

Vela Minerals Ltd.

Financial Statements

For the years ended October 31, 2017 and 2016

(Expressed in Canadian Dollars)



Independent Auditors' Report

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

We have audited the accompanying financial statements of Vela Minerals Ltd., which comprise the statements of financial position as at October 31, 2017 and 2016 and the statements of net 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements present fairly, in all material respects, the financial position of Vela Minerals Ltd. as at October 31, 2017 and 2016, and its 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 financial statements which indicates that at October 31, 2017 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.

Kenway Mack Slusarchuk Stewart LLP

February 23, 2018
Calgary, Alberta

Chartered Professional Accountants,
Chartered Accountants

Vela Minerals Ltd.
Statements of Financial Position

| As at, | October 31, 2017 | October 31, 2016 |
|---|---------------------|---------------------|
| Assets | | |
| Current | | |
| Cash | \$ 2,452 | \$ 22,807 |
| GST/HST receivable | 80 | 1,218 |
| Prepayments | - | 1,000 |
| | 2,532 | 25,025 |
| Exploration and evaluation properties (note 6) | 1,000 | 194,177 |
| | \$ 3,532 | \$ 219,202 |
| Liabilities | | |
| Current | | |
| Accounts payable and accrued liabilities | \$ 14,000 | \$ 9,545 |
| Shareholders' deficit | | |
| Share capital (note 7) | 896,891 | 896,891 |
| Share option reserve | 171,923 | 171,923 |
| Deficit | (1,079,282) | (859,157) |
| | (10,468) | 209,657 |
| | \$ 3,532 | \$ 219,202 |

Going concern (note 2)

Subsequent events (note 11)

Approved by the Board of Directors:

_____ Director

_____ Director

Vela Minerals Ltd.

Statements of Net and Comprehensive Loss

| | Years ended October 31, | |
|--|----------------------------|-------------|
| | 2017 | 2016 |
| Expenses | | |
| Professional fees | 8,266 | \$ 7,576 |
| Conferences & Travel | 226 | 770 |
| Office and administration | 18,456 | 21,855 |
| Loss on disposal of mineral property (note 6) | 193,177 | 1,000 |
| | 220,125 | 31,201 |
| Net and comprehensive loss for the year | \$ (220,125) | \$ (31,201) |
| Weighted average number of shares outstanding | 10,574,711 | 10,574,711 |
| Basic and diluted net loss per common share | \$ (0.02) | \$ - |

Vela Minerals Ltd.
Statements of Cash Flows

| | Years ended October 31, | |
|--|------------------------------------|------------------|
| | 2017 | 2016 |
| Cash provided by (used in) | | |
| Operating activities | | |
| Net loss | \$ (220,125) | \$ (31,201) |
| Items not involving cash | | |
| Loss on disposal of mineral properties | 193,177 | 1,000 |
| Change in non-cash working capital items | | |
| GST / HST receivable | 1,138 | 346 |
| Mineral exploration tax credit receivable | - | 1,880 |
| Prepayments | 1,000 | 100 |
| Accounts payable and accrued liabilities | 4,455 | (2,310) |
| Accrued liabilities | - | - |
| | (20,355) | (30,185) |
| Investing activities | | |
| Mineral exploration tax credit receivable | - | 27 |
| Mineral property acquisition costs | (1,000) | |
| Proceeds on sale of mineral rights to properties (note 6) | 1,000 | 19,000 |
| | - | 19,027 |
| Decrease in cash | (20,355) | (11,158) |
| Cash - beginning of year | 22,807 | 33,965 |
| Cash - end of year | \$ 2,452 | \$ 22,807 |

Vela Minerals Ltd.
Statements of Changes in Equity

| | Common Shares | | Share Option Reserve | Deficit | Total Equity |
|---------------------------------------|---------------------|------------|----------------------------|----------------|--------------|
| | Number of Shares | Amount | | | |
| Balance as at October 31, 2015 | 10,574,711 | \$ 896,891 | \$ 171,923 | \$ (827,956) | \$ 240,858 |
| Net loss for the year | - | - | - | (31,201) | (31,201) |
| Balance as at October 31, 2016 | 10,574,711 | \$ 896,891 | \$ 171,923 | \$ (859,157) | \$ 209,657 |
| Balance as at October 31, 2016 | 10,574,711 | \$ 896,891 | \$ 171,923 | \$ (859,157) | \$ 209,657 |
| Net loss for the year | - | - | - | (220,125) | (220,125) |
| Balance as at October 31, 2017 | 10,574,711 | \$ 896,891 | \$ 171,923 | \$ (1,079,282) | \$ (10,468) |

Vela Minerals Ltd.

