). This is effective for annual periods beginning on or after January 1, 2018.

Amendments to IFRS 2 “Share-based payments”

The amendments address considerations of vesting considerations for cash-settled share-based payments, classification considerations related to settling a portion of an award in cash, and accounting for modification in terms of a payment that results in a change of the classification of the transaction from cash-settled to equity-settled. The amendments are effective years beginning on or after January 1, 2018.

## **6. Mineral exploration tax credits**

Qualifying exploration expenditures in British Columbia are subject to a 20% refundable provincial tax credit provided that these costs are not incurred by the Company to meet an expenditure obligation arising pursuant to an agreement to issue flow-through shares. In addition, costs incurred on the Company's Rossland property are subject to an additional 10% refundable tax credit because the Company's properties are located within an area prescribed by the British Columbia government as being significantly impacted by the Mountain Pine Beetle. There were no qualifying expenditures incurred during the year ended October 31, 2016. An adjustment for expenditures during the period ended October 31, 2014 resulted in an additional credit of \$27 in the current period. These credits have reduced the accumulated capitalized balance for the mineral properties.

## **7. Exploration and evaluation properties**

### **Rossland property**

On June 30, 2011, the Company signed an option agreement to acquire a 100% interest in certain mineral claims located in the Trail and Rossland area of southern British Columbia. Under the terms of the Purchase Option Agreement, the Company paid cash consideration of \$70,000 and issued an aggregate of 500,000 shares in the Company pursuant to the option agreement over a one year period which began with the date of listing in four tranches of 125,000 shares each. Additionally, the Company agrees to pay a royalty in an amount equal to 2% of net proceeds on all minerals produced from the Rossland property and sold by the Company. The Company has the option to purchase the royalty at any time by making a payment of cash equal to \$2,000,000. During the year ended October 31, 2012, the Company made cash payments of \$50,000 (2011 - \$20,000 cash payment) and also issued 125,000 shares with a value of \$18,750 to the vendor of the Rossland property upon listing of the Company on the Exchange on October 24, 2012. During the year ended October 31, 2013, the remaining three

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tranches of shares of 375,000 common shares were issued to the vendor pursuant to the Rossland option agreement. Total value of shares issued in the year ending October 31, 2013 was \$26,250.

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.

**Jamaican properties**

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 Company paid \$140,000US to acquire a 100% undivided interest in the Mavis Bank and Port Antonio Properties. The future production from the Properties is 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 concession area lies within the foothills of the Blue Mountains and covers parts of the catchments of Rio Grande and Back Rio Grande Rivers.

During the period ended October 31, 2015, the company wrote down the Jamaican properties to an estimated net realizable value of \$20,000. During the current year, the Jamaican properties were sold for net proceeds of \$19,000 and a loss of \$1,000 was recognized on the disposal of the Jamaican mineral properties.

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	<b>Canada</b>	<b>Jamaica</b>	
	<b>Rosland</b>	<b>Properties</b>	<b>Total</b>
Balance at October 31, 2014	\$ 194,204	\$ 306,256	\$ 500,460
Additions:			
Field support	-	14,829	14,829
Gological consulting	-	3,400	3,400
Government fees	-	1,631	1,631
Field supplies	-	480	480
Travel and accomodations	-	9,963	9,963
Write down	-	(316,559)	(316,559)

Balance at October 31, 2015	\$ 194,204	\$ 20,000	\$ 214,204
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Additions:			
Proceeds on disposal	-	(19,000)	(19,000)
Loss on disposal	-	(1,000)	(1,000)
Mineral tax credit	(27)	-	(27)

Balance at October 31, 2016	\$ 194,177	\$ -	\$ 194,177
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Summary

Acquisition & option payments	95,203	143,430	238,633
Exploration	135,000	193,129	328,129
Mineral tax credits	(35,999)	-	(35,999)
Write down	-	(316,559)	(316,559)
Balance at October 31, 2015	194,204	20,000	214,204

Summary

Acquisition & option payments	95,203	143,430	238,633
Exploration	135,000	193,129	328,129
Mineral tax credits	(36,026)	-	(36,026)
Write down	-	(316,559)	(316,559)
Loss on disposal	-	(1,000)	(1,000)
Proceeds on disposal	-	(19,000)	(19,000)
Balance at October 31, 2016	194,177	-	194,177

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**8. Share capital**

Authorized

Unlimited number of common shares

Issued

Shares issued and outstanding as at October 31, 2016 are 10,574,711 (October 31, 2015 – 10,574,711).

There have been no share transactions in the current period.

