

ARBOR METALS CORP.
(formerly Vela Minerals Ltd.)

FINANCIAL STATEMENTS

FOR THE YEARS ENDED OCTOBER 31, 2019 AND 2018

(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders and Directors of Arbor Metals Corp. (formerly Vela Minerals Ltd.)

Opinion

We have audited the financial statements of Arbor Metals Corp. (the "Company") which comprise the statements of financial position as at October 31, 2019 and 2018, and the statements of comprehensive loss, cash flows and changes in equity (deficiency) for the years then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the accompanying financial statements, which describes matters that indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information, which comprises the information included in the Company's Management Discussion & Analysis to be filed with the relevant Canadian securities commissions.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audits. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditors' report is Fernando J. Costa.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, British Columbia
February 26, 2020

ARBOR METALS CORP. (FORMERLY VELA MINERALS LTD.)
Statements of Financial Position
As at October 31, 2019 and 2018
(Expressed in Canadian Dollars)

	2019	2018
ASSETS		
Current		
Cash and cash equivalents	\$ 1,010,054	\$ 94,556
GST receivable	1,414	929
Prepaid expenses (note 7)	1,450	-
	1,012,918	95,485
Exploration and evaluation properties (note 4)	10,000	10,000
	\$ 1,022,918	\$ 105,485
LIABILITIES		
Current		
Accounts payable and accrued liabilities (note 7)	\$ 20,963	\$ 115,801
Loans payable (note 5)	-	71,369
	20,963	187,170
SHAREHOLDERS' EQUITY (DEFICIENCY)		
Share capital (note 6)	2,234,591	896,891
Share subscriptions received (note 6)	-	91,000
Reserves (note 6)	171,923	171,923
Deficit	(1,404,559)	(1,241,499)
	1,001,955	(81,685)
	\$ 1,022,918	\$ 105,485

Nature and continuance of operations (note 1)

Subsequent events (note 11)

Approved on behalf of the Board

Director "Alex Klenman"
 Alex Klenman

Director "Mark Ferguson"
 Mark Ferguson

The accompanying notes are an integral part of these financial statements

ARBOR METALS CORP. (FORMERLY VELA MINERALS LTD.)
Statements of Comprehensive Loss
For the years ended October 31, 2019 and 2018
(Expressed in Canadian Dollars)

	2019	2018
Expenses		
Consulting fees (note 7)	\$ 21,850	\$ 23,750
Interest (note 5)	5,797	3,958
Office and administration	712	384
Professional fees	44,009	91,984
Share-based compensation	64,792	-
Transfer agent and filing fees	25,900	35,307
	(163,060)	(155,383)
Other item		
Write down of exploration assets (note 4)	-	(6,834)
Net and comprehensive loss for the year	\$ (163,060)	\$ (162,217)
Basic and diluted loss per share	\$ (0.04)	\$ (0.09)
Weighted average number of common shares outstanding	4,219,982	1,762,450

The accompanying notes are an integral part of these financial statements

ARBOR METALS CORP. (FORMERLY VELA MINERALS LTD.)
Statements of Cash Flows
For the years ended October 31, 2019 and 2018
(Expressed in Canadian Dollars)

	2019	2018
Cash provided by (used in):		
Operating activities		
Net loss	\$ (163,060)	\$ (162,217)
Item not involving cash:		
Share-based compensation	64,792	-
Write down of exploration assets	-	6,834
Change in non-cash working capital:		
GST receivable	(485)	(849)
Prepaid expenses	(1,450)	-
Accounts payable and accrued liabilities	(94,838)	101,801
Net cash flows used in operating activities	(195,041)	(54,431)
Investing activities		
Mineral property acquisition and exploration costs	-	(15,834)
Net cash flows used in investing activities	-	(15,834)
Financing activities		
Loan advances	15,500	71,369
Loan repayments	(86,869)	-
Share subscriptions received (returned)	(91,000)	91,000
Exercise of stock options	99,000	-
Issuance of common shares for cash	1,201,080	-
Share issue costs	(27,172)	-
Net cash flows provided by financing activities	1,110,539	162,369
Change in cash	915,498	92,104
Cash and cash equivalents, beginning of the year	94,556	2,452
Cash and cash equivalents, end of the year	\$ 1,010,054	\$ 94,556
Supplemental disclosures with respect to cash flow:		
Taxes paid	\$ -	\$ -
Interest paid	\$ 9,756	\$ -

