

ARBOR METALS CORP.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED OCTOBER 31, 2020 AND 2019

(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders and Directors of Arbor Metals Corp.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Arbor Metals Corp. (the "Company") which comprise the consolidated statements of financial position as at October 31, 2020 and 2019, and the consolidated statements of comprehensive loss, cash flows and changes in equity 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 consolidated financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2020 and 2019, 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 Consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 11, 2021

ARBOR METALS CORP.
Consolidated Statements of Financial Position
As at October 31, 2020 and 2019
(Expressed in Canadian Dollars)

	2020	2019
ASSETS		
Current		
Cash and cash equivalents	\$ 39,861	\$ 1,010,054
GST receivable	2,496	1,414
Prepaid expenses (note 7)	127,188	1,450
Total current assets	169,545	1,012,918
Non-current assets		
Exploration and evaluation properties (note 4)	940,029	10,000
Total assets	\$ 1,109,574	\$ 1,022,918
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 11,719	\$ 20,963
Loans payable (note 5)	200,000	-
Total current liabilities	211,719	20,963
Non-current liabilities		
Loans payable (note 5)	513,369	-
Total liabilities	725,088	20,963
SHAREHOLDERS' EQUITY		
Share capital (note 6)	2,372,591	2,234,591
Reserves (note 6)	171,923	171,923
Deficit	(2,160,028)	(1,404,559)
	384,486	1,001,955
	\$ 1,109,574	\$ 1,022,918

Nature and continuance of operations (note 1)

Subsequent events (note 12)

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 consolidated financial statements

ARBOR METALS CORP.
Consolidated Statements of Comprehensive Loss
For the years ended October 31, 2020 and 2019
(Expressed in Canadian Dollars)

	2020	2019
Expenses		
Consulting fees (note 7)	\$ 40,700	\$ 21,850
Corporate communications	641,074	-
Interest (note 5)	13,369	5,797
Office and administration	10,135	712
Professional fees	48,082	44,009
Share-based compensation (note 7)	-	64,792
Transfer agent and filing fees	60,609	25,900
	(813,969)	(163,060)
Other items		
Other income (note 12)	73,500	-
Write down of exploration and evaluation property (note 4)	(15,000)	-
Net and comprehensive loss	\$ (755,469)	\$ (163,060)
Basic and diluted loss per share	\$ (0.02)	\$ (0.01)
Weighted average number of common shares outstanding	46,805,774	15,178,611

The accompanying notes are an integral part of these consolidated financial statements

ARBOR METALS CORP.
Consolidated Statements of Cash Flows
For the years ended October 31, 2020 and 2019
(Expressed in Canadian Dollars)

	2020	2019
Cash provided by (used in):		
Operating activities		
Net loss	\$ (755,469)	\$ (163,060)
Item not involving cash:		
Share-based compensation	-	64,792
Interest	13,369	-
Write down of exploration and evaluation property	15,000	-
Change in non-cash working capital:		
GST receivable	(1,082)	(485)
Prepaid expenses	(125,738)	(1,450)
Accounts payable and accrued liabilities	(9,244)	(94,838)
Net cash flows used in operating activities	(863,164)	(195,041)
Investing activities		
Mineral property acquisition and exploration costs	(945,029)	-
Net cash flows used in investing activities	(945,029)	-
Financing activities		
Loan advances	700,000	15,500
Loan repayments	-	(86,869)
Share subscriptions returned	-	(91,000)
Exercise of warrants	138,000	-
Exercise of share options	-	99,000
Issuance of common share units	-	1,201,080
Share issue costs	-	(27,172)
Net cash flows provided by financing activities	838,000	1,110,539
Change in cash	(970,193)	915,498
Cash and cash equivalents, beginning of the year	1,010,054	94,556
Cash and cash equivalents, end of the year	\$ 39,861	\$ 1,010,054
Supplemental disclosures with respect to cash flow:		
Taxes paid	\$ -	\$ -
Interest paid	\$ -	\$ 9,756

The accompanying notes are an integral part of these consolidated financial statements

ARBOR METALS CORP.
Consolidated Statements of Changes in Equity
For the years ended October 31, 2020 and 2019
(Expressed in Canadian Dollars)

