



Consolidated Financial Statements
For the Years Ended December 31, 2013 and 2012

*...exploring for petroleum and minerals in Canada...
searching new areas for large deposits...*

VULCAN MINERALS INC.
December 31, 2013 and 2012

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VULCAN MINERALS INC.

**MANAGEMENT DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS**

For the Year Ended December 31, 2013

This discussion includes certain statements that may be deemed “forward-looking statements”. All statements in this discussion, other than statements of historical facts, that address exploration, drilling, exploration activities and events or developments that Vulcan Minerals Inc. (the “Company”) expects are forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in the forward-looking statements include market prices, exploration and exploration successes, continued availability of capital and financing and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and those actual results or developments may differ materially from those projected in the forward-looking statements.

General Business

The Company is engaged in mineral (and petroleum in 2012) exploration on properties in Newfoundland and Labrador. The Company’s efforts have focused on exploring these properties. The Company is an exploration venture company and has no proven petroleum or mineral reserves.

The MDA should be read in conjunction with the consolidated financial statements for the year ended December 31, 2013 and accompanying notes.

DATE

The date of this MDA is April 24, 2014.

OVERALL PERFORMANCE

The Company reported a loss before income taxes in the amount of \$1,821,741 for the year ended December 31, 2013, as compared to a loss before income taxes of \$2,432,788 for the year ended December 31, 2012 (reduction of \$611,047). There were two major factors which account for this difference. The Company sold its interest in three properties in 2012, and after writing off the costs associated with these properties, the result was an overall loss on the properties of \$1,398,255. There were no sales of property in 2013. The Company wrote down its geophysical and geological database in 2013 in the amount of \$443,938. In 2013 the Company transferred unrealized losses in the amount of \$443,330 on investments which were classified as available for sale, from the “statement of other comprehensive income” to the “statement of loss”. When a decline in value of an investment constitutes objective evidence of impairment, all accumulated losses on the investment are reallocated from “other comprehensive loss” to “statement of loss”. In 2012 the Company reported unrealized losses on its investments in the statement of income in the amount of \$85,500. The result was an increase in unrealized losses on investments in the statement of income in the amount of \$357,830 in 2013 as compared to 2012.

The Company reported a deferred income tax recovery in 2012 in the amount of \$765,787, resulting in a net loss of \$1,667,038 for 2012. The deferred income tax recovery recorded in 2013 was \$96,161 and this resulted in a net loss of \$1,725,580.

General and administrative expenses for the years ended December 31, 2013 and 2012 are as follows:

| General & Admin. Expenses Include: | Year Ended December 31 | |
|--|---------------------------|----------------|
| | 2013 | 2012 |
| | \$ | \$ |
| Office & Administrative | 167,796 | 137,517 |
| Management, Salaries & Contract Fees & Benefits | 462,710 | 476,665 |
| Directors' Fees | 32,500 | 14,000 |
| Transfer Agent & Professional Fees | 142,171 | 188,262 |
| Conferences, Travel and Accommodation | 49,712 | 50,346 |
| Total | 854,889 | 866,790 |

Office and administrative expenses increased in the amount of \$30,279 in 2013 as compared to 2012. Subsidiary company, Red Moon, did not start active operations until August 2012, and thus the comparative figures reflect expenses for four and one half months in 2012 for Red Moon as compared to twelve months in 2013. Management, salaries, contract fees and benefits decreased in the amount of \$13,955 for 2013 as compared to 2012. The Company hired a geophysicist in 2013, contributing to an increase in salaries. However, a portion of the salaries for geologists and geophysicist in 2013 was capitalized to the exploration project for the direct time incurred on the project. In the fourth quarter of 2013, the chief financial officer position became a part time position and this contributed to the decrease in salaries and related costs. Directors' fees for 2013 include directors' fees for subsidiary company, Red Moon. There were no directors' fees paid by Red Moon in 2012. Transfer agent and professional fees decreased in the amount of \$46,091 in 2013 as compared to 2012. The 2012 figures included legal and other costs related to the "spin out" of the mineral property to subsidiary, Red Moon with no comparable amounts in 2013.

SELECTED ANNUAL INFORMATION

| Year Ended December 31 | 2013 | 2012 | 2011 |
|---------------------------------------|-------------|-------------|-------------|
| | \$ | \$ | \$ |
| Total Revenue | 50,682 | 48,304 | 35,734 |
| Net Loss | (1,725,580) | (1,667,038) | (1,735,617) |
| Net Loss per Share - basic & diluted | (0.03) | (0.03) | (0.03) |
| Total Assets | 8,711,647 | 10,044,079 | 13,373,004 |
| Total Long-term Financial Liabilities | - | - | - |
| Cash Dividends | Nil | Nil | Nil |

The financial statements from which the above data was extracted were prepared in accordance with generally accepted accounting principles in Canada, as set out in the Chartered Professional Accountants of Canada Handbook, which incorporates International Financial Reporting Standards.

Revenue in each of 2013, 2012 and 2011 is represented by interest income. A significant component of the net loss in 2011 was the write off of exploration costs in the amount of \$784,398. Share-based compensation expense also increased the loss in 2011 in the amount of \$182,980. A significant component of the net loss in 2012 was the write off of the exploration costs associated with the sale of the interest in three properties. The net write off after proceeds of disposition was \$1,398,255. In 2012 the Company recorded a deferred income tax recovery of \$765,787 which reduced the loss for that year. The 2013 loss included a write down of the geological and geophysical data in the amount of \$443,938. In addition, accumulated losses on available for sale investments in the amount of \$443,330 were transferred from “statement of other comprehensive income” to “statement of income”, and thus increased the reported net loss for 2013. Assets decreased from 2011 to 2013 as a result of divestments of oil and gas properties and a decrease in the value of investments.

OPERATIONS

Western Newfoundland-Petroleum (Onshore)

Bay St. George

The Company holds a 2.0% gross overriding royalty on three petroleum permits (permits 03-106, 03-107, and 96-105) covering approximately 250,000 acres in the onshore Bay St. George area in western Newfoundland. The Company previously operated and explored these properties under a joint venture agreement with Investcan Energy Corporation (Investcan) and accumulated a database of geophysical and geological data on the area. Eleven wildcat wells were drilled by the Company and its joint venture partner in this previously unexplored area. There have been two gas discoveries as well as a shallow oil discovery (Flat Bay) on the permits. These discoveries are unconventional because of tight reservoir conditions requiring significant expenditures to evaluate their commerciality. In 2012 the Company elected to convert its 50% working interest in the permits to a royalty position. As a result, the Company received a cash payment of \$2,500,000 from Investcan and a 2% gross overriding royalty. This will enable the Company to share any future production without any operational risks or costs.

The current operator on the permits, Investcan, advised the Company in late June of 2013 that they were re-entering and deepening the Hurricane #2 well on permit 96-107. Hurricane #2 was a well drilled by the Company in 2005 to a depth of 935 metres. The well had petroleum shows in the shallow section and was suspended pending further evaluation at that time. Investcan deepened the well to further evaluate the geologic section and petroleum prospectivity. The well is currently suspended pending further evaluation.

Investcan has also re-entered and conducted workover operations on Gobineau #1, a well drilled in late 2012 on Permit 03-106 in the Flat Bay area. Investcan’s previously announced two new proposed wells, Thoulet #1 and #2, are currently proceeding through the environmental review process. The proposed Thoulet wells have targeted depths of up to 2,000 metres each. Drilling is planned to commence upon environmental approval. The two wells have a preliminary combined budget of \$10 million.

Labrador Offshore

In May of 2012, the Company sold its 30% working interest in the Labrador Offshore exploration licence 1107 (“EL 1107”) to Investcan for a cash payment of \$1,750,000 and “success” payments of \$500,000, payable upon the spudding of a well on EL 1107 or the sale by Investcan of its total interest in the licence, whichever comes first, and a further \$500,000 payable upon the issuance of any significant discovery licence contained within the exploration licence.

EL 1107 covers 236,525 hectares (584,000 acres) of the Hopedale Basin on the Labrador continental shelf and was acquired in September 2008 with Investcan. An exploration licence confers the right to explore for petroleum for six years (Period I) with a possible additional period of three years.

Western Newfoundland Offshore

Through its interests in NWest Energy Corp. (“NWest”), the Company had exposure to the exploration potential of offshore western Newfoundland. The Company was a founding shareholder of NWest in 2006 and currently owns approximately 19% of its outstanding shares.

NWest has reported that its interests in Exploration License 1079R have terminated as the license has expired.