The accompanying notes are an integral part of these financial statements

ARBOR METALS CORP. (FORMERLY VELA MINERALS LTD.)
Statements of Changes in Equity (Deficiency)
For the years ended October 31, 2019 and 2018
(Expressed in Canadian Dollars)

	Number of Shares	Share Capital	Share Subscriptions Received	Reserves	Deficit	Total Equity (Deficiency)
Balance at November 1, 2017	1,762,450	\$ 896,891	\$ -	\$ 171,923	\$ (1,079,282)	\$ (10,468)
Share subscriptions advanced	-	-	91,000	-	-	91,000
Net loss	-	-	-	-	(162,217)	(162,217)
Balance at October 31, 2018	1,762,450	896,891	91,000	171,923	(1,241,499)	(81,685)
Balance at November 1, 2018	1,762,450	896,891	91,000	171,923	(1,241,499)	(81,685)
Share subscriptions returned	-	-	(91,000)	-	-	(91,000)
Issue of common shares for cash	10,009,000	1,201,080	-	-	-	1,201,080
Share issue costs	-	(27,172)	-	-	-	(27,172)
Share-based compensation	-	-	-	64,792	-	64,792
Exercise of stock options	900,000	163,792	-	(64,792)	-	99,000
Net loss	-	-	-	-	(163,060)	(163,060)
Balance at October 31, 2019	12,671,450	\$ 2,234,591	\$ -	\$ 171,923	\$ (1,404,559)	\$ 1,001,955

The accompanying notes are an integral part of these financial statements

ARBOR METALS CORP. (FORMERLY VELA MINERALS LTD.)

NOTES TO THE FINANCIAL STATEMENTS

For the years ended October 31, 2019 and 2018

(Expressed in Canadian Dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

Arbor Metals Corp. (formerly Vela Minerals Ltd.) (the "Company") was incorporated in the Province of British Columbia on May 19, 2011 and is in the business of identifying, acquiring and exploring mineral properties. The Company is currently in the exploration stage of developing its exploration and evaluation properties and has not yet determined whether they contain mineral reserves that are economically recoverable. The Company is listed on the TSX Venture Exchange ("TSX-V") under the symbol "ABR".

The address of the Company's registered office is 2200 – 885 West Georgia Street, Vancouver, British Columbia, V6C 3E8.

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the ordinary course of operations.

The Company does not generate sufficient cash flow from operations to adequately fund its activities and has therefore relied upon external financing for its operational expenses. The Company intends to continue relying upon external financing to finance its future activities but there can be no assurance that such financing will be available on a timely basis and/or on terms acceptable to the Company. Although these financial statements do not include any adjustments that may result from the inability to secure future financing, such a situation would have a material adverse effect on the Company's recoverability of assets, classification of assets and liabilities, and results of operations and the Company's ability to continue as a going concern.

The business of mining and exploration for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The Company has no source of operating revenue and has significant cash requirements to finance its administrative overhead expenses and maintain its exploration and evaluation assets. The recoverability of amounts shown for exploration and evaluation assets is dependent on several factors. These include the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of these properties, and future profitable production or proceeds from disposition of exploration and evaluation assets. The carrying value of the Company's exploration and evaluation assets do not reflect current or future values. The Company has not yet determined whether its exploration and evaluation assets contain economically recoverable ore reserves. The recovery of the amounts comprising exploration and evaluation assets are dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain necessary financing to successfully complete the exploration and development of those reserves and upon future profitable production or, alternatively, upon the Company's ability to dispose of its interest on an advantageous basis. The Company estimates that additional funding will be required to continue operations over the next 12 months. These factors indicate the existence of a material uncertainty which may cast significant doubt upon the Company's ability to continue as a going concern.

These financial statements were authorized for issue on February 26, 2020 by the directors of the Company.

ARBOR METALS CORP. (FORMERLY VELA MINERALS LTD.)