Share based compensation

Pursuant to a stock option plan (the “Plan”) for directors, officers, employees and consultants, the Company may reserve a maximum of 10% of the issued and outstanding listed common shares, the exercise price to be determined on the date of issuance of the options. The options are non-transferable and will expire, if not exercised, 30 days following the date the optionee ceases to be a director, officer, employee or consultant of the Company for reasons other than death, one year after the death of an optionee or on the final anniversary of the date the option was granted which concludes the option term. Options granted under the plan may not exceed ten years and vest at the discretion of the board of directors, and shall not be exercisable at less than the price determined by policy or policies of the stock exchange(s) on which the Company’s common shares are then listed. Notwithstanding the foregoing, options issued to consultants performing investor relations activities vest over 12 months with no more than 25% of the options vesting in any three month period. Occasionally, the Company issues stock options to agents which do not fall under the plan.

No options have been granted in the current year nor during the year ended October 31, 2015.

The following table summarizes activity related to stock options which are fully vested and exercisable

	<b>Options</b>	<b>Exercise Price</b>
October 31, 2014	860,000	\$ 0.158
Issued	-	-
Cancelled	-	-
October 31, 2015	860,000	\$ 0.158
Issued	-	-
Cancelled	-	-
<b>October 31, 2016</b>	<b>860,000</b>	<b>\$ 0.158</b>

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The Company had the following stock options outstanding:

October 31, 2016				October 31, 2015			
Number of options	Weighted average exercise price	Year of expiry	Weighted average remaining contractual life (years)	Number of options	Weighted average exercise price	Year of expiry	Weighted average remaining contractual life (years)
450,000	\$ 0.150	2016	0.08	450,000	\$ 0.150	2016	1.08
150,000	\$ 0.150	2017	0.86	150,000	\$ 0.150	2017	1.86
260,000	\$ 0.175	2018	1.18	260,000	\$ 0.175	2018	2.18
860,000	\$ 0.158		0.55	860,000	\$ 0.158		1.55

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.

## 9. 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.

## 10. Trade and other accounts payable

	October 31, 2016	October 31, 2015
Financial Liabilities		
Trade Payables	\$ 2,545	\$ 1,425
Accrued Liabilities	7,000	10,430
	\$ 9,545	\$ 11,855

## **11. Financial instruments, capital management, and risk management**

### Financial instrument fair value

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

### Capital management

The Company considers its capital to be the total shareholders' equity which at year end was \$209,657.

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.

The Company manages its capital structure in a manner that provides sufficient funding for operational and capital expenditure activities. The Company is not subject to any externally imposed capital requirements. Funds are secured, when necessary, through equity capital raised through sale of common shares.

### Market risks

#### *Interest 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, on which it earns variable rates of interest, and may therefore be subject to a certain amount of risk, though this risk is considered by management to be immaterial.

#### *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 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 had a working capital balance of \$15,480 which included a cash balance of \$22,807 which is more than sufficient to pay its current liabilities of \$9,545. 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.

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**12. Deferred income taxes**

The income tax provision differs from the amount computed by applying the statutory rates to loss before income taxes. Income tax rates for the year ended October 31, 2016 remained unchanged from the year ending October 31, 2015 at 26.00%. These differences result from the following:

	<b>October 31, 2016</b>	<b>October 31, 2015</b>
Loss before income taxes	\$ 31,201	\$ 343,456
Statutory rate	26.00%	26.00%
Expected income tax recovery	8,112	89,299
Sale of subsidiary	(41,153)	-
Non-deductible expenses	-	(7,800)
Change in unrecognized deferred tax asset	33,041	(81,499)
Deferred income tax expense	\$ -	\$ -

Unrecognized deferred tax asset is comprised of the following tax affected temporary differences:

	<b>October 31, 2016</b>	<b>October 31, 2015</b>
Non-capital losses carried forward	\$ 140,847	\$ 125,504
Capital losses carried forward	41,153	-
Mineral properties	(7,420)	74,886
Share issuance and incorporation costs	184	7,415
Unrecognized deferred tax asset	\$ 174,764	\$ 207,805

The Company has Canadian non-capital losses of \$541,717 and capital losses of \$316,560 for income tax purposes, the benefit of which have not been recognized. The non-capital losses expire as follows:

	<b>Non-capital loss</b>	<b>Year of expiry</b>
2011	\$ 11,008	2031
2012	143,128	2032
2013	159,069	2033
2014	144,308	2034
2015	55,193	2035
2016	59,011	2036
	\$ 541,717	