Notes to the Financial Statements October 31, 2017 and 2016

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 office and records are located at 2200, 885 West Georgia St, Vancouver, BC, V6C 3E8.

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 23, 2018.

Basis of measurement

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\$").

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.

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 is expensed to the statement of net 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 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.

Vela Minerals Ltd.
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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.
- Accounts payable and accrued liabilities 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 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.

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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, 2017, 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 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.

IFRS 16 "Leases"

This new standard requires that at inception of a contract, organizations are to assess whether the contract is, or contains, a lease. The standard provides the requirements for separating each lease component within a lease from non-lease components and for determining the lease term. For lessees, the standard requires that "a right-of-use model" be applied in accounting for all leases of more than twelve months unless they are leases for which the underlying asset is of low value. Under the right-of-use model, a lessee recognizes an asset representing its right to use an underlying asset during the lease term, and a liability to make lease payments. For leases shorter than twelve months, using the model is optional. Subsequent measurement of the right-of-use asset under the cost model reflects depreciation and impairment considerations as well as any re-measurements due to lease modifications. The accounting for leases by lessors continues to be dependent on whether the lease is classified as an operating lease or a finance lease; a finance lease still being defined as a lease that transfers substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee. The amendments are effective for years beginning on or after January 1, 2019.

6. 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. 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. In April 2016, the vendor of the Rossland property agreed to relinquish their 2% NSR as part of the transaction described below regarding the Jamaican properties. As management did not plan on spending any more money on the Rossland property and the leases were due to expire on November 1, 2017, the Company has written the value of the property down to \$1,000 in the current year. On July 24, 2017, the Company disposed of the Rossland property to a related party for the sum of \$1,000. On October 31, 2017, the property was returned to the Company for a sum of \$1,000.

During the period of time after the sale of the Rossland Property and prior to its repurchase, there was a small work program completed independent of the Company. The program consisted of surface sampling in which 35 samples were collected and assayed. In Q1 2018, the Company has incorporated the results from this work program in an updated Assessment report for the Rossland Property, extending the claims to July 31, 2018.

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.

In 2015, the Company realized that the properties required substantial exploration expenditures to retain ownership. Due to constrained financial resources, the Company decided that it did not want to continue with these exploration expenditure obligations and wrote the properties down to its estimated fair value less cost to sell of \$20,000 during the year ended October 31, 2015. In April 2016, the Company sold the Jamaican subsidiary and properties held therein for proceeds of \$19,000 and a loss on disposal of mineral properties was recorded in the amount of \$1,000. The purchaser also relinquished its 2% net smelter royalty interest in the Company's Rossland properties.

Vela Minerals Ltd.
Notes to the Financial Statements
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| | Canada | Jamaica | |
|-----------------------------|-----------------|-------------------|--------------|
| | Rossland | Properties | Total |
| Balance at October 31, 2015 | \$ 194,204 | \$ 20,000 | \$ 214,204 |
| Additions: | | | |
| Proceeds on disposal | | (19,000) | (19,000) |
| Write down | | (1,000) | (1,000) |
| Mineral tax credit | (27) | | (27) |
| Balance at October 31, 2016 | \$ 194,177 | \$ - | \$ 194,177 |
| Additions: | | | |
| Acquisition costs | 1,000 | | 1,000 |
| Proceeds on disposal | (1,000) | | (1,000) |
| Write down | (193,177) | | (193,177) |
| Balance at October 31, 2017 | \$ 1,000 | \$ - | \$ 1,000 |

| 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 | - | (317,559) | (317,559) |
| Proceeds on disposal | - | (19,000) | (19,000) |
| Balance at October 31, 2016 | \$ 194,177 | \$ - | \$ 194,177 |

| Summary | | | |
|-------------------------------|-----------|------------|------------|
| Acquisition & option payments | \$ 96,203 | \$ 143,430 | \$ 239,633 |
| Exploration | 135,000 | 193,129 | 328,129 |
| Mineral tax credits | (36,026) | - | (36,026) |
| Write down | (193,177) | (317,559) | (510,736) |
| Proceeds on disposal | (1,000) | (19,000) | (20,000) |
| Balance at October 31, 2017 | \$ 1,000 | \$ - | \$ 1,000 |