NOTES TO THE FINANCIAL STATEMENTS

For the years ended October 31, 2019 and 2018

(Expressed in Canadian Dollars)

2. BASIS OF PRESENTATION

a) Statement of compliance

These financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board.

b) Measurement basis

These financial statements are prepared on the historical cost basis except for certain financial instruments, which are measured at fair value as explained in the accounting policies within Note 3. All amounts are expressed in Canadian dollars unless otherwise stated.

3. SIGNIFICANT ACCOUNTING POLICIES

Significant accounting judgments, estimates and assumptions

The preparation of the Company’s financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously 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. However, actual outcomes can differ from these estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Critical judgments in applying accounting policies:

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the financial statements:

- the determination that the Company will continue as a going concern for the next year;
- the determination of whether deferred tax assets are recognized on the statement of financial position; and
- the determination that there have been no events or changes in circumstances that indicate the carrying amount of exploration and evaluations assets may not be recoverable.

ARBOR METALS CORP. (FORMERLY VELA MINERALS LTD.)

NOTES TO THE FINANCIAL STATEMENTS

For the years ended October 31, 2019 and 2018

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES, continued

Impairment

At each reporting period, management reviews all assets for indicators of impairment. If such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction. In assessing value in use, the estimated future cash flows are discounted to their present value. If the recoverable amount of the asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for that period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which that asset belongs.

Past impairments are also considered at each reporting period and where there is an indication that an impairment loss may have decreased, the recoverable amount is calculated as outlined above to determine the extent of the recovery. If the recoverable amount of the asset is more than its carrying amount, the carrying amount of the asset is increased to its recoverable amount and the impairment loss is reversed in the profit or loss for that period. The increased carrying amount due to reversal will not be more than what the depreciated historical cost would have been if the impairment had not been recognized.

Exploration and evaluation expenditures

Exploration and evaluation expenditures incurred before the Company has obtained legal rights to explore an area of interest are expensed as incurred. All costs related to the acquisition, exploration and development of exploration and evaluation assets incurred subsequent to the acquisition of legal rights to explore are capitalized by property.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits held on call at lawyers' trust accounts.

ARBOR METALS CORP. (FORMERLY VELA MINERALS LTD.)
NOTES TO THE FINANCIAL STATEMENTS
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3. SIGNIFICANT ACCOUNTING POLICIES, continued

Income taxes

Current income tax:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive loss or equity is recognized in other comprehensive loss or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax:

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

ARBOR METALS CORP. (FORMERLY VELA MINERALS LTD.)
NOTES TO THE FINANCIAL STATEMENTS
For the years ended October 31, 2019 and 2018
(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES, continued

Share capital

The Company records proceeds from share issuances net of issue costs and any tax effects. Common shares issued for consideration other than cash are valued based on their market value at the date that the agreement to issue shares was concluded.

The Company has adopted the residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The Company considers the fair value of common shares issued in a private placement to be the more easily measurable component and the common shares are valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as contributed surplus.

Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The fair value of the share-based payments is measured using the Black-Scholes option pricing model. The fair value of the share-based payment is recognized as an expense or capitalized to share capital with a corresponding increase in the share-based payments reserve. Consideration received on the exercise of stock options is recorded as share capital and the related reserve amount is transferred to share capital.

Earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing the income (loss) attributable to common shareholders by the weighted average number of common shares outstanding in the period. Diluted earnings per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted earnings per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. Where the effects of including all outstanding options and warrants would be anti-dilutive, no dilution is calculated and the diluted earnings per share is presented as the same as basic earnings per share.

ARBOR METALS CORP. (FORMERLY VELA MINERALS LTD.)
NOTES TO THE FINANCIAL STATEMENTS
For the years ended October 31, 2019 and 2018
(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES, continued

Financial instruments

Classification and measurement

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. The Company classifies its financial instruments in the following categories: at amortized cost, at fair value through other comprehensive income (loss) ("FVTOCI"), or at fair value through profit ("FVTPL").

Financial assets

The Company determines the classification of financial assets at initial recognition. The classification of financial instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics.