Mineral Properties

TL Nickel-Copper-PGM

The TL Nickel-Copper-Platinum group element property in Labrador is situated approximately 50 km northwest of the Voisey’s Bay world-class nickel-copper-cobalt mine. The property was optioned to Nortec Minerals Corp. (“Nortec”) in 2003. An airborne geophysical survey was completed as of May 21, 2008 by Geotech using the VTEM system. A drilling program was carried out on the property during the summer of 2008 with approximately 1,960 metres drilled. Nortec earned 51% working interest in the property. Significant drill intersections of mineralization were encountered including 14 metres of 1.02% Nickel, 0.51% Copper, and 0.03% Cobalt. In March 2013, the Company acquired Nortec’s 51% working interest in the property, subject to a 1% royalty with certain buyback provisions. The Company currently holds a 100% working interest in the property. The Company is conducting a full review, integration and interpretation of all previous work towards formulating a strategic exploration program. The first phase of that review was completed in March 2014 and consisted of a compilation and interpretation of geophysical data.

Flat Bay Potash/Salt

Red Moon Potash Inc., a subsidiary in which Vulcan’s holds a 61% ownership interest, owns a 100% interest in mineral licenses covering a portion of the northern Bay St. George Basin. The Company holds a 3% net production royalty on these mineral licenses. The Bay St. George area is part of the larger Maritimes Basin which is a significant producer of salt and potash, including the Sussex mine operated and under current expansion by the Potash Corporation of Saskatchewan in New Brunswick.

In 2002, Vulcan drilled the Captain Cook #1 well which discovered a 165-meter thick section of evaporites consisting of halite (salt) and a potentially significant potash zone. Analysis of the core indicated grades varying from 4.44% - 20.40% K₂O (potassium oxide). In 2004, Vulcan drilled the Flat Bay #2 well, which intersected approximately 200 metres of salt approximately 2 km from Captain Cook. Geological analysis suggests that these discoveries are connected and that a potentially significant salt/potash resource exists in the area. In late 2011, Vulcan carried out a high resolution airborne gravity survey (Fugro Surveys) over the prospective lands for potash and salt to further enhance the geologic understanding of the deposits and assist with drill target prioritization.

On July 25, 2012, the shareholders of the Company approved a corporate re-organization whereby the Company spun-out these mineral exploration assets in the Bay St. George basin into a separate publicly traded subsidiary company, Red Moon Potash Inc. (“Red Moon”). Red Moon was listed for trading on the TSX Venture Exchange on August 17, 2012. The Company designed and managed a drilling program on behalf of Red Moon in June and July 2013. Two holes were drilled offsetting the Captain Cook #1 discovery representing stepouts of 1,000 meters to the northeast and 500 meters to the southwest. Each hole intersected the potash zone near its depositional margins where potash development is less intense than at Captain Cook #1. However, salt grades were comparable to the high salt grades at Captain Cook #1. Based on the results, it appears the Captain Cook area has greater potential for salt than potash. The potash potential is now interpreted to lie to the east and south of the Captain Cook area.

Athabasca Uranium

In October 2013, the Company acquired ten metallic and industrial mineral permits in the western Athabasca area of Alberta, approximately 50 km east of Fort McMurray, covering 91,648 hectares. The primary target of the permits is western Athabasca Basin style uranium deposits, similar to the recent discoveries of Fission Uranium Corp. and Alpha Minerals Inc. at Paterson Lake South, approximately 50 miles northeast. The Paterson Lake South discovery has attracted significant market interest and a staking rush in the western margins of the Athabasca Basin. The Company’s permits lie along a major basement magnetic lineament. Based on regional and local geology, the prospective Precambrian basement rocks are overlain by a veneer of Phanerozoic cover sediments. The Company compiled relevant information regarding the potential for uranium deposits and retained APEX Geoscience to carry out a property evaluation. This report was received and filed on SEDAR in March 2014.

Plans for 2014

Subsequent to re-acquiring 100% working interest in the TL Nickel property, the Company has been and will continue to undertake a full review and integration of all geologic, geophysical and drilling data on the property towards formulating a new exploration program. Phase 1 of that review focused on interpreting the various geophysical data sets. As a result, several new areas of interest have been identified. The Company is in the initial stages of planning a prospecting program to ground check these new target areas. A final decision on the field work program is pending.

The Company will continue to provide project management, technical and field operation management, and administration in support of Red Moon's potash/salt drilling program in western Newfoundland. This is a cost efficient use of the Company's skill and experience in operating in this area. Red Moon has initiated the permitting for a two hole drill program in 2014, subject to financing.

The Company is soliciting partners to finance an exploration program on the Alberta uranium permits.

The Company also continues to review potential project acquisitions.

SUMMARY OF QUARTERLY RESULTS

| Quarter | Total Revenue | Net (Loss) Income | Net (Loss) Income per share |
|--------------------|---------------|-------------------|-----------------------------|
| | \$ | \$ | \$ |
| December 31, 2013 | 18,556 | (1,051,048) | (0.018) |
| September 30, 2013 | 5,867 | (271,532) | (0.005) |
| June 30, 2013 | 13,264 | (180,731) | (0.003) |
| March 31, 2013 | 12,995 | (222,269) | (0.004) |
| December 31, 2012 | 14,736 | (810,780) | (0.014) |
| September 30, 2012 | 16,725 | 337,872 | 0.005 |
| June 30, 2012 | 10,107 | (1,139,850) | (0.020) |
| March 31, 2012 | 6,736 | (54,280) | (0.001) |

Revenue for each quarter is represented by interest income. Net loss for the quarter ended December 31, 2013 included a write down of exploration and evaluation assets in the amount of \$443,938 and a reallocation of accumulated unrealized losses on investments of \$443,330 from other comprehensive loss to net loss. Net loss for the quarters ended December 31, 2012 and June 30, 2012 included write downs of exploration and evaluation assets.

LIQUIDITY

At December 31, 2013, the Company had current assets of \$4,102,815, of which \$3,853,156 consisted of cash and cash equivalents, including \$211,547 held by the Company's consolidated subsidiary, Red Moon Potash Inc. Red Moon is also eligible for a grant from the Government of Newfoundland and Labrador through the junior exploration assistance program as a contribution to the 2013 drilling program. The cash is readily available and is not subject to subprime debt issues nor asset backed commercial debt.

The Company has no long-term debt and as such is not sensitive to interest rate fluctuation on debt instruments. The Company has no unpaid liabilities that could materially affect its financial position. The Company's cash and cash equivalents are held in bank accounts with no exposure to equity market fluctuations.

The Company has no production revenue from petroleum and natural gas or minerals. The Company's ability to continue in the long term will be dependent on equity financing or obtaining a joint venture partner.

The Company's subsidiary, Red Moon Potash Inc., had current assets of \$312,051 at December 31, 2013 and current liabilities of \$19,717, resulting in working capital of \$292,334. Its annual operating expenses are estimated at \$240,000. The subsidiary company's ability to continue as a going concern will be dependent upon obtaining equity financing, and there is no assurance that equity financing will be obtained.

The cash balances of the Vulcan are sufficient meet its current and medium term requirements.

CAPITAL RESOURCES

The Company has 10 mineral permits in Alberta, a mineral license in Tasisuak, Labrador, and subsidiary company, Red Moon, has 8 mineral licenses in Newfoundland and Labrador. These tenure instruments require annual work obligations in order to maintain ownership. Failure to fulfill work obligations would result in loss of ownership interest.

The Company holds a 2% gross overriding royalty on three petroleum and natural gas permits in Western Newfoundland. It also holds a 3% net production royalty on the mineral licenses currently held by subsidiary, Red Moon.

TRANSACTIONS WITH RELATED PARTIES

The Company and its subsidiary, Red Moon, paid premises rent aggregating \$45,000 (2012-\$24,000) to a private company owned and controlled by the President and a director of the Company.

The Company and its subsidiary paid key management personnel, which includes the President and Chief Executive Officer, and the Chief Financial Officer, management fees, salaries and benefits in the amount of \$323,731 for the year ended December 31, 2013 (\$334,951- 2012).

The Company and its subsidiary, Red Moon, paid directors' fees of \$32,500 for the year ended December 31, 2013 (2012 - \$14,000).

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Management is of the opinion that these transactions were undertaken under the same terms and conditions as transactions with non-related parties.

In recognition of distressed equity market conditions, the Company has taken measures to reduce its general and administrative costs, including a reduction in the President and Chief Executive Officer's contract fees as of March 1, 2014, a reduction in the Chief Financial Officer and Corporate Secretary position from a full time position to a part time position as of November 5, 2013 , and a reduction in office management salary as of December 20, 2013, resulting in an overall reduction of 35% in salary and contract fees to these individuals.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

New and amended standards adopted by the Company

The following standards have been adopted by the Company for the financial year beginning on January 1, 2013:

Amendment to IAS 1, “*Financial statement presentation*” regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they subsequently will or will not be reclassified to profit or loss. These changes did not result in any adjustments to OCI or comprehensive income.

IFRS 10, “*Consolidated financial statements*” builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The standard requires an entity to consolidate an investee, only if the investor possesses power over the investee, is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The Company assessed its consolidation conclusions on January 1, 2013 and determined that the adoption of IFRS 10 did not result in any change in the consolidation status of its subsidiaries.