Vela Minerals Ltd.
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7. Share capital

Authorized

Unlimited number of common shares

Issued

Shares issued and outstanding as at October 31, 2017 are 10,574,711 (October 31, 2016 – 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 period nor during the year ended October 31, 2016.

The following table summarizes activity related to stock options

| | Options | Weighted Avg Exercise Price |
|-------------------------|----------------|--|
| October 31, 2015 | 860,000 | \$ 0.158 |
| Issued | - | - |
| Cancelled | - | - |
| October 31, 2016 | 860,000 | \$ 0.158 |
| Expired | (730,000) | \$ 0.154 |
| October 31, 2017 | 130,000 | \$ 0.175 |

Vela Minerals Ltd.
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The Company had the following stock options outstanding:

| October 31, 2017 | | | | October 31, 2016 | | | |
|-------------------|---------------------------------|----------------|---|-------------------|---------------------------------|----------------|---|
| 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) |
| 130,000 | \$ 0.175 | 2018 | 0.17 | 450,000 | \$ 0.150 | 2017 | 0.08 |
| 130,000 | \$ 0.175 | | 0.17 | 150,000 | \$ 0.150 | 2017 | 0.86 |
| | | | | 260,000 | \$ 0.175 | 2018 | 1.18 |
| | | | | 860,000 | \$ 0.158 | | 0.54 |

8. 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, Chief Financial Officer, and Directors. There were no salaries or fees paid to management in the current or prior year.

9. 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 accounts payable and accrued liabilities. 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' deficit which at year end was (\$10,468) (2016 – shareholders' equity \$209,650).

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.

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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 \$2,452 in cash as at October 31, 2017, 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 a 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, 2017, the Company had a working capital deficit of \$11,468 which included a cash balance of \$2,452 which is not sufficient to pay its current liabilities of \$14,000. In order for the Company to perform an exploration program on its properties, and to continue operations, it will require additional equity financing.

10. 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, 2017 remain unchanged from the year ending October 31, 2016 at 26.00%. These differences result from the following:

| | October 31, 2017 | October 31, 2016 |
|---|-------------------------|-------------------------|
| Loss before income taxes | \$ 220,125 | \$ 31,201 |
| Statutory rate | 26.00% | 26.00% |
| Expected income tax recovery | 57,233 | 8,112 |
| Sale of subsidiary | - | (41,153) |
| Non-deductible expenses | (29) | - |
| Other | (315) | - |
| Change in unrecognized deferred tax asset | (56,889) | 33,041 |
| Deferred income tax expense | \$ - | \$ - |

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Notes to the Financial Statements
October 31, 2017 and 2016

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

| | October 31, 2017 | October 31, 2016 |
|--|-------------------------|-------------------------|
| Non-capital losses carried forward | \$ 147,694 | \$ 140,847 |
| Capital losses carried forward | 41,153 | 41,153 |
| Mineral properties | 42,806 | (7,420) |
| Share issuance and incorporation costs | - | 184 |
| Unrecognized deferred tax asset | \$ 231,653 | \$ 174,764 |

The Company has Canadian non-capital losses of \$568,052 for income tax purposes, the benefit of which have not been recognized, which expire as follows:

| | Non-capital loss | Year of expiry |
|------|-------------------------|-----------------------|
| 2011 | \$ 11,008 | 2031 |
| 2012 | 143,128 | 2032 |
| 2013 | 159,069 | 2033 |
| 2014 | 114,308 | 2034 |
| 2015 | 55,193 | 2035 |
| 2016 | 58,011 | 2036 |
| 2017 | 27,335 | 2037 |
| | \$ 568,052 | |

11. Subsequent Events

On January 12, 2018, the Company completed a 6 for 1 consolidation of the Company's issued and outstanding common shares. The shares outstanding pre-consolidation were 10,574,711. The shares outstanding after consolidation are 1,762,450.