Financial assets at amortized cost - Financial assets that are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and the contractual terms of these financial assets give rise on specified date to cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at amortized cost using the effective interest rate method. The Company does not have any financial assets measured at amortized cost as at October 31, 2019.

Financial assets at FVTOCI - Financial assets that are held within a business model whose objective is to hold financial assets in order to both collect contractual cash flows and sell financial assets, and the contractual terms of these financial assets give rise on specified date to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Upon initial recognition of equity securities, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate its equity securities that would otherwise be measured at FVTPL to present subsequent changes in fair value in other comprehensive income. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination. Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income (loss). The cumulative gain or loss is not reclassified to profit or loss on disposal of the instrument; instead, it is transferred to retained earnings. The Company does not have any financial assets classified as FVTOCI as at October 31, 2019.

Financial assets at FVTPL - This category comprises derivatives, or financial assets acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statements of financial position at fair value which changes in fair value recognized in the statement of operations. The Company has classified its cash and cash equivalents as FVTPL.

ARBOR METALS CORP. (FORMERLY VELA MINERALS LTD.)
NOTES TO THE FINANCIAL STATEMENTS
For the years ended October 31, 2019 and 2018
(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES, continued

Financial instruments, continued

Financial liabilities

All financial liabilities are initially recorded at fair value and classified as measured at amortized cost or FVTPL.

Financial liabilities at amortized cost - Financial liabilities are subsequently measured at amortized cost using the effective interest rate method except for financial liabilities at FVTPL, financial guarantee contracts, loan commitments as below-market interest rate, and liabilities related to contingent consideration of an acquirer in a business combination. The Company's accounts payable and loans payable are measured at amortized cost.

Financial liabilities at FVTPL- This category comprises derivatives or liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of comprehensive loss. The Company did not hold any financial liabilities at FVTPL as at October 31, 2019.

Impairment of financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

The Company recognizes loss allowances for expected credit losses ("ECLs") on its financial assets measured at amortized cost. Due to the nature of its financial assets, the Company measures loss allowances at an amount equal to expected lifetime ECLs. Lifetime ECLs are the anticipated ECLs that result from all possible default events over the expected life of a financial asset. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i. e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the related financial asset. The Company does not have any financial assets that contain a financing component.

De-recognition

A financial asset is derecognized when the contractual right to the asset's cash flows expires, or if the Company transfers the financial asset and substantially all risks and rewards of ownership to another entity.

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled, or they expire.

ARBOR METALS CORP. (FORMERLY VELA MINERALS LTD.)
NOTES TO THE FINANCIAL STATEMENTS
For the years ended October 31, 2019 and 2018
(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES, continued

Accounting standards and amendments issued and effective

IFRS 9, Financial Instruments

On 1 October 2018, the Company adopted the new accounting standard, IFRS 9, which replaces the guidance in IAS 39 Financial Instruments: Recognition and Measurement.

IFRS 9 introduced a new classification and measurement model for financial assets and liabilities, a more forward-looking impairment model based on expected credit losses and a substantially reformed hedge accounting model.

IFRS 9 contains a new classification and measurement approach for financial assets, reflecting the business model for assets and for cash flow characteristics. The following table summarizes the classification impact of the Company's financial assets and financial liabilities upon the adoption of IFRS 9. The adoption of the new classification requirements under IFRS 9 did not result in any measurement adjustments of the Company's financial assets and liabilities.

IFRS 9 also replaces the 'incurred loss' model in IAS 39 with an expected credit loss ("ECL") model. ECL's are a probability-weighted estimate of credit losses.

The adoption of IFRS 9 has not had an effect on the Company's financial statements other than the reclassification of the Company's financial assets as follows:

Financial Asset or Liability	Classification under IAS 39	Classification under IFRS 9
Cash and cash equivalents	FVTPL	FVTPL
Accounts payable	Other financial liabilities	Amortized cost
Loans payable	Other financial liabilities	Amortized cost

Accounting standards and amendments issued but not yet effective

The following standard will be adopted by the Company effective November 1, 2019:

IFRS 16 – Leases - On January 13, 2016 the IASB issued IFRS 16, "Leases". This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease.