	Number of Shares	Share Capital	Share Subscriptions Advanced	Reserves	Deficit	Total Equity
Balance at November 1, 2018	6,168,575	\$ 896,891	\$ 91,000	\$ 171,923	\$ (1,241,499)	\$ (81,685)
Share subscriptions returned	-	-	(91,000)	-	-	(91,000)
Issue of common shares for cash	35,031,500	1,201,080	-	-	-	1,201,080
Share issue costs	-	(27,172)	-	-	-	(27,172)
Share-based compensation	-	-	-	64,792	-	64,792
Exercise of stock options	3,150,000	163,792	-	(64,792)	-	99,000
Net loss	-	-	-	-	(163,060)	(163,060)
Balance at October 31, 2019	44,350,075	\$ 2,234,591	\$ -	\$ 171,923	\$ (1,404,559)	\$ 1,001,955
Exercise of warrants	3,220,000	138,000	-	-	-	138,000
Net loss	-	-	-	-	(755,469)	(755,469)
Balance at October 31, 2020	47,570,075	\$ 2,372,591	\$ -	\$ 171,923	\$ (2,160,028)	\$ 384,486

The accompanying notes are an integral part of these consolidated financial statements

ARBOR METALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended October 31, 2020 and 2019
(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.

On March 27, 2020, the Company completed a forward share split on the basis of two-and-one-half additional common shares for every one common share outstanding on that date. All basic and diluted loss per share amounts and weighted average number of common shares have been retroactively adjusted to reflect this event.

These consolidated 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. As at October 31, 2020, the Company had an accumulated deficit of \$2,160,028 (2019 - \$1,404,559), which has been funded by the issuance of equity and debt. The Company's ability to continue its operations and to realize its assets at their carrying values is dependent upon obtaining additional financing and generating revenues sufficient to cover its operating costs. 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.

ARBOR METALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended October 31, 2020 and 2019
(Expressed in Canadian Dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS, continued

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.

The outbreak of the Coronavirus Disease 2019, or COVID-19, has spread across the globe and is impacting worldwide economic activity. This global pandemic poses the risk that the Company or its clients, employees, contractors, suppliers, and other partners may be unable to conduct regular business activities for an indefinite period of time. At this point, the impact on the Company has been minimal. The Company continues to monitor the situation and is taking all necessary precautions in order to follow rules and best practices as set out by the federal and provincial governments.

These consolidated financial statements were authorized for issue on February 11, 2021 by the directors of the Company.

2. BASIS OF PRESENTATION

a) Statement of compliance

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

b) Measurement basis

These consolidated 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.

ARBOR METALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended October 31, 2020 and 2019
(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

These consolidated financial statements include the financial statements of the Company and its wholly owned subsidiaries, Kruger Gold Corp. (“Kruger”) and Arbor Gold Royalties Corp. (“Arbor Gold”). Both subsidiaries are incorporated in the Province of British Columbia.

Subsidiaries

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of the subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases. All inter-company balances and transactions have been eliminated in preparing the consolidated financial statements.

Significant accounting judgments, estimates and assumptions

The preparation of the Company’s consolidated 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 consolidated 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 consolidated 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.
- the determination on whether the assets acquired and liabilities assumed constitute a business

ARBOR METALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended October 31, 2020 and 2019
(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.

Restoration, rehabilitation, and environmental obligations

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration or development of a mineral property interest. Such costs arise from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, along with a corresponding liability as soon as the obligation to incur such costs arises. The timing of the actual rehabilitation expenditure is dependent on a number of factors such as the life and nature of the asset, the operating license conditions and, when applicable, the environment in which the mine operates.

Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight-line method. The corresponding liability is progressively increased as the effect of discounting unwinds creating an expense recognized in profit or loss. The Company has no restoration, rehabilitation and environmental obligations as at October 31, 2020.

ARBOR METALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended October 31, 2020 and 2019
(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES, continued

Cash and cash equivalents

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

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.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended October 31, 2020 and 2019
(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.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended October 31, 2020 and 2019
(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES, continued

Financial instruments

Financial Assets

On initial recognition financial assets are classified as measured at:

- i. Amortized cost;
- ii. Fair value through other comprehensive income ("FVOCI"); and
- iii. Fair value through profit and loss ("FVTPL").

