

## **ARBOR METALS CORP. (FORMERLY VELA MINERALS LTD.)**

(the "Company" or "Arbor")

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**For the Nine Months ended July 31, 2019**

The following Management's Discussion and Analysis ("MD&A"), prepared as of September 3, 2019, should be read in conjunction with the unaudited interim financial statements and related notes of the Company for the nine months ended July 31, 2019 and the audited financial statements of the Company and related notes for the year ended October 31, 2018. The financial statements have been prepared using accounting principles consistent with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board ("IASB"). 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](http://www.sedar.com). The reader should be aware that historical results are not necessarily indicative of future performance. The financial statements together with the following MD&A are intended to provide readers with a reasonable basis for assessing the financial performance of the Company.

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. Effective September 3, 2019, the Company changed its name from Vela Minerals Ltd. to Arbor Metals Corp. In connection with the name change, the Company also changed its stock symbol to "ABR".

#### ***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 September 3, 2019.
- 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 Canada. 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 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.

On July 24, 2017, the Rossland property was sold to a related party for \$1,000 as the Company had no plans to continue work on the property and the claims were set to expire on November 1, 2017. The claims were then returned to the Company on October 31, 2017 for the same \$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 incorporated the results from this work program in an updated Assessment report for the Rossland Property, extending the claims to July 31, 2018. As the claims were not renewed, the property was written down to \$Nil on July 31, 2018.

On October 15, 2018 the Company acquired an option to earn a 100% interest in certain mineral claims, comprising 2,473 hectares in the Athabasca Basin, Saskatchewan (the Cree Lake property). To complete the acquisition the Company must make the following cash payments: \$10,000 on closing of a private placement; and a cash payment of \$100,000 within 24 months of the signing of this agreement. Arbor must also incur qualifying exploration expenditures of at least \$100,000 within 24 months of the signing of the agreement.

The Company's interest in the Cree lake property is subject to a 1% NSR payable to the vendor, of which 0.5% may be purchased by the Company for \$1,500,000.

A summary of the Company's exploration and evaluation assets is as follows:

	Rossland	Cree Lake	Total
Balance at November 1, 2017	\$ 1,000	\$ -	\$ 1,000
Acquisition costs	-	10,000	10,000
Exploration costs	5,834	-	5,834
Write down	(6,834)	-	(6,834)
<b>Balance at October 31, 2018</b>	<b>\$ -</b>	<b>\$ 10,000</b>	<b>\$ 10,000</b>
Acquisition costs	-	-	-
Exploration costs	-	-	-
Write down	-	-	-
<b>Balance at July 31, 2019</b>	<b>\$ -</b>	<b>\$ 10,000</b>	<b>\$ 10,000</b>

### ***Selected Annual Information***

The following table summarizes financial information, prepared in accordance with IFRS, for the Company for the years ended October 31, 2018, 2017 and 2016.

	October 31, 2018	October 31, 2017	October 31, 2016
	\$	\$	\$
Current assets	95,485	2,532	25,025
Exploration and evaluation properties	10,000	1,000	194,177
Total assets	105,485	3,532	219,202
Current liabilities	187,170	14,000	9,545
Total non-current financial liabilities	Nil	Nil	Nil
Total revenue	Nil	Nil	Nil
Net loss	(162,217)	(220,125)	(31,201)
Net loss per share, basic and diluted	(0.09)	(0.12)	(0.02)
Weighted average number of common shares outstanding	1,762,450	1,762,450	1,762,450

During 2018 the Company received share subscription advances of \$91,000, which were returned subsequent to the year end. The Company also incurred substantially higher expenses in its efforts to implement its business plan.

During the year ended October 31, 2017 Arbor wrote down the Rossland property by \$194,177. The balance of the year's loss arose primarily from professional fees of \$26,948.

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.

	3 Months ended Jul 31, 2019 \$	3 Months ended Apr 30, 2019 \$	3 Months ended Jan 31, 2019 \$	3 Months ended Oct 31, 2018 \$	3 Months ended Jul 31, 2018 \$	3 Months ended Apr 30, 2018 \$	3 Months ended Jan 31, 2018 \$	3 Months ended Oct 31, 2017 \$
Total revenue	Nil							
Net loss	(24,508)	(41,093)	(10,231)	(26,331)	(76,110)	(33,439)	(26,337)	(5,620)
Net loss per share, basic and diluted	0.01	0.02	0.01	0.02	0.04	0.02	0.01	0.00
Total assets	581,653	960,282	36,857	105,485	6,746	10,407	10,032	3,532
Total liabilities	260,134	224,506	193,773	187,170	152,098	80,650	46,837	14,000
Total shareholders' equity (deficiency)	321,519	735,776	(156,916)	(81,685)	(145,352)	(70,243)	(36,805)	(10,468)

## Results of Operations

### Nine months ended July 31, 2019

During the nine months ended July 31, 2019, the Company recorded a comprehensive loss of \$75,781 (\$0.04 per share) compared with a loss of \$135,884 (\$0.08 per share) in the 2018 nine month period.