The new standard is effective for annual periods beginning on or after January 1, 2019. The extent of the impact of adoption of the above standard on the financial statements of the Company is not expected to be significant.

ARBOR METALS CORP. (FORMERLY VELA MINERALS LTD.)**NOTES TO THE FINANCIAL STATEMENTS**

For the years ended October 31, 2019 and 2018

(Expressed in Canadian Dollars)

4. 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 agreed 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. The Company wrote the value of the property down to \$1,000 in the year ended October 31, 2017 and recorded a write down of \$193,177. 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. During the year ended October 31, 2018, the Company incurred exploration costs of \$5,834 and extended the claims to July 31, 2018. As the claims were not renewed, the property was written down to \$Nil during the year ended October 31, 2018.

Cree Lake property

On October 15, 2018, the Company signed an option agreement to acquire a 100% interest in certain mineral claims, comprising 2,473 hectares in the Athabasca Basin, Saskatchewan. The terms of the Purchase Option Agreement are as follows:

- cash consideration of \$10,000 on closing of a private placement (paid);
- \$100,000 within 24 months of the signing of this agreement;
- \$100,000 in exploration expenditures within 24 months of signing of the agreement.

The Company's interest is subject to a 1% NSR payable to the vendor, of which ½ % may be purchased for \$1,500,000.

A summary of the Company's exploration and evaluation assets is shown below:

	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)
Balance at October 31, 2018 and 2019	\$ -	\$ 10,000	\$ 10,000

ARBOR METALS CORP. (FORMERLY VELA MINERALS LTD.)**NOTES TO THE FINANCIAL STATEMENTS**

For the years ended October 31, 2019 and 2018

(Expressed in Canadian Dollars)

5. LOANS PAYABLE

Loans payable in the amount of \$Nil (2018 - \$71,369) are unsecured and bear interest at 10% per annum and were repaid on August 20, 2019.

During the year ended October 31, 2019, the Company incurred interest expense of \$5,797 (2018 - \$3,958) in connection with the loans payable. As at October 31, 2019, \$Nil (2018 - \$3,958) in accrued interest was included in accounts payable and accrued liabilities.

6. SHARE CAPITAL AND RESERVES**Authorized**

Unlimited common shares without par value

Issued

Shares issued and outstanding at October 31, 2019 are 12,671,450 (2018 – 1,762,450).

On January 12, 2018, the Company completed a consolidation of its issued and outstanding common shares with one new share issued for six old shares. All shares and per share information have been restated to reflect this consolidation.

Year ended October 31, 2019

On August 6, 2019, the Company closed a private placement for total gross proceeds of \$1,201,080. The Company issued a total of 10,009,000 units at a price of \$0.12 per unit. Each unit contains one common share and one share purchase warrant. Each warrant is exercisable at a price of \$0.15 for a period of 36 months from the date of issuance. In connection of the private placement, the Company incurred \$27,172 in share issuance costs.

Warrants

Warrant activity for the years ended October 31, 2019 and 2018 is presented below:

	2019		2018	
	Number of Warrants	Weighted average exercise price	Number of Warrants	Weighted average exercise price
Outstanding - beginning of year	-	\$ -	-	\$ -
Issued pursuant to private placement	10,009,000	0.15	-	-
Outstanding - end of year	10,009,000	\$ 0.15	-	\$ -

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6. SHARE CAPITAL AND RESERVES, continued

As at October 31, 2019, the following share purchase warrants were outstanding:

Number of Warrants	Weighted Average Exercise Price	Expiry date	Remaining Life (years)
10,009,000	\$ 0.15	August 6, 2022	2.77

Share-based Payments

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.

The following table summarizes activity related to stock options:

	2019		2018	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding - beginning of year	-	\$ -	130,000	\$ 0.175
Granted	900,000	0.11	-	-
Exercised	(900,000)	0.11	-	-
Expired	-	-	(130,000)	0.175
Outstanding - end of year	-	\$ -	-	\$ -

During the year ended October 31, 2019, the Company recorded share-based compensation of \$64,792 (2018 – \$Nil) related to the issuance of stock options.