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Financial assets are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of financial assets depends on their classification:

i. Amortized cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included as finance income using the effective interest rate method.

The Company does not have any assets classified at amortized cost.

ii. FVOCI

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains and losses, interest revenue, and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains (losses). Interest income from these financial assets is included as finance income using the effective interest rate method.

The Company does not have any assets classified at FVOCI.

ARBOR METALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended October 31, 2020 and 2019
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3. SIGNIFICANT ACCOUNTING POLICIES, continued

Financial instruments, continued

iii. FVTPL

Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on an investment that is subsequently measured at FVTPL is recognized in profit or loss and presented net as revenue in the Statement of Loss and Comprehensive Loss in the period in which it arises.

The Company's cash and cash equivalents is classified at FVTPL.

Financial Liabilities and Equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the group entities are recorded at the proceeds received, net of direct issue costs.

Financial liabilities are classified as measured at (i) FVTPL; or (ii) amortized cost.

A financial liability is classified as at FVTPL if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognized in profit or loss as incurred. The amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI and the remaining amount of the change in the fair value is presented in profit or loss.

The Company does not classify any financial liabilities at FVTPL.

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

The Company classifies its accounts payable and loans payable at amortized cost.

A financial liability is derecognized when the contractual obligation under the liability is discharged, cancelled or expires or its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

ARBOR METALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended October 31, 2020 and 2019
(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES, continued

Business acquisition

The Company assesses whether an acquisition should be accounted for as an asset acquisition or a business combination under IFRS 3 Business Combinations. This assessment requires management to make judgments on whether the assets acquired and liabilities assumed constitute a business as defined in IFRS 3 and if the integrated set of activities, including inputs and processes acquired, is capable of being conducted and managed as a business and the Company obtains control of the business inputs and processes.

Recent accounting pronouncements

The Company adopted the following new standards effective November 1, 2019:

Leases – On November 1, 2019, the Company adopted IFRS 16 –Leases (“IFRS 16”) which replaced IAS 17 – Leases and IFRIC 4 – Determining Whether an Arrangement Contains a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard is effective for annual periods beginning on or after January 1, 2019. IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead, all leases are treated in a similar way to finance leases applied in IAS 17. IFRS 16 does not require a lessee to recognize assets and liabilities for short-term leases (i.e. leases of 12 months or less) and leases of low-value assets.

The adoption of IFRS 16 on November 1, 2019 did not have an impact on the Company’s consolidated financial statements.

New accounting standards issued but not yet effective

The Company has performed an assessment of new standards issued by the IASB that are not yet effective and has determined that any new standards that have been issued would have no or very minimal impact on the Company’s consolidated financial statements.

ARBOR METALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended October 31, 2020 and 2019
(Expressed in Canadian Dollars)

4. EXPLORATION AND EVALUATION PROPERTIES

	Cree Lake	Rakounga Gold	Total
Balance at October 31, 2018 and 2019	\$ 10,000	\$ -	\$ 10,000
Acquisition costs	-	900,000	900,000
Exploration costs	5,000	40,029	45,029
Write down	(15,000)	-	(15,000)
Balance at October 31, 2020	\$ -	\$ 940,029	\$ 940,029

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 0.5% may be purchased for \$1,500,000.

The October 15, 2020 option payment was not made as management has decided to focus its efforts on other properties. Accordingly, the property was written down to \$Nil during the year ended October 31, 2020.

ARBOR METALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended October 31, 2020 and 2019
(Expressed in Canadian Dollars)

4. EXPLORATION AND EVALUATION PROPERTIES, continued

Rakounga Gold Project, Burkina Fasso, West Africa

On December 2, 2019, as amended on March 2, 2020, Kruger Gold Corp. (“Kruger”), the Company’s subsidiary, entered into a property option agreement (the “Agreement”) with Nexus Gold Corp. (“Optionor”) to acquire a 100% interest in a mineral exploration permit located in Burkina Faso, West Africa, commonly referred to as the “Rakounga Gold Project” (the “Project”). The terms of the Agreement are as follows:

- a) Completing a Qualifying Transaction by either completion of a financing transaction or a going public transaction by Kruger, on or before the date which is 12 months from the Closing date of December 13, 2019 – *Completed by Kruger pursuant to an asset purchase agreement as described in Note 11*
- b) Making cash payments totalling \$1,000,000 as follows:
 - a. \$30,000 on the Closing Date of December 13, 2019 – *paid*
 - b. An additional \$70,000 on or before March 16, 2020 – *paid*
 - c. An additional \$150,000, on or before the date which is 24 months from the Closing Date of December 13, 2019
 - d. An additional \$250,000, on or before the date which is 36 months from the Closing Date of December 13, 2019
 - e. An additional \$500,000, on or before the date which is 48 months from the Closing Date of December 13, 2019
- c) By incurring expenditures of not less than \$1,250,000 as follows:
 - a. \$100,000 on or before the date which is 24 months from the Closing Date of December 13, 2019
 - b. An additional \$150,000 on or before the date which is 36 months from the Closing Date of December 13, 2019
 - c. An additional \$500,000 on or before the date which is 48 months from the Closing Date of December 13, 2019
 - d. An additional \$500,000 on or before the date which is 60 months from the Closing Date of December 13, 2019

Following completion of these payments and expenditures, Kruger will have a 90% interest in the Project. Kruger has the right to acquire the remaining 10% interest in the Project in consideration for a one-time cash payment of \$1,000,000.

The Optionor is subject to an underlying option agreement with an underlying owner of the Project and a royalty agreement with Sandstorm Gold Ltd. (“Sandstorm”). As a result, the Company’s interest is subject to a 1% NSR payable to the underlying owner and a further 1% royalty in favour of Sandstorm.

ARBOR METALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended October 31, 2020 and 2019
(Expressed in Canadian Dollars)

5. LOANS PAYABLE

On September 17, 2020 and October 2, 2020, the Company entered into loan agreements with an arm's length third party. Pursuant to the loan agreement, the Company received a total of \$200,000. The amount is unsecured, bears an interest of 10% per annum and payable on demand to the lender. The Company repaid the loan in full on November 4, 2020.

On May 12, 2020, the Company entered into a Credit Facility Agreement ("Credit Facility") with an arms' length third party. Pursuant to the Credit Facility, the Company received advances totalling \$500,000. The Credit Facility matures on May 12, 2022 and bear an interest at a rate of 10% per annum, compounded monthly.

During the year ended October 31, 2020, the Company accrued interest expense of \$13,369 (2019 - \$5,797) in connection with the loans payable.

6. SHARE CAPITAL AND RESERVES

Authorized

Unlimited common shares without par value

Issued

Shares issued and outstanding at October 31, 2020 are 47,570,075 (2019 – 44,350,075).

Year ended October 31, 2020

On March 27, 2020, the Company completed a forward share split as described in Note 1.

On February 4, 2020, the Company issued 3,220,000 common shares pursuant to the exercise of share purchase warrants for gross proceeds of \$138,000.

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 35,031,500 units at a price of \$0.03 per unit. Each unit contains one common share and one share purchase warrant. Each warrant is exercisable at a price of \$0.04 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.

ARBOR METALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended October 31, 2020 and 2019
(Expressed in Canadian Dollars)

6. SHARE CAPITAL AND RESERVES, continued

Warrants

Warrant activity for the years ended October 31, 2020 and 2019 is presented below:

	2020		2019	
	Number of Warrants	Weighted average exercise price	Number of Warrants	Weighted average exercise price
Outstanding - beginning of year	35,031,500	\$ 0.04	-	\$ -
Exercised	(3,220,000)	0.04	-	-
Issued pursuant to private placement	-	-	35,031,500	0.04
Outstanding - end of year	31,811,500	\$ 0.04	35,031,500	\$ 0.04

As at October 31, 2020, the following share purchase warrants were outstanding:

Number of Warrants	Weighted Average Exercise Price	Expiry date	Remaining Life (years)
31,811,500	\$ 0.04	August 6, 2022	1.75
31,811,500	\$ 0.04		

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.

ARBOR METALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended October 31, 2020 and 2019
(Expressed in Canadian Dollars)

6. SHARE CAPITAL AND RESERVES, continued

Share-based Payments, continued

The following table summarizes activity related to stock options:

	2020		2019	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding - beginning of year	-	\$ -	-	\$ -
Granted	-	-	3,150,000	0.03
Exercised	-	-	(3,150,000)	0.03
Outstanding - end of year	-	\$ -	-	\$ -

During the year ended October 31, 2020, the Company recorded share-based compensation of \$Nil (2019 – \$64,792) related to the issuance of stock options.