Significant items in the nine months ended July 31, 2019 included:

- Consulting fees of \$17,150 (2018 period - \$16,250) paid to management;
- Professional fees of \$33,275 (2018 period - \$77,036) related to termination of the Standard Uranium transaction (2018) and preparation of private placement offering (2019);
- Transfer agent and filing fees of \$19,472 (2018 period - \$34,632); and
- Interest expense \$5,798 (2018 period - \$766) on the loans received to finance operations.

## Liquidity and Capital Resources

As at July 31, 2019, the Company had current assets of \$571,653 to settle current liabilities of \$260,134.

The Company had no investing activities in the nine months to July 31, 2019.

The Company's activities in the nine months to July 31, 2019 were financed by loans received, \$15,500 from an investor who is prepared to assist the Company in implementing its business plan. The Company also refunded share subscription previously received for the Standard Uranium transaction in the amount of \$91,000 and raised new private placement subscriptions in the amount of \$569,985.

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 loans and the issuance of equity capital to provide working capital to fund the Company's operations.

### **Off Balance Sheet Transactions**

The Company has no off-balance sheet arrangements.

### **Disclosure of Outstanding Share Data**

The Company is authorized to issue an unlimited number of common shares of which 11,771,450 common shares are issued and outstanding as at the date of this MD&A.

As at the date of this MD&A, the following is a description of the outstanding equity securities and convertible securities previously issued by the Company:

	<b>Authorized</b>	<b>Outstanding</b>
Voting or equity securities issued and outstanding	Unlimited Common Shares	11,771,450 Common Shares
Securities convertible or exercisable into voting or equity securities - stock options - options exercisable at \$0.11	Stock Options to acquire up to 10% of outstanding Common Shares	900,000
Securities convertible or exercisable into voting or equity securities - warrants exercisable at \$0.15		10,009,000

### **Related Party Transactions**

During the nine months ended July 31, 2019, the Company incurred consulting fees to a director and former director of \$14,150 plus GST (2018 - \$16,250 plus GST) and to a company with a common director of \$3,000 (2018 - \$Nil). As at July 31, 2019, the Company owed a director and a former director \$39,812 (October 31, 2018 – \$17,099) in respect of these fees and out of pocket expenses.

Key management are those personnel having the authority and responsibility for planning, directing and controlling the Company and includes the executive officers and Board of Directors. No remuneration was paid to key management personnel during the nine months ended July 31, 2019 and 2018 other than as indicated above.

### **Loans Payable**

Loans payable in the amount of \$86,869 (October 31, 2018 - \$71,369) are unsecured and bear interest at 10% per annum and will be repaid once the Company's business plan is implemented.

As at July 31, 2019, \$9,756 (October 31, 2018 - \$3,958) in accrued interest was included in accounts payable and accrued liabilities.

## ***Financial Instruments***

### Fair Value of Financial Instruments

The Company's financial instruments recognized on the statement of financial position consist of cash, accounts payable and loans payable. Cash is carried at fair value. Due to their short-term nature, the carrying values of accounts payable and loans 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 July 31, 2019 was \$321,519 (October 31, 2018 - negative \$81,685).

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 \$570,587 in cash as at July 31, 2019 on which it earns no interest, and therefore is not subject to interest rate risk.

#### *Credit risk*

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's cash is held at a large Canadian financial institution and in lawyers' trust accounts and therefore is not subject to credit risk.

#### *Liquidity Risk*

Liquidity risk is the risk that the Company will not meet its financial obligations as they fall due. The Company performs cash flow forecasting for each fiscal year to ensure sufficient cash is available to fund its projects and operations. As at July 31, 2019, the Company had a balance in cash of \$570,587 to settle current liabilities of \$260,134. The Company's financial liabilities include accrued expenses, accounts and loans payable which have contractual maturities of 30 days or are due on demand.

At present, the Company's operations do not generate positive cash flows. The Company's primary source of funding has been the issuance of equity securities through private placements. Despite previous success in acquiring these financings, there is no guarantee of obtaining future financings.

### *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 laws and regulations, 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.

### **Outlook**

The Company is actively pursuing financing arrangements to rectify the current working capital deficit and provide funds for continued operations. 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 has 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](http://www.sedar.com).