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6. SHARE CAPITAL AND RESERVES, continued

Share-based Payments - continued

The fair value assigned to the stock options granted and vested during the year ended October 31, 2019 was estimated using the following assumptions:

Dividend yield	0%
Risk free interest rate	1.27%
Expected life	3.0 years
Expected volatility	107%
Forfeiture rate	0%

7. RELATED PARTY TRANSACTIONS AND BALANCES

Key management personnel comprise the Company's Board of Directors and executive officers. During the year ended October 31, 2019 and 2018, no remuneration was paid to key management personnel other than as noted below:

	2019	2018
Consulting fees	\$ 21,850	\$ 23,750

Included in prepaid expenses at October 31, 2019 is \$1,450 for fees paid in advance to directors of the Company (2018 – accounts payable of \$24,974).

8. CAPITAL MANAGEMENT

The Company's objectives for the management of capital are to safeguard the Company's ability to continue as a going concern, including the preservation of capital, and to achieve reasonable returns on invested cash after satisfying the objective of preserving capital.

The Company considers its cash and cash equivalents to be its manageable capital. The Company's policy is to maintain sufficient cash and deposit balances to cover operating costs over a reasonable future period. The Company accesses capital markets as necessary and may also raise additional funds where advantageous circumstances arise.

The Company currently has no externally-imposed capital requirements. There was no change to the Company's approach to capital management during the period.

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9. FINANCIAL INSTRUMENTS

As at October 31, 2019, the Company's financial instruments consist of cash and cash equivalents and accounts payable.

In management's opinion, the Company's carrying values of cash and cash equivalents and accounts payable approximate their fair values due to the immediate or short term maturity of these instruments.

The Company classifies the fair value of these financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis. Cash and cash equivalents is classified under Level 1.

Level 2 – Fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices). The Company does not have any financial instruments classified under Level 2.

Level 3 – Valuations in the level are those with inputs for the asset or liability that are not based on observable market data. Accounts payable and accrued liabilities are classified under Level 3.

The Company's financial instruments are exposed to the following risks:

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. As at October 31, 2019, the Company had working capital of \$991,955. This included cash and cash equivalents of \$1,010,054 and a GST receivable balance of \$1,414 which is sufficient to settle its current liabilities of \$20,963. The Company's financial liabilities include accrued expenses and accounts payable which have contractual maturities of 30 days or are due on demand.

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9. FINANCIAL INSTRUMENTS, continued

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.

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 \$1,010,054 in cash and cash equivalents as at October 31, 2019, on which it earns no interest, and therefore is not subject to interest rate risk.

10. INCOME TAXES

The income tax provision differs from the amount computed by applying the statutory rates to loss before income taxes. These differences result from the following:

	2019	2018
Loss before income taxes	\$ 163,060	\$ 162,217
Statutory rate	27%	27%
Expected income tax recovery	44,000	44,000
Non-deductible expenses and other	(10,000)	9,000
Change in unrecognized deferred tax asset	(34,000)	(53,000)
Deferred income tax expense	\$ -	\$ -

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

	2019	2018
Non-capital losses carried forward	\$ 223,000	\$ 196,000
Capital losses carried forward	44,000	44,000
Mineral properties	44,000	44,000
Share issue costs	7,000	-
Unrecognized deferred tax asset	\$ 318,000	\$ 284,000

The Company has approximately \$827,000 in non-capital losses for tax purposes which may be used to reduce income taxes of future years and have an expiry date range of 2011 to 2039. The Company also has approximately \$317,000 in capital losses that can be carried forward indefinitely until used.

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11. SUBSEQUENT EVENTS

- i. The Company issued 920,000 common shares pursuant to the exercise of share purchase warrants at a price of \$0.15 for gross proceeds of \$138,000.
- ii. On February 10, 2020, the Company acquired 100% of the common shares of Kruger Gold Corp., (“Kruger”), a privately-held mineral exploration company, for cash consideration of \$800,000. Kruger holds the right to acquire a 75% percent interest in a mineral exploration permit located in Burkina Faso, West Africa, commonly referred to as the “Rakounga Project” (“Project”). Kruger has control over operations conducted on the Project and can acquire the interest in the Project by completing a series of cash payments and incurring exploration expenditures in the development of the Project.