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

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. 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.

Key management personnel comprise the Company's Board of Directors and executive officers.

During the year ended October 31, 2020 and 2019, no remuneration was paid to key management personnel other than as noted below:

	2020	2019
Consulting fees	\$ 40,700	\$ 21,850
Share-based compensation	\$ -	\$ 64,792

Prepaid expense at October 31, 2019 includes \$1,450 for fees paid to directors of the Company.

ARBOR METALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended October 31, 2020 and 2019
(Expressed in Canadian Dollars)

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 shareholder's equity and loans payable as 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.

9. FINANCIAL INSTRUMENTS

As at October 31, 2020, the Company's financial instruments consist of cash and cash equivalents, accounts payable and loans payable.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 – inputs to valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

As at October 31, 2020, cash and cash equivalents are assessed to be a Level 1 instrument and accounts payable and loans payable were assessed to be Level 3 instruments.

The Company is exposed to varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes, inclusive of counterparty limits, controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

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.

ARBOR METALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended October 31, 2020 and 2019
(Expressed in Canadian Dollars)

9. FINANCIAL INSTRUMENTS, continued

Liquidity Risk

Liquidity risk is the risk that the Company will not meet its financial obligations as they fall due. As at October 31, 2020, the Company had a working capital deficiency of \$42,174. This included cash and cash equivalents of \$39,861, a GST receivable balance of \$2,496 and prepaid expenses of \$127,188 which is not sufficient to settle its current liabilities of \$211,719. Accounts and loans payable have contractual maturities of approximately 30 to 90 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.

Interest Rate Risk

Interest rate risk consists of two components:

- (i) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.
- (ii) To the extent that changes in prevailing market rates differ from the interest rates on the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

In management's opinion, the Company is not exposed to significant interest rate risk.

ARBOR METALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended October 31, 2020 and 2019
(Expressed in Canadian Dollars)

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:

	2020	2019
Statutory rate	27%	27%
Expected income tax recovery	\$ 204,000	\$ 44,000
Non-deductible expenses and other	(38,000)	(10,000)
Change in unrecognized deferred tax asset	(166,000)	(34,000)
Deferred income tax expense	\$ -	\$ -

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

	2020	2019
Non-capital losses carried forward	\$ 425,000	\$ 223,000
Capital losses carried forward	44,000	44,000
Mineral properties	11,000	44,000
Share issue costs	4,000	7,000
Unrecognized deferred tax asset	\$ 484,000	\$ 318,000

The Company has approximately \$1,573,000 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 2038 to 2040. The Company also has approximately \$317,000 in capital losses that can be carried forward indefinitely until used.

11. ACQUISITION

On February 7, 2020, the Company entered into a share purchase agreement to purchase 100% of the outstanding shares of Kruger Gold Corp. ("Kruger") for cash consideration of \$800,000. Kruger holds the right to acquire an interest in a mineral property referred to as the "Rakounga Project" described in Note 4. The Company has determined that this transaction is an asset acquisition as the assets acquired did not constitute a business.

ARBOR METALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended October 31, 2020 and 2019
(Expressed in Canadian Dollars)

12. SUBSEQUENT EVENTS

- (i) On November 2, 2020, the Company entered into a gross revenue royalty agreement (the "Agreement") with an arm's length third party (the "Royalty Holder") to grant the Royalty Holder 5% of gross revenue earned by the Company's operations in return for a purchase price of \$1,000,000 cash. If the purchase price is not received within 30 days of the date of the Agreement, the Agreement will be terminated. As of October 31, 2020, the Company had received a non-refundable advance under this Agreement of \$73,500. As the advance was non-refundable, the Company included it as other income for the year ended October 31, 2020. Subsequently, the Company received an additional \$251,500. As a result of not receiving the purchase price in full within 30 days of the Agreement, the Agreement was terminated.
- (ii) The Company granted 250,000 stock options to consultants exercisable at \$2 per common share and expiring on April 30, 2021.
- (iii) The Company issued 3,500,000 common shares pursuant to the exercise of share purchase warrants for total proceeds of \$150,000.