IFRS 11, “*Joint arrangements*” focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportional consolidation of joint arrangements is no longer permitted. The Company currently has no interests in joint arrangements; therefore the adoption of this standard had no impact on the Company’s consolidated financial statements.

IFRS 12, “*Disclosures of interests in other entities*” includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles. This standard did not result in any additional disclosures for the Company.

IFRS 13, “*Fair value measurement*” aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The adoption of IFRS 13 did not require any adjustment to the valuation techniques used by the Company to measure fair value and did not result in any measurement adjustments at January 1, 2013.

The IASB made several amendments to IAS 36, “*Impairment of assets*”, to IAS 36, Impairment of assets, in conjunction with issuing IFRS 13. They later issued a limited scope amendment, effective January 1, 2014, introducing additional disclosures about fair value measurement where an impairment has been recorded or reversed. The Company has early adopted the limited scope amendment with no material impact on the Company’s financial statements.

Standards and amendments not yet effective and not yet applied

IFRS 2, “*Share-based payment*” was amended to clarify the definition of vesting conditions. The amendment applies to share-based transactions for which the grant date is on or after July 1, 2014.

IFRS 3, “*Business combinations*” was amended to provide clarification related to contingent consideration in a business combination. The amendment is effective for business combinations where the acquisition date is on or after July 1, 2014.

IAS 32, “*Financial Instruments Presentation*” was amended to clarify requirements for the offsetting of financial assets and liabilities. The amendment is effective for fiscal years beginning on or after January 1, 2014.

IAS 24, “*Related Party Transactions*” was amended to revise the definition of related party to include an entity that provides key management personnel services to the reporting entity or its parent and to clarify the related party disclosure requirements. This amendment is effective for fiscal years beginning on or after July 1, 2014.

IFRIC 21, “*Accounting for levies imposed by governments*” clarifies that the obligating event giving rise to a liability to pay a levy is the activity described in the relevant legislation that triggers payment of the levy. IFRIC 21 is effective for years beginning on or after January 1, 2014.

The Company is evaluating the impact of these standards on its financial statements.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company’s financial instruments include include cash and cash equivalents, and accounts payable and accrued liabilities. The carrying amount of each approximates fair value due to their short term nature.

The Company also holds financial instruments in the form of available for sale investments.

The Company currently holds 1,400,000 shares in Nortec Minerals Inc., a public company, pursuant to mineral property option agreements dated May 30, 2003 and July 30, 2008. The shares have been valued at \$56,000 on the balance sheet at December 31, 2013. These shares are all free trading. The Company may sell those shares at its discretion in context of the market value and prospects for Nortec.

The Company currently holds 1,796,437 shares in NWest Energy Corp., a public company, and has recorded the shares at market of \$53,893 on the balance sheet at December 31, 2013. The Company may sell those free trading shares at its discretion in context of the market value and prospects for NWest.

The Company currently holds 150,000 shares in Commander Resources Ltd., a public company, pursuant to a mineral property letter agreement dated February 27, 2007. The shares have been valued as an investment of \$7,500 on the balance sheet at December 31, 2013. The Company may sell those shares at its discretion in context of the market value and prospects for Commander.

Business Risks

The Company is a junior exploration company principally involved in mineral and oil and gas exploration which is an inherently high-risk activity. The business of exploring for, developing, acquiring, producing oil and natural gas and minerals is subject to many risks and uncertainties, several of which are beyond the control of the Company. These risks are operational, financial, legal and regulatory in nature.

Operational risks include unsuccessful exploration and development drilling activity, reservoir performance, safety and environmental concerns, access to cost effective contract services, escalating industry costs for contracted services and equipment, product marketing and hiring and retaining qualified employees.

The Company is subject to financial risk as exploration is capital intensive and the Company has no sources of funding other than equity financing and joint venture financing arrangements. Only the skills of management and staff in mineral and oil and gas exploration and exploration financing serve to mitigate these risks.

The Company is subject to a variety of regulatory risks that it does not control. Government and Securities regulations are monitored to ensure the Company continues to be in compliance.

The Company also mitigates many of the above risks by having diversified exploration projects capable of financing by joint venture partners.

Financial Risk Factors

Other financial risk factors in which the Company is exposed to are outlined below:

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company is exposed to credit risk on its cash and accounts receivable. The credit risk on cash is limited because the counterparty is a chartered bank with a high credit rating. The Company assesses its credit risk on cash and accounts receivable as not significant.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they come due. The Company believes it has sufficient liquidity to meet its obligations in the near to medium term. Liquidity risk is significant to subsidiary company, Red Moon Potash Inc. It has a limited amount of cash and there is no assurance that it can obtain financing.

Commodity price risk

The recoverability of the costs of exploration and evaluation properties is partially related to the market price of oil and gas and base metals. The Company does not hedge this exposure to fluctuations in commodity prices. The Company's ability to continue with exploration programs is also indirectly subject to commodity prices.

Interest rate risk

The Company's cash balances are held in bank accounts or invested in short-term deposit certificates. The Company has no debt. The Company believes its interest rate risk is not significant.

Market price risk

The value of the Company's investments is exposed to fluctuations in value depending on a number of factors, including the quoted market price and the market value of the commodities that the companies may focus on. The Company does not utilize any derivative contracts to reduce this exposure.

CONTINGENCIES

The Company has two contingencies as of December 31, 2013 as follows:

a) In 2011, the Company was served with a statement of claim by Geophysical Service Incorporated wherein it is claimed that the Company, as a co-defendant with Investcan Energy Corporation, has committed a copyright infringement. The claim relates to an allegation that accessing offshore Labrador seismic data, which is released to the public by the Canada Newfoundland and Labrador Offshore Petroleum Board (CNLOPB) after the relevant statutory privilege-confidentiality period, is a breach of copyright. The Company is of the opinion that this claim is without basis or merit and no amounts have been recorded in the Company's accounts. The Company is fully defending its interests.

b) The Court in Alberta has granted leave to Geophysical Service Incorporated (GSI) to add the Company as a co-defendant in the ongoing action GSI has with NWest Energy Corp. regarding an alleged breach of an agreement between those parties. In order to do this, GSI must submit a statement of claim for the court to review. The Company believes any related claims against it are without basis or merit and the Company is fully defending its interest.

SHARE CAPITAL

As of the date of this management discussion and analysis the Company has 58,526,129 voting common shares outstanding. The Company's share capital consists of an unlimited number of voting common shares and an unlimited number of preferred shares of which there are none outstanding.

The Company and its subsidiary company had 5,040,845 stock options outstanding at April 24, 2014 as outlined below:

| Date Issued | Number | Exercise Price | Details |
|----------------------|---------------|-----------------------|---|
| | | | |
| August 3, 2010 | 978,345 | \$0.44 | Directors' Options, Expiry August 3, 2015 |
| February 1, 2013 | 1,700,000 | \$0.10 | Directors' Options, Expiry February 1, 2018 |
| February 14, 2013 | 212,500 | \$0.10 | Employee Options, Expiry February 14, 2018 |
| Red Moon as follows: | | | |
| February 1, 2013 | 2,000,000 | \$0.10 | Directors' Options, Expiry February 1, 2018 |
| April 12, 2013 | 150,000 | \$0.10 | Employee Options, Expiry April 12, 2018 |

There were 2,993,970 options exercisable at April 24, 2014 (of which 1,093,750 related to subsidiary, Red Moon).

ADDITIONAL INFORMATION

All corporate disclosure documents are filed on www.sedar.com. Additional information regarding the Company's projects and activities are available at www.vulcanminerals.ca.



April 24, 2014

Independent Auditor's Report

To the Shareholders of Vulcan Minerals Inc.

We have audited the accompanying consolidated financial statements of Vulcan Minerals Inc. and its subsidiaries, which comprise the consolidated balance sheets as at December 31, 2013 and December 31, 2012 and the consolidated statements of loss, comprehensive loss, changes in equity and cash flows the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Vulcan Minerals Inc. and its subsidiaries as at December 31, 2013 and December 31, 2012 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

(signed) "PricewaterhouseCoopers LLP"

Chartered Accountants

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VULCAN MINERALS INC.
Consolidated Balance Sheets
As at December 31

| (in Canadian dollars) | 2013 | 2012 |
|--|-------------------|-------------------|
| | \$ | \$ |
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | 3,853,156 | 5,129,360 |
| Accounts receivable | 15,445 | 14,033 |
| Government grant receivable (Note 5) | 85,000 | - |
| Prepaid expenses | 15,990 | 28,026 |
| Deposits | 24,000 | 24,000 |
| Inventory | 109,224 | 109,224 |
| | 4,102,815 | 5,304,643 |
| Deposits | 286,000 | 286,400 |
| Investments (Note 6) | 117,393 | 239,179 |
| Exploration and evaluation assets (Note 7) | 4,089,683 | 4,050,868 |
| Equipment (Note 8) | 115,756 | 162,989 |
| Total Assets | 8,711,647 | 10,044,079 |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | 71,759 | 63,713 |
| Asset retirement obligations (Note 9) | - | - |
| Deferred income taxes (Note 10 (a)) | - | 96,161 |
| Total Liabilities | 71,759 | 159,874 |
| Equity | | |
| Shareholders' equity | 8,228,719 | 9,438,175 |
| Non-controlling interest | 411,169 | 446,030 |
| | 8,639,888 | 9,884,205 |
| Total Liabilities and Equity | 8,711,647 | 10,044,079 |
| Nature of operations (Note 1) | | |
| Contingencies (Note 18) | | |
| Approved on Behalf of the Board of Directors | | |
| Patrick J. Laracy | _____ Director | |
| Rex Gibbons | _____ Director | |

See accompanying notes to the consolidated financial statements

VULCAN MINERALS INC.
Consolidated Statements of Loss
Years Ended December 31

| (in Canadian dollars) | 2013 | 2012 |
|---|--------------------|--------------------|
| | \$ | \$ |
| Income (Expenses) | | |
| Interest income | 50,682 | 48,304 |
| Gain on sale of exploration and evaluation assets | - | 1,249,551 |
| Write-off/loss of exploration and evaluation assets | (443,938) | (2,647,806) |
| General and administrative (Notes 14 & 15) | (854,889) | (866,790) |
| Share-based compensation (Note 12) | (81,426) | (60,261) |
| Depreciation (Note 8) | (48,840) | (70,286) |
| Unrealized loss on investments | (443,330) | (85,500) |
| Loss before income taxes | (1,821,741) | (2,432,788) |
| Income taxes | | |
| Other tax (expense) | - | (37) |
| Deferred income tax recovery (Note 10 (b)) | 96,161 | 765,787 |
| | 96,161 | 765,750 |
| Net loss | (1,725,580) | (1,667,038) |
| Net loss attributable to: | | |
| Common shareholders | (1,617,647) | (1,619,101) |
| Non-controlling interest | (107,933) | (47,937) |
| | (1,725,580) | (1,667,038) |
| Net loss per share - basic and diluted | (0.03) | (0.03) |
| Weighted-average number of common shares outstanding - basic and diluted | 58,290,513 | 57,526,129 |

Consolidated Statements of Comprehensive Loss
Years Ended December 31

| (in Canadian dollars) | 2013 | 2012 |
|--|--------------------|--------------------|
| | \$ | \$ |
| Net loss | (1,725,580) | (1,667,038) |
| Other comprehensive loss: | | |
| Change in unrealized loss on available-for-sale financial assets (net of tax) | (121,785) | (243,382) |
| Unrealized loss on available-for sale financial assets reallocated to statement of loss | 443,330 | 85,500 |
| | 321,545 | (157,882) |
| Comprehensive loss | (1,404,035) | (1,824,920) |
| Comprehensive loss attributable to: | | |
| Common shareholders | (1,296,102) | (1,776,983) |
| Non-controlling interest | (107,933) | (47,937) |
| | (1,404,035) | (1,824,920) |

See accompanying notes to the consolidated financial statements

VULCAN MINERALS INC.
Consolidated Statements of Changes in Equity

(in Canadian dollars)

| | Share Capital | Contributed Surplus | Warrants | Accumulated Other Comprehensive Loss | Deficit | Total Shareholders' Equity | Non-Controlling Interest | Total Equity |
|--|-----------------------------|------------------------|-------------------|---|---------------------|----------------------------------|-----------------------------|------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| | <i>Notes 11 (a) and (b)</i> | <i>Note 11 (d)</i> | <i>Note 11(c)</i> | | | | | |
| Balance, December 31, 2011 | 19,543,102 | 2,797,245 | 5,250 | (231,261) | (10,475,022) | 11,639,314 | - | 11,639,314 |
| Net loss and comprehensive loss, January 1, 2012 - December 31, 2012 | - | - | - | (157,882) | (1,619,101) | (1,776,983) | (47,937) | (1,824,920) |
| Share-based compensation | - | 68,999 | - | - | - | 68,999 | - | 68,999 |
| Corporate re-organization adjustments | (70) | 812 | 70 | - | - | 812 | - | 812 |
| NCI as result of corporate re-organization | (493,967) | - | - | - | - | (493,967) | 493,967 | - |
| Balance, December 31, 2012 | 19,049,065 | 2,867,056 | 5,320 | (389,143) | (12,094,123) | 9,438,175 | 446,030 | 9,884,205 |
| Net loss and comprehensive loss January 1, 2013 - December 31, 2013 | - | - | - | 321,545 | (1,617,647) | (1,296,102) | (107,933) | (1,404,035) |
| Issuance of shares for property acquisition | 60,000 | - | - | - | - | 60,000 | - | 60,000 |
| Share issuance costs | (2,125) | - | - | - | - | (2,125) | - | (2,125) |
| Share-based compensation | - | 101,843 | - | - | - | 101,843 | - | 101,843 |
| Fair value of expired warrants | - | 5,320 | (5,320) | - | - | - | - | - |
| Transfer to non-controlling interest on acquisition of shares in subsidiary | - | (73,072) | - | - | - | (73,072) | 73,072 | - |
| Balance, December 31, 2013 | 19,106,940 | 2,901,147 | - | (67,598) | (13,711,770) | 8,228,719 | 411,169 | 8,639,888 |

See accompanying notes to the consolidated financial statements

VULCAN MINERALS INC.
Consolidated Statements of Cash Flows
Years Ended December 31

| (in Canadian dollars) | 2013 | 2012 |
|--|--------------------|-----------|
| | \$ | \$ |
| Operating Activities | | |
| Interest receipts | 50,682 | 48,304 |
| Operating payments | (836,218) | (925,636) |
| | (785,536) | (877,332) |
| Financing Activities | | |
| Share issuance costs | (2,125) | - |
| | (2,125) | - |
| Investing Activities | | |
| Exploration and evaluation assets | (486,936) | (390,505) |
| Exploration and evaluation assets- proceeds from divestments | - | 4,250,000 |
| Acquisition of equipment | (1,607) | (10,089) |
| | (488,543) | 3,849,406 |
| Cash (outflow) inflow | (1,276,204) | 2,972,074 |
| Cash and cash equivalents, beginning of year | 5,129,360 | 2,157,286 |
| Cash and cash equivalents, end of year | 3,853,156 | 5,129,360 |
| Cash and cash equivalents are comprised of: | | |
| Deposits with banks | 1,837,796 | 5,129,360 |
| Guaranteed investment certificates, interest rate of 1.35% | 2,015,360 | - |
| | 3,853,156 | 5,129,360 |

Supplemental cash flow information (Note 13)

See accompanying notes to the consolidated financial statements

VULCAN MINERALS INC.

Notes to the Consolidated Financial Statements

December 31, 2013 and 2012

1. NATURE OF OPERATIONS AND CORPORATE INFORMATION

Vulcan Minerals Inc. is engaged in the evaluation, acquisition and exploration of mineral and petroleum and natural gas properties in Newfoundland and Labrador and Alberta. The Company plans to ultimately develop the properties as joint ventures, bring them into production, option or lease properties to third parties, or sell the properties outright. The Company has not determined whether these properties contain reserves that are economically recoverable and the Company is considered to be in the exploration stage.

The Company is a publicly traded company, incorporated under the laws of the Province of Alberta, Canada. Its registered address is 333 Duckworth Street, St. John's, NL A1C 1G9.

2. BASIS OF PRESENTATION

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Canada as set out in the Chartered Professional Accountants of Canada Handbook- Accounting- Part 1, which incorporates International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations Committee ("IFRIC").

A summary of the Company's significant accounting policies under IFRS is presented in Note 3.

These consolidated financial statements have been prepared on an historical cost basis, except for investments which are measured at fair value.

These consolidated financial statements were approved and authorized for issuance by the Board of Directors on April 24, 2014.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of consolidation

The consolidated financial statements include the accounts of the Company and the entities controlled by the Company (its subsidiaries). The Company's subsidiaries include Red Moon Potash Inc. in which the Company has a 61% interest (2012 – 58%) and two wholly owned inactive subsidiaries. Control is achieved by having each of: power over the investee via existing rights that give the company the current ability to direct the relevant activities of the investee; exposure, or rights, to variable returns from involvement with the investee; and the ability for the company to use its power over the investee to affect the amount of the company's returns. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All significant intercompany transactions and balances have been eliminated.

Non-controlling interest in the net assets of Red Moon Potash Inc. are identified separately from the Company's equity. The non-controlling interest consists of the non-controlling interest's portion of net assets, income (loss), and other comprehensive income (loss).

VULCAN MINERALS INC.
Notes to the Consolidated Financial Statements
December 31, 2013 and 2012

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 "Business Combinations" are recognized at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5, Non-current Assets Held for Sale and Discontinued Operations, which are recognized and measured at fair value less costs to sell. All transaction costs are expensed.

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. If, after reassessment, the Company's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognized immediately in profit or loss.

The interest of non-controlling shareholders in the acquiree is initially measured at the non-controlling shareholders' proportion of the net fair value of the assets, liabilities and contingent liabilities recognized.

c) Foreign currencies

Items included in the financial statements of each of the Company's subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The functional and presentation currency of the Company is the Canadian dollar.

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the date of the transaction. Any gains and losses are recorded in the consolidated statement of earnings (loss).

d) Significant management accounting estimates and judgements

The preparation of the consolidated financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions regarding the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from the estimates. Significant estimates and judgments made by management in the preparation of these consolidated financial statements are outlined below.

VULCAN MINERALS INC.
Notes to the Consolidated Financial Statements
December 31, 2013 and 2012

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Significant management accounting estimates and judgements (continued)

Mineral exploration and evaluation assets: At the end of each reporting period, the Company assesses each of its mineral resource properties to determine whether any indication of impairment exists. Judgment is required in determining whether indicators of impairment exist, including factors such as, the period for which the Company has the right to explore, expected renewals of exploration rights, whether substantive expenditures on further exploration and evaluation of resource properties are budgeted and results of exploration and evaluation activities on the exploration and evaluation assets.

Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. The impairment analysis requires the use of estimates and assumptions, such as long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance. Fair value of mineral assets is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. Cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. If the Company does not have sufficient information about a particular mineral resource property to meaningfully estimate future cash flows, the fair value is estimated by management through the use of, where available, comparison to similar market assets and, where available, industry benchmarks. Actual results may differ materially from these estimates.

Impairment of investments: The Company follows the guidance of IAS 39 “Financial Instruments-Recognition and Measurement” to determine when an available-for-sale equity investment is impaired. This determination requires significant judgment. The Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the financial health and short-term business outlook for the investee, including factors such as industry and sector performance, and operational and financing cash flows.

e) Revenue recognition

Revenue from the sale of petroleum and natural gas will be recognized when title passes from the Company to its customer, the product is delivered and there is reasonable assurance of collection.

f) Share-based compensation

The Company has equity settled share-based payment plans. The Company uses the fair value method to measure compensation expense at the date of grant of stock options to directors, officers and employees. The fair value of options is determined using the Black-Scholes option pricing model and is amortized to earnings or loss over the vesting period with a corresponding increase to contributed surplus. When options are exercised, the corresponding contributed surplus and the proceeds received by the Company are credited to share capital.

Forfeiture of stock options is estimated on issuance and the number of stock options expected to vest is reviewed at least annually with any adjustment being recognized immediately.

VULCAN MINERALS INC.
Notes to the Consolidated Financial Statements
December 31, 2013 and 2012

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Income taxes

Income tax expense is comprised of current and deferred income tax. Current tax and deferred income tax are recognized in earnings or loss except to the extent that they relate to items recognized directly in shareholders' equity or in other comprehensive income.

Current tax expense comprises the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to apply when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on either the same taxable entity, or on different taxable entities, which intend to settle tax liabilities and assets on a net basis or realize their tax assets and liabilities simultaneously.

A deferred tax asset is recognized for unused tax losses, unused tax credits and deductible temporary differences, to the extent that it is probable that future taxable income will be available against which the unused tax losses, unused tax credits and temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that all or part of the related tax benefit will be realized.

h) Earnings (loss) per share

Basic net earnings (loss) per share is calculated by dividing net earnings (loss) by the weighted-average number of common shares outstanding during the period. Diluted net loss per share is equivalent to basic loss per share as the inclusion of outstanding options and warrants is anti-dilutive.

i) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits in banks and short-term investments such as guaranteed investment certificates, which are cashable on demand without penalty. Cash equivalents are readily convertible into a known amount of cash and are subject to an insignificant risk of changes in value.

VULCAN MINERALS INC.
Notes to the Consolidated Financial Statements
December 31, 2013 and 2012

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Deposits

The Company makes deposits on mineral licenses which are refundable when and if the Company incurs sufficient exploration expenditures within a specified time frame and files a related report with the appropriate government authorities. Should the Company not incur the applicable exploration expenditures, post a bond in lieu thereof or fail to submit the related exploration report within the applicable timeframe, the deposit becomes non-refundable and is added to mineral properties. Deposits relating to petroleum and natural gas consist of bond deposits, abandonments and work commitments which are refundable once the work has been completed or the site abandoned. All of the deposits to date relate to petroleum and natural gas exploration and evaluation.

k) Inventory

The Company has inventory of casing purchased for previous drilling which was not utilized. The Company may sell or use this inventory in a future period. The cost recorded is based on the historical cost for the casing and is reviewed periodically for impairment in conjunction with the exploration and evaluation assets.

l) Government Grant

Government grant received or receivable in respect of mineral exploration and evaluation assets is reflected as a reduction of the cost of the mineral exploration and evaluation asset.

m) Exploration and evaluation

All costs directly associated with the exploration and evaluation of mineral and petroleum and natural gas exploration and evaluation assets are initially capitalized. Exploration and evaluation costs are those expenditures for an area where technical feasibility and commercial viability has not yet been determined. These costs include unproved property acquisition costs, geological and geophysical costs, asset retirement costs, exploration and evaluation drilling, sampling and appraisals. Costs incurred prior to acquiring the legal rights to explore an area are charged directly to net earnings or loss as exploration and evaluation expense. The Company holds a database of geological and geophysical data which are reflected at the costs to acquire the data net of provision for loss.

When an area is determined to be technically feasible and commercially viable, the accumulated costs are transferred to property, plant and equipment. When an area is determined not to be technically feasible and commercially viable or the Company decides not to continue with its activity, the unrecoverable costs are charged to net earnings or loss as exploration and evaluation expense.

The Company defines technical feasibility and commercial viability as an economic, commercial discovery wherein cash flows can be demonstrated and achieved.

Incidental revenue and cost recoveries relating to exploration and evaluation are recorded first as a reduction of the specific exploration and evaluation property to which the fees and payments relate, and any excess as other revenue on the consolidated statement of earnings (loss).

VULCAN MINERALS INC.
Notes to the Consolidated Financial Statements
December 31, 2013 and 2012

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Equipment

Equipment is recorded at cost. Depreciation is based on the estimated useful life using the declining balance method at rates ranging from 20% to 30% per annum. The Company has three classes of equipment assets: drilling rig-depreciated at 30% declining balance; furniture and fixtures -depreciated at 20% declining balance; and computer equipment -depreciated at 30% declining balance.

o) Impairment of non-financial assets

The carrying amount of the Company's mineral exploration and evaluation assets, petroleum and natural gas exploration and evaluation assets, and equipment is assessed at each reporting period to determine whether there is any indication of impairment. If an indication of impairment exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Assets are grouped at the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets (cash generating unit of "CGU"). A CGU may include certain aggregated mineral exploration and evaluation assets, petroleum and natural gas exploration and evaluation assets, and equipment. A CGU's recoverable amount is the higher of its fair value less costs to sell and its value in use. When the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount, with the impairment loss recognized in net loss for the reporting period.

Where an impairment subsequently reverses, the carrying amount of the asset is increased to the revised estimate of the recoverable amount, but only to the extent that this amount does not exceed the carrying amount that would have been recognized, net of depletion, depreciation and amortization, had an impairment loss not been recognized in previous periods.

p) Asset retirement obligations

The Company recognizes a liability for retirement obligations associated with long-lived assets, which includes the abandonment of petroleum and natural gas wells, related facilities, compressors and plants, removal of equipment from leased acreage and returning such land to its original condition.

The Company recognizes the fair value of the liability for an asset retirement obligation in the period in which it is incurred and records a corresponding increase in the carrying value of the related long-lived asset. Fair value is determined through a review of engineering studies, industry guidelines, and management estimates. Fair value is estimated using the present value of the estimated future cash outflows to abandon the asset at the asset's risk-adjusted discount rate. The liability is subsequently adjusted for the passage of time, and is recognized as an accretion expense in the consolidated statement of loss. The liability is also adjusted due to revisions in either the timing or the amount of the original estimated cash flows associated with the liability. The increase in the carrying value of the asset is amortized using the unit-of-production method based on estimated gross proved reserves as determined by independent engineers.

The Company had no asset retirement obligations at December 31, 2013 and 2012.

VULCAN MINERALS INC.
Notes to the Consolidated Financial Statements
December 31, 2013 and 2012

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

q) Flow-through shares

The Company finances a portion of its exploration activities through the issuance of flow-through common shares, whereby the related resource expenditure deductions normally available for income tax purposes are renounced to investors, in accordance with flow-through share agreements. At the time of share issuance, the proceeds are allocated between share capital and the obligation to deliver the tax deduction (flow through premium liability).

Deferred income taxes related to the temporary differences created by the renouncement of flow-through share tax benefits to subscribers are recorded on a pro-rata basis as the qualified expenditures are incurred. The tax value of the renunciation is recorded as a deferred income tax liability with a corresponding charge to deferred income tax expense in the consolidated statement of loss. Additionally, as the qualified expenditures are incurred, the Company recognizes a pro-rata reduction of the flow through premium liability as a recovery of deferred income taxes in the statement of loss.

The Company had no flow through share obligations at December 31, 2013 and 2012.

r) Financial instruments

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are carried at amortized costs less any provision for impairment.

Fair value through profit or loss

This category includes derivatives and investments acquired for the purpose of selling or repurchasing in the near term. These assets are reflected on the balance sheet at fair value with changes in fair value recognized in the consolidated statement of net loss. The Company currently has no financial instruments recorded in this category.

Held-to-maturity investments

These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company intends to hold until maturity. These assets are measured at amortized cost using the effective interest rate method. If there is evidence that the investment is impaired, the financial asset is measured at the present value of estimated future cash flows. Any changes in the carrying amount of the investment are recognized in the consolidated statement of loss. The Company currently has no financial instruments included in this category.

VULCAN MINERALS INC.
Notes to the Consolidated Financial Statements
December 31, 2013 and 2012

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

r) Financial instruments (continued)

Available-for-sale

Non-derivative financial assets not included in the above categories are classified as available for sale. These assets are carried at fair value with changes in fair value recognized directly in the consolidated statement of other comprehensive loss. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the accumulated loss is removed from other comprehensive loss and recognized in the consolidated statement of loss.

Financial liabilities

The Company classifies its financial liabilities into one of two categories:

Fair value through profit or loss

This category includes derivatives, or liabilities incurred for the purpose of selling or repurchasing in the near term. They are carried on the balance sheet at fair value with changes in fair value recognized in the consolidated statement of comprehensive loss. The Company currently has no financial instruments recorded in this category.

Other financial liabilities

This category includes accounts payable and accrued liabilities which are recognized at amortized cost.

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

Transaction costs are included in the initial carrying amount of financial instruments, except transaction costs associated with financial assets classified as available for sale are expensed as incurred.

VULCAN MINERALS INC.

Notes to the Consolidated Financial Statements

December 31, 2013 and 2012

4. NEW AND AMENDED ACCOUNTING STANDARDS

New and amended standards adopted by the Company

The following standards have been adopted by the Company for the financial year beginning on January 1, 2013:

Amendment to IAS 1, “*Financial statement presentation*” regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they subsequently will or will not be reclassified to profit or loss. These changes did not result in any adjustments to OCI or comprehensive income.

IFRS 10, “*Consolidated financial statements*” builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The standard requires an entity to consolidate an investee, only if the investor possesses power over the investee, is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The Company assessed its consolidation conclusions on January 1, 2013 and determined that the adoption of IFRS 10 did not result in any change in the consolidation status of its subsidiaries.

IFRS 11, “*Joint arrangements*” focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportional consolidation of joint arrangements is no longer permitted. The Company currently has no interests in joint arrangements; therefore the adoption of this standard had no impact on the Company’s consolidated financial statements.

IFRS 12, “*Disclosures of interests in other entities*” includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles. This standard did not result in any additional disclosures for the Company.

IFRS 13, “*Fair value measurement*” aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The adoption of IFRS 13 did not require any adjustment to the valuation techniques used by the Company to measure fair value and did not result in any measurement adjustments at January 1, 2013.

VULCAN MINERALS INC.
Notes to the Consolidated Financial Statements
December 31, 2013 and 2012

4. NEW AND AMENDED ACCOUNTING STANDARDS (continued)

The IASB made several amendments to IAS 36, “Impairment of assets”, to IAS 36, Impairment of assets, in conjunction with issuing IFRS 13. They later issued a limited scope amendment, effective January 1, 2014, introducing additional disclosures about fair value measurement where an impairment has been recorded or reversed. The Company has early adopted the limited scope amendment with no material impact on the Company’s financial statements.

Standards and amendments not yet effective and not yet applied

IFRS 2, “*Share-based payment*” was amended to clarify the definition of vesting conditions. The amendment applies to share-based transactions for which the grant date is on or after July 1, 2014.

IFRS 3, “*Business combinations*” was amended to provide clarification related to contingent consideration in a business combination. The amendment is effective for business combinations where the acquisition date is on or after July 1, 2014.

IAS 32, “*Financial Instruments Presentation*” was amended to clarify requirements for the offsetting of financial assets and liabilities. The amendment is effective for fiscal years beginning on or after January 1, 2014.

IAS 24, “*Related Party Transactions*” was amended to revise the definition of related party to include an entity that provides key management personnel services to the reporting entity or its parent and to clarify the related party disclosure requirements. This amendment is effective for fiscal years beginning on or after July 1, 2014.

IFRIC 21, “*Accounting for levies imposed by governments*” clarifies that the obligating event giving rise to a liability to pay a levy is the activity described in the relevant legislation that triggers payment of the levy. IFRIC 21 is effective for years beginning on or after January 1, 2014.

The Company is evaluating the impact of these standards on its financial statements.

VULCAN MINERALS INC.
Notes to the Consolidated Financial Statements
December 31, 2013 and 2012

5. GOVERNMENT GRANT RECEIVABLE

Government grant receivable in the amount of \$85,000 (2012 - \$nil) represents a grant receivable from the Government of Newfoundland and Labrador (the Government) under the “Junior Exploration Assistance” program of the Department of Natural Resources. Under the terms of the contribution agreement, signed with the Government in April 2013, the Company is eligible for a contribution of 50% of eligible costs of the exploration program covered under the agreement at a minimum amount of \$60,500, to a maximum amount of \$100,000. After completion of the exploration program and submission of the required documentation to the Government, the Government has indicated a contribution of \$85,000 will be made to the Company as its contribution to the exploration program. This has been recorded as a reduction of the related mineral exploration and evaluation costs. The difference, if any, between the amount recorded at December 31, 2013 of \$85,000 and the amount ultimately received from the government will be recorded as an adjustment to the related mineral exploration and evaluation costs.

6. INVESTMENTS

| | 2013 | 2012 |
|-------------|----------------|---------|
| | \$ | \$ |
| Investments | 117,393 | 239,179 |

Investments, classified as available for sale, consist of:

Shares in a public company received as consideration for option payments on mineral claims with a cost of \$123,600. At December 31, 2013, the market value of the shares is \$56,000 (December 31, 2012 - \$70,000).

Shares in a public company in which the Company transferred its interest in an offshore exploration license with a cost of \$497,223. At December 31, 2013, the market value of the shares is \$53,893 (December 31, 2012 - \$161,679). At December 31, 2013, the full amount of the loss has been removed from other comprehensive income and recorded in the statement of loss.

Shares in a public company received as consideration for option payments on mineral claims with a cost of \$93,000. At December 31, 2013, the market value of the shares is \$7,500 (December 31, 2012 – \$7,500). At December 31, 2013, the full amount of the loss has been removed from other comprehensive income and recorded in the statement of loss.

VULCAN MINERALS INC.
Notes to the Consolidated Financial Statements
December 31, 2013 and 2012

7. EXPLORATION AND EVALUATION ASSETS

The Company has 9 mineral licenses (2012-14) which consist of 1,532 claims (December 31, 2012 – 1,674), which are active and in good standing with the Department of Natural Resources in the Province of Newfoundland and Labrador. The Company also holds 10 mineral permits (2012- nil) in the Province of Alberta. These licenses and permits are in the exploration and evaluation stage. The Company holds a database of geological and geophysical data at December 31, 2013 and 2012. A summary of the exploration and evaluation assets is as follows:

| | 2013 | | | 2012 | | |
|--|--|--|----------------------------------|--|---|----------------------------------|
| | Balance, Beginning of Year \$ | Additions (Writedowns/ Dispositions) \$ | Balance, End of Year \$ | Balance, Beginning of Year \$ | Additions (Dispositions, net) \$ | Balance, End of Year \$ |
| Mineral properties | | | | | | |
| Property acquisition costs | 500 | 66,250 | 66,750 | 500 | - | 500 |
| Exploration costs | 451,401 | 416,503 | 867,904 | 437,368 | 14,033 | 451,401 |
| Geological and geophysical data | 3,598,967 | (443,938) | 3,155,029 | 3,598,967 | - | 3,598,967 |
| Petroleum and natural gas | - | - | - | 6,193,229 | (6,193,229) | - |
| | 4,050,868 | 38,815 | 4,089,683 | 10,230,064 | (6,179,196) | 4,050,868 |

Current year additions to mineral exploration and evaluation assets have been reduced by the government grant of \$85,000 (Note 5).

Share-based compensation costs capitalized to mineral exploration and evaluation assets in 2013 was \$20,417 (December 31, 2012- \$1,781).

The Company holds a database of geological and geophysical data. During 2013, the Company regrouped certain of its mineral licenses at license renewal dates, and as result, surrendered a portion of the lands associated with the licenses. The Company recorded a write-down to the geological and geophysical data in 2013 in the amount of \$443,938, which was in proportion to the land surrendered as compared to the total area covered by the geological and geophysical data.

In 2012, petroleum and natural gas properties were sold for proceeds of \$4,250,000 and a gain was recorded on one property in the amount of \$1,249,551 and a loss of \$2,647,806 on two other properties. Expenditures on the properties were \$69,397 for the year ended December 31, 2012. As a result of sales of the properties in 2012, \$6,262,626 in exploration costs were expensed, \$109,224 was reallocated to inventory and \$179,000 was reallocated to deposits in 2012.

Share-based compensation costs capitalized to petroleum and natural gas exploration and evaluation assets in 2013 is \$ nil (December 31, 2012- \$7,769).

VULCAN MINERALS INC.
Notes to the Consolidated Financial Statements
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8. EQUIPMENT

| | 2013 | | | | 2012 | | | |
|-----------------------------|--------------|----------------------|--------------------|-----------|--------------|----------------------|--------------------|-----------|
| | Drilling Rig | Furniture & Fixtures | Computer Equipment | TOTAL | Drilling Rig | Furniture & Fixtures | Computer Equipment | TOTAL |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Opening balance | 798,368 | 11,540 | 57,575 | 867,483 | 798,368 | 11,377 | 47,650 | 857,395 |
| Additions | - | 500 | 1,107 | 1,607 | - | 163 | 9,925 | 10,088 |
| Opening depreciation | (657,890) | (8,810) | (37,794) | (704,494) | (597,685) | (8,148) | (31,443) | (637,276) |
| Adjustments to depreciation | (42,144) | (596) | (6,100) | (48,840) | (60,205) | (662) | (6,351) | (67,218) |
| Closing balance | 98,334 | 2,634 | 14,788 | 115,756 | 140,478 | 2,730 | 19,781 | 162,989 |

9. ASSET RETIREMENT OBLIGATIONS

Upon termination of the Company's petroleum and natural gas sites, the Company was required to satisfy certain asset retirement obligations including the removal of any equipment and the restoration of the land and premises to their original condition. In 2012 the Company disposed of all of its working interests in petroleum and natural gas sites in which there were such obligations. Accordingly, the Company had no asset retirement obligations at December 31, 2013 or 2012.

A reconciliation of the asset retirement obligation is as follows:

| | 2013 | 2012 |
|--|----------|----------|
| | \$ | \$ |
| Balance, beginning of year | - | 63,208 |
| Liabilities incurred | - | - |
| Liabilities settled and/or changes in estimated cash flows | - | (66,276) |
| Accretion expense | - | 3,068 |
| Balance, end of year | - | - |

VULCAN MINERALS INC.
Notes to the Consolidated Financial Statements
December 31, 2013 and 2012

10. INCOME TAXES

a) Deferred income taxes

The components of the deferred income tax liability are as follows:

| | 2013 | 2012 |
|--|-------------------------|---------------|
| | \$ | \$ |
| Temporary differences related to exploration and evaluation assets | 70,290 | 247,825 |
| Tax effect of unrealized losses on available-for-sale financial assets | (80,521) | (62,863) |
| Share issuance costs | (25,322) | (61,700) |
| Non-capital loss carryforwards | (252,174) | (27,101) |
| <u>(Unrecognized deferred tax asset) recognized deferred tax liability</u> | <u>(287,727)</u> | <u>96,161</u> |

b) Income tax rates

Income taxes differ from that which would be expected from applying the combined effective Canadian federal and provincial income tax rates of 29% (2012 – 29%) to loss before income taxes as follows:

| | 2013 | 2012 |
|--|------------------------|------------------|
| | \$ | \$ |
| Expected income tax recovery | (528,305) | (705,509) |
| Share-based compensation costs | 23,614 | 17,476 |
| Non deductible portion-unrealized investment losses | 64,823 | - |
| Deferred income tax asset not recognized | 287,727 | - |
| Effect of changes in temporary differences and other items | 55,980 | (77,754) |
| <u>Deferred income tax recovery</u> | <u>(96,161)</u> | <u>(765,787)</u> |

c) Non-capital losses

The Company has non-capital losses at December 31, 2013 amounting to \$869,564 which are available to reduce future taxable income. These non-capital losses expire as follows:

| | |
|------|-----------|
| 2032 | \$ 93,451 |
| 2033 | \$776,113 |

The Company also has Canadian exploration expenses of \$3,872,158 which may be deducted in determining taxable income of future years.

VULCAN MINERALS INC.
Notes to the Consolidated Financial Statements
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11. SHARE CAPITAL

a) Authorized

Unlimited number of voting common shares
Unlimited number of preferred shares, issuable in series

b) Issued and outstanding

| | 2013 | | 2012 | |
|---|-------------------|------------------------|------------|------------------------|
| | Number | Share Capital \$ | Number | Share Capital \$ |
| Common Shares | | | | |
| Balance, beginning of year | 57,526,129 | 19,049,065 | 57,526,129 | 19,543,102 |
| Issued pursuant to acquisition of mineral property | 1,000,000 | 60,000 | - | - |
| Adjustment as result of corporate reorganization | - | - | - | (70) |
| Non-controlling interest as result of corporate re-organization | - | - | - | (493,967) |
| Share issuance cost | - | (2,125) | - | - |
| Balance, end of year | 58,526,129 | 19,106,940 | 57,526,129 | 19,049,065 |

In March 2013, the Company issued 1,000,000 common shares with an assigned value of \$0.06 per share, based on trading value at date of issuance, as consideration for the acquisition of a 51% interest in mineral license 15834M – Tasisuak Lake, Labrador. The vendor retained a 1% net smelter royalty on the property, subject to certain buyback provisions. The Company now owns 100% working interest in the license.

In August 2012, the Company completed a corporate re-organization in which certain mineral assets were spun out into a subsidiary of the Company, Red Moon Potash Inc. (“Red Moon”). As a result of this spin-out, the Company received 20,499,999 common shares of Red Moon for the mineral assets, of which 15,000,000 shares were returned to the shareholders of the Company by way of a return of capital. The \$70 adjustment to share capital relates to the revaluation of warrants. The \$493,967 relates to the non-controlling interest in Red Moon as a result of this corporate reorganization (i.e., the 15,000,000 common shares distributed to Vulcan shareholders). The Company currently holds 20,500,000 shares in Red Moon, representing 60.53% (2012- 57.75%) of the issued and outstanding shares of Red Moon.

VULCAN MINERALS INC.
Notes to the Consolidated Financial Statements
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11. SHARE CAPITAL (continued)

c) Warrants

A summary of the status of the Company's common share purchase warrants and agent's warrants are as follows:

| | 2013 | | 2012 | |
|--|--------------------|---------------------------------|--------------------|---------------------------------|
| | Number of Warrants | Weighted-Average Exercise Price | Number of Warrants | Weighted-Average Exercise Price |
| | | \$ | | \$ |
| Outstanding, beginning of year | 182,951 | 0.29 | 175,000 | 0.30 |
| Issued | - | - | - | - |
| Expired | (182,951) | 0.29 | - | - |
| Adjustment as a result of corporate reorganization | - | - | 7,951 | (0.01) |
| Outstanding, end of year | - | - | 182,951 | 0.29 |

| | 2013 | 2012 |
|--|----------|--------------|
| | \$ | \$ |
| Balance, beginning of year | 5,320 | 5,250 |
| Transferred to contributed surplus upon expiry of the warrants | (5,320) | - |
| Adjustment as a result of corporate reorganization | - | 70 |
| Balance, end of year | - | 5,320 |

(d) Contributed Surplus

A summary of contributed surplus is as follows:

| | | |
|---|------------------|------------------|
| Balance, beginning of year | 2,867,056 | 2,797,245 |
| Share-based compensation (Note 12 (b)) | 101,843 | 68,999 |
| Fair value of warrants which expired (Note 11 (c)) | 5,320 | - |
| Adjustment as a result of corporate reorganization | - | 812 |
| Transfer to non-controlling interest on acquisition of shares in subsidiary | (73,072) | - |
| Balance, end of year | 2,901,147 | 2,867,056 |

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Notes to the Consolidated Financial Statements
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12. SHARE-BASED COMPENSATION

a) Stock options

The Company has a stock option plan under which directors, officers, management, consultants and employees of the Company and its subsidiaries are eligible to receive stock options. The aggregate number of shares to be issued upon exercise of all options granted under the plan shall not exceed 10% of the issued shares of the Company at the time of granting the options. The maximum number of common shares optioned to any one optionee shall not exceed 5% of outstanding common shares of the Company. Options granted under the plan generally have a term of five years but may not exceed five years and vest at terms to be determined by the directors at the time of grant. The exercise price of each option is determined by the directors at the time of grant but shall not be less than the price permitted by the policy or policies of the stock exchange(s) on which the Company's common shares are then listed.

A summary of the status of the Company's stock option plan is as follows:

| | 2013 | | 2012 | |
|--|--------------------|-----------------------|------------------|-----------------------|
| | Number of | Weighted- | Number of | Weighted- |
| | Options | Average | Options | Average |
| | | Exercise Price | | Exercise Price |
| | | \$ | | \$ |
| Outstanding, beginning of year | 2,667,761 | 0.63 | 4,130,000 | 0.60 |
| Granted | 4,800,000 | 0.10 | - | - |
| Expired/cancelled | (1,928,973) | 0.59 | (1,525,000) | 0.52 |
| Forfeited | (137,500) | 0.10 | - | - |
| Adjustment as result of corporate reorganization | - | - | 62,761 | - |
| Outstanding, end of year | 5,401,288 | 0.22 | 2,667,761 | 0.63 |
| Outstanding and exercisable, end of year | 2,338,788 | 0.16 | 2,667,761 | 0.63 |

The weighted average remaining contractual life of outstanding options is 2.92 years (2012 – 1.39 years). The weighted average remaining contractual life of exercisable options is 1.11 years (2012 – 1.39 years).

(b) Fair value assumptions

The weighted-average fair value of stock options granted during the year ended December 31, 2013 was estimated on the dates of the grant to be \$0.035 (December 31, 2012 - \$0.25) using the Black-Scholes option pricing model with the following weighted-average assumptions:

VULCAN MINERALS INC.
Notes to the Consolidated Financial Statements
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12. SHARE-BASED COMPENSATION (continued)

(b) Fair value assumptions (continued)

| | 2013 | 2012 |
|-----------------------------|------|------|
| Expected life (years) | 5.0 | 4.3 |
| Risk-free interest rate (%) | 1.44 | 1.87 |
| Expected volatility (%) | 85 | 84 |

During the year ended December 31, 2013, share-based compensation costs of \$81,426 (December 31, 2012 - \$60,261) have been expensed, \$20,417 (December 31, 2012 - \$1,781) have been capitalized to mineral exploration and evaluation, and \$Nil (December 31, 2012 - \$7,769) have been capitalized to petroleum and natural gas exploration and evaluation, resulting in the recognition of \$101,843 (December 31, 2012 - \$69,811) as share-based compensation.

13. SUPPLEMENTAL CASH FLOW INFORMATION

| | 2013 | 2012 |
|---|---------|----------|
| | \$ | \$ |
| Issuance of shares as partial consideration for acquisition of mineral property | 60,000 | - |
| Non-cash financing activity | 60,000 | - |
| Contributed surplus recognized upon the issuance of stock options recorded as: | | |
| Share-based compensation expense | 81,426 | 60,261 |
| Addition to mineral exploration and evaluation | 20,417 | 1,781 |
| Addition to petroleum and natural gas exploration and evaluation | - | 7,769 |
| Non-cash operating, investing, and financing activities | 101,843 | 69,811 |
| Changes in asset retirement obligations | | |
| Accretion expense | - | 3,068 |
| Decrease in petroleum and natural gas exploration and evaluation | - | (66,276) |
| Decrease in asset retirement obligations | - | (63,208) |

VULCAN MINERALS INC.
Notes to the Consolidated Financial Statements
December 31, 2013 and 2012

14. GENERAL AND ADMINISTRATIVE EXPENSES

| | 2013 | 2012 |
|---|----------------|----------------|
| | \$ | \$ |
| Office and administrative | 144,293 | 34,495 |
| Management, salaries and contract fees and benefits | 482,310 | 579,687 |
| Directors' fees | 32,500 | 14,000 |
| Transfer agent and professional fees | 142,171 | 188,262 |
| Travel and accommodation | 53,615 | 50,346 |
| | 854,889 | 866,790 |

Compensation for key management personnel, which includes the President and Chief Executive Officer, Chief Financial Officer and directors, is as follows:

| | 2013 | 2012 |
|--|----------------|----------------|
| | \$ | \$ |
| Management fees, salaries and benefits | 323,731 | 334,951 |
| Directors' fees | 32,500 | 14,000 |
| | 356,231 | 348,951 |

\$79,042 was expensed (December 31, 2012 - \$51,887) and \$12,678 (December 31, 2012 - \$2,547) was capitalized to mineral exploration and evaluation assets for the year ended December 31, 2013 for share-based compensation related to key management personnel.

15. RELATED PARTY TRANSACTIONS

| | 2013 | 2012 |
|--|--------|--------|
| | \$ | \$ |
| Rent paid to a corporation which is controlled by the President of the Company | 45,000 | 24,000 |

VULCAN MINERALS INC.
Notes to the Consolidated Financial Statements
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16. CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard its accumulated capital in order to maintain its ability to continue as a going concern, to fund its exploration activities and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of capital and equity comprised of share capital, contributed surplus, warrants and deficit.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, will balance its overall capital structure through new share issuances or by undertaking other activities as deemed appropriate under the specific circumstances.

17. FINANCIAL INSTRUMENTS

Fair values

Financial instruments recorded at fair value on the balance sheet are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 – valuation based on quoted prices (unadjusted) observed in active markets for identical assets or liabilities;

Level 2 – valuation techniques based on inputs that are quoted prices of similar instruments in active markets; inputs other than quoted prices used in a valuation model that are observable for that instrument; and inputs that are derived principally from or corroborated by observable market data by correlation or other means;

Level 3 – valuation techniques with significant unobservable market inputs.

The carrying amount of cash and cash equivalents and accounts payable and accrued liabilities, approximate their fair value due to their short-term nature.

The Company's other financial assets (Note 6) would thus be classified as Level 1 as presented below.

Financial Assets

| Investments | 2013 | 2012 |
|---|-------------------|-------------------|
| Level 1 (shares in public companies) | \$ 117,393 | \$ 239,179 |
| Level 2 | - | - |
| Level 3 | - | - |
| Total financial assets at fair value | \$ 117,393 | \$ 239,179 |

VULCAN MINERALS INC.
Notes to the Consolidated Financial Statements
December 31, 2013 and 2012

17. FINANCIAL INSTRUMENTS (continued)

Credit risk

Credit risk is risk of loss associated with a counterparty's inability to fulfill its payment obligation. The Company is exposed to credit risk on its cash and accounts receivable. The credit risk on cash is limited because the counterparty is a chartered bank with a high credit rating. The Company assesses its credit risk with respect to cash and accounts receivable as not significant.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they come due. The Company believes it has sufficient liquidity to meet its current obligations. The Company manages its liquidity risk by continuously monitoring forecasts and actual cash flows.

Accounts payable and accrued liabilities at December 31, 2013 in the amount of \$71,759 (December 31, 2012 - \$63,713) are current and due within thirty days.

Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates, and commodity prices will affect the Company's net loss or the value of its financial instruments.

Commodity price risk

The recoverability of the Company's petroleum and natural gas and mineral exploration and evaluation assets is partially related to the market price of oil and gas and base metals. The Company does not hedge this exposure to fluctuations in commodity prices. The Company's ability to continue with its exploration programs is also indirectly subject to commodity prices.

VULCAN MINERALS INC.

Notes to the Consolidated Financial Statements

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18. CONTINGENCIES

- a) In 2011, the Company was served with a statement of claim by Geophysical Service Incorporated wherein it is claimed that the Company, as a co-defendant with Investcan Energy Corporation, has committed a copyright infringement. The claim relates to an allegation that accessing offshore Labrador seismic data, which is released to the public by the Canada Newfoundland and Labrador Offshore Petroleum Board (CNLOPB) after the relevant statutory privilege-confidentiality period, is a breach of copyright. The Company is of the opinion that this claim is without basis or merit and no amounts have been recorded in the Company's accounts. The Company is fully defending its interests.
- b) The Court in Alberta has granted leave to Geophysical Service Incorporated (GSI) to add the Company as a co-defendant in the ongoing action GSI has with NWest Energy Corp. regarding an alleged breach of an agreement between those parties. In order to do this, GSI must submit a statement of claim for the court to review. The Company believes any related claims against it are without basis or merit and the Company is fully defending its interest.

CORPORATE INFORMATION

OFFICERS AND MANAGEMENT

Patrick J. Laracy
President and Chairman

Sharon M. Dunn
Chief Financial Officer and Corporate
Secretary

BOARD OF DIRECTORS

Patrick J. Laracy

Rex Gibbons

Philip E. Collins

William Koenig

EXCHANGE LISTING

TSX Venture – “VUL”

LEGAL COUNSEL

Morris McManus, Calgary, AB
Cox & Palmer, St. John’s, NL

REGISTRAR AND TRANSFER AGENT

Computershare Trust Company of Canada

AUDITORS

PricewaterhouseCoopers LLP

BANKERS

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