Consolidated Financial Statements

For the Years Ended December 31, 2014 and 2013

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

VULCAN MINERALS INC.
December 31, 2014 and 2013

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April 16, 2015

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, 2014 and December 31, 2013 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, 2014 and December 31, 2013 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)	**2014**	2013
	$	$
Assets		
Current assets		
Cash and cash equivalents	**2,747,212**	3,853,156
Accounts receivable	**16,753**	15,445
Government grant receivable (Note 5)	**85,000**	85,000
Prepaid expenses	**16,866**	15,990
Deposits	**9,000**	24,000
Inventory	**109,224**	109,224
	2,984,055	4,102,815
Deposits	**286,000**	286,000
Investments (Note 6)	**169,347**	117,393
Exploration and evaluation assets (Note 7)	**4,213,864**	4,089,683
Equipment (Note 8)	**81,293**	115,756
Total Assets	**7,734,559**	8,711,647
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**85,149**	71,759
Equity		
Shareholders' equity	**7,181,849**	8,228,719
Non-controlling interest	**467,561**	411,169
	7,649,410	8,639,888
Total Liabilities and Equity	**7,734,559**	8,711,647

Nature of operations (Note 1)

Contingencies (Note 17)

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)	**2014**	2013
	$	$
Income (Expenses)		
Interest income	**37,449**	50,682
Write-off/loss of exploration and evaluation assets	**(318,579)**	(443,938)
General and administrative (Notes 13 & 14)	**(723,537)**	(854,889)
Share-based compensation (Note 11)	**(27,646)**	(81,426)
Depreciation (Note 8)	**(34,464)**	(48,840)
Unrealized loss on investments	**(118,933)**	(443,330)
Loss before income taxes	**(1,185,710)**	(1,821,741)
Income taxes		
Deferred income tax recovery (Note 9 (b))	-	96,161
	-	96,161
Net loss	**(1,185,710)**	(1,725,580)
Net loss attributable to:		
Common shareholders	**(1,115,741)**	(1,617,647)
Non-controlling interest	**(69,969)**	(107,933)
	(1,185,710)	(1,725,580)
Net loss per share - basic and diluted	**(0.02)**	(0.03)
Weighted-average number of common shares outstanding - basic and diluted	**58,526,129**	58,290,513

Consolidated Statements of Comprehensive Loss
Years Ended December 31

(in Canadian dollars)	**2014**	2013
	$	$
Net loss	**(1,185,710)**	(1,725,580)
Other comprehensive loss:		
Items that may subsequently be reclassified to profit or loss		
Change in unrealized gain (loss) on available-for-sale financial assets	**51,953**	(121,785)
Item reclasified in the year to profit or loss		
Unrealized loss on available for sale financial assets reallocated to statement of loss	**118,933**	443,330
	170,886	321,545
Comprehensive loss	**(1,014,824)**	(1,404,035)
Comprehensive loss attributable to:		
Common shareholders	**(944,855)**	(1,296,102)
Non-controlling interest	**(69,969)**	(107,933)
	(1,014,824)	(1,404,035)

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 Income (Loss)	Deficit	Total Shareholders' Equity	Non-Controlling Interest	Total Equity
	$	$	$	$	$	$	$	$
	Notes 10 (a) and (b)	*Note 10 (d)*	*Note 10(c)*					
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
Net loss and comprehensive loss January 1, 2014 - December 31, 2014	-	-	-	170,886	(1,115,741)	(944,855)	(69,969)	(1,014,824)
Share issuance costs	(3,300)	-	-	-	-	(3,300)	-	(3,300)
Share-based compensation	-	27,646	-	-	-	27,646	-	27,646
Transfer to non-controlling interest on acquisition of shares in subsidiary	-	(126,361)	-	-	-	(126,361)	126,361	-
Balance, December 31, 2014	**19,103,640**	**2,802,432**	**-**	**103,288**	**(14,827,511)**	**7,181,849**	**467,561**	**7,649,410**

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

(in Canadian dollars)	**2014**	2013
	$	$
Operating Activities		
Interest receipts	**37,449**	50,682
Operating payments	**(712,333)**	(836,218)
	(674,884)	(785,536)
Financing Activities		
Share issuance costs	**(3,300)**	(2,125)
	(3,300)	(2,125)
Investing Activities		
Exploration and evaluation assets	**(442,760)**	(486,936)
Refund of deposits	**15,000**	-
Acquisition of equipment	**-**	(1,607)
	(427,760)	(488,543)
Cash (outflow)	**(1,105,944)**	(1,276,204)
Cash and cash equivalents, beginning of year	**3,853,156**	5,129,360
Cash and cash equivalents, end of year	**2,747,212**	3,853,156
Cash and cash equivalents are comprised of:		
Deposits with banks	**2,747,212**	1,837,796
Guaranteed investment certificates, interest rate of 1.35%	**-**	2,015,360
	2,747,212	3,853,156

Supplemental cash flow information (Note 12)

See accompanying notes to the consolidated financial statements

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 15, 2015.

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 65% interest (2013 – 61%) 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).

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.

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.

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.

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).

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, 2014 and 2013.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

q) 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

q) Financial instruments (continued)

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.

4. NEW AND AMENEDED 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, 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. The adoption of this standard had no impact on the Company’s financial statements.

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 adoption of this standard had no impact on the Company’s financial statements.

4. NEW AND AMENEDED ACCOUNTING STANDARDS (continued)

Standards and amendments not yet effective and not yet applied

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. The amendment is effective for fiscal years beginning on or after July 1, 2014.

IAS 16, *"Property, plant and equipment"* and IAS 38 *" Intangible assets"* were amended to clarify acceptable methods of depreciation and amortization. The amendments are effective for fiscal years beginning on or after January 1, 2016.

IFRS 11, *"Joint arrangements"* was amended to provide additional guidance on accounting for the acquisition of an interest in a joint operation. The amendment is effective for fiscal years beginning on or after January 1, 2016.

IFRS 9, *"Financial instruments"* was issued to replace IAS 39, providing guidance on the classification, measurement and disclosure of financial instruments and introducing a new hedge accounting model. The standard is effective for fiscal years beginning on or after January 1, 2018.

The Company is reviewing the standards and amendments, to determine the potential impact, if any, on its financial statements.

5. GOVERNMENT GRANT RECEIVABLE

In August 2014 the Company and the Department of Natural Resources of the Government of Newfoundland and Labrador (the government) signed a contribution agreement under the "Junior Exploration Assistance" program. The terms of the contribution agreement provide that the government will make a grant of 50% of the eligible costs (as defined in the agreement), in an amount not to exceed $85,000, of the Company's 2014 exploration drilling program costs, incurred from May 16, 2014. The project must be completed to the satisfaction of the Minister of Natural Resources by December 31, 2014. The Company recorded a government grant receivable in the amount of $85,000 as of December 31, 2014, with a corresponding amount recorded as a reduction of mineral exploration and evaluation assets. In February 2015, the Company and the government signed a memorandum of agreement whereby the government amended the original contribution agreement and increased the maximum eligible amount of the grant from $85,000 to $100,000. The difference, if any, between the amount recorded at December 31, 2014 of $85,000 and the amount ultimately received from the government, will be recorded as an adjustment to the related mineral exploration and evaluation asset, when the grant is received in 2015.

5. GOVERNMENT GRANT RECEIVABLE (continued)

Under the terms of a contribution agreement with the Department of Natural Resources of the Government of Newfoundland and Labrador, signed in April, 2013, the Company received $100,000 in April 2014 as a government contribution in respect of eligible costs of the 2013 exploration program. The Company reflected the estimated amount of the government grant receivable of $85,000 at December 31, 2013. The $85,000 amount was recorded as a reduction of the related mineral exploration and evaluation asset as of December 31, 2013. The additional contribution amount of $15,000 has been recorded as a reduction of mineral exploration and evaluation assets in the year ended December 31, 2014.

6. INVESTMENTS

	2014	2013
	$	$
Investments	**169,347**	117,393

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, 2014, the market value of the shares is $4,667 (December 31, 2013 - $56,000). During the year ended December 31, 2014, the full amount of the loss of $118,933 has been removed from other comprehensive income and recorded in the statement of loss.

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, 2014, the market value of the shares is $161,680 (December 31, 2013 - $53,893). During the year ended December 31, 2013, the full amount of the loss of $443,330 was removed from other comprehensive income and recorded in the statement of loss. The increase in the market value of the shares in 2014 in the amount of $107,787 has been recorded through other comprehensive income.

Shares in a public company received as consideration for option payments on mineral claims with a cost of $93,000. At December 31, 2014, the market value of the shares is $3,000 (December 31, 2013 – $7,500). As of December 31, 2013, the full amount of the loss of $85,500 has been removed from other comprehensive income and recorded in the statement of loss. The decrease in the market value of the shares in 2014 in the amount of $4,500 has been recorded through other comprehensive income (loss).

7. EXPLORATION AND EVALUATION ASSETS

The Company has 10 mineral licenses (2013-9) which consist of 1,371 claims (December 31, 2013 – 1,532), 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 (2013- 10) 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, 2014 and 2013. A summary of the exploration and evaluation assets is as follows:

	2014			2013		
	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	**66,750**	**-**	**66,750**	500	66,250	66,750
Exploration costs	**867,904**	**442,760**	**1,310,664**	451,401	416,503	867,904
Geological and geophysical data	**3,155,029**	**(318,579)**	**2,836,450**	3,598,967	(443,938)	3,155,029
	4,089,683	**124,181**	**4,213,864**	4,050,868	38,815	4,089,683

Current year additions to mineral exploration and evaluation assets have been reduced by the government grant of $85,000 related to the 2014 exploration program and the additional $15,000 related to the 2013 exploration program (2013-$85,000) (Note 5).

Share-based compensation costs capitalized to mineral exploration and evaluation assets in 2014 was $Nil (December 31, 2013- $20,417).

The Company holds a database of geological and geophysical data. In 2014 and 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 2014 in the amount of $318,579 (2013-$443,938), which was in proportion to the land surrendered as compared to the total area covered by the geological and geophysical data.

8. EQUIPMENT

	2014				2013			
	Drilling Rig	**Furniture & Fixtures**	**Computer Equipment**	**TOTAL**	Drilling Rig	Furniture & Fixtures	Computer Equipment	TOTAL
	$	**$**	**$**	**$**	$	$	$	$
Opening balance	**798,368**	**12,040**	**58,682**	**869,090**	798,368	11,540	57,575	867,483
Additions	**-**	**-**	**-**	**-**	-	500	1,107	1,607
Opening depreciation	**(700,034)**	**(9,406)**	**(43,894)**	**-** **(753,334)**	(657,890)	(8,810)	(37,794)	(704,494)
Adjustments to depreciation	**(29,500)**	**(527)**	**(4,436)**	**(34,463)**	(42,144)	(596)	(6,100)	(48,840)
Closing balance	**68,834**	**2,107**	**10,352**	**81,293**	98,334	2,634	14,788	115,756

9. INCOME TAXES

a) Deferred income taxes

The components of the unrecognized deferred income tax asset are as follows:

	2014	2013
	$	$
Temporary differences related to exploration and evaluation assets	**(105,070)**	70,290
Tax effect of unrealized losses on available-for-sale financial assets	**(72,988)**	(80,521)
Share issuance costs	**(1,296)**	(25,322)
Non-capital loss carryforwards	**(424,920)**	(252,174)
(Unrecognized deferred tax asset)	**(604,274)**	(287,727)

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% (2013 – 29%) to loss before income taxes as follows:

9. INCOME TAXES (continued)

b) Income tax rates (continued)

	2014	2013
	$	$
Expected income tax recovery	**(343,856)**	(528,305)
Share-based compensation costs	**8,017**	23,614
Non deductible portion-unrealized investment losses	**17,245**	64,823
Deferred income tax asset not recognized	**318,594**	287,727
Effect of changes in temporary differences and other items	**-**	55,980
Deferred income tax recovery	-	(96,161)

c) Non-capital losses

The Company has non-capital losses at December 31, 2014 amounting to $1,466,243 which are available to reduce future taxable income. These non-capital losses expire as follows:

2032	$ 93,451
2033	$776,113
2034	$596,679

The Company also has Canadian exploration expenses of $4,647,432 which may be deducted in determining taxable income of future years.

10. SHARE CAPITAL

a) Authorized

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

b) Issued and outstanding

	2014		2013	
	Number	**Share Capital**	Number	Share Capital
		$		$
Common Shares				
Balance, beginning of year	**58,526,129**	**19,106,940**	57,526,129	19,049,065
Issued pursuant to acquisition of mineral property	**-**	**-**	1,000,000	60,000
Share issuance cost	**-**	**(3,300)**	**-**	(2,125)
Balance, end of year	**58,526,129**	**19,103,640**	58,526,129	19,106,940

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.

10. 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:

	2014		2013	
	Number of Warrants	**Weighted-Average Exercise Price**	Number of Warrants	Weighted-Average Exercise Price
		$		$
Outstanding, beginning of year	-	-	182,951	0.29
Expired	-	-	(182,951)	0.29
Outstanding, end of year	-	-	-	-

	2014	2013
	$	$
Balance, beginning of year	-	5,320
Transfer to contributed surplus upon expiry of the warrants	-	(5,320)
Balance, end of year	-	-

(d) Contributed Surplus

A summary of contributed surplus is as follows:

	2014	2013
	$	$
Balance, beginning of year	**2,901,147**	2,867,056
Share-based compensation (Note 11 (b))	**27,646**	101,843
Fair value of warrants which expired (Note 10 (c))	-	5,320
Transfer to non-controlling interest on acquisition of shares in subsidiary	**(126,361)**	(73,072)
Balance, end of year	**2,802,432**	2,901,147

11. 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:

	2014		2013	
	Number of Options	**Weighted-Average Exercise Price**	Number of Options	Weighted-Average Exercise Price
		$		$
Outstanding, beginning of year	**5,401,288**	**0.22**	2,667,761	0.63
Granted	-	-	4,800,000	0.10
Expired	**(547,943)**	**0.32**	(1,928,973)	0.59
Forfeited	**(250,000)**	**0.10**	(137,500)	0.10
Outstanding, end of year	**4,603,345**	**0.17**	5,401,288	0.22
Outstanding and exercisable, end of year	**3,697,095**	**0.15**	2,338,788	0.16

The weighted average remaining contractual life of outstanding options is 2.56 years (2013 – 2.92 years). The weighted average remaining contractual life of exercisable options is 1.95 years (2013 – 1.11 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 grants to be $0.035 using the Black-Scholes option pricing model with the following weighted-average assumptions:

11. SHARE-BASED COMPENSATION (continued)

(b) Fair value assumptions (continued)

	2013
Expected life (years)	5.0
Risk-fee interest rate (%)	1.44
Expected volatility (%)	85

During the year ended December 31, 2014, share-based compensation costs of $27,646 (December 31, 2013 - $81,426) have been expensed, and $nil (December 31, 2013- $20,417) have been capitalized to mineral exploration and evaluation assets, resulting in the recognition of $27,646 (December 31, 2013 - $101,843) as share-based compensation.

12. SUPPLEMENTAL CASH FLOW INFORMATION

	2014	2013
	$	$
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	**27,646**	81,426
Addition to mineral exploration and evaluation	**-**	20,417
Non-cash operating, investing, and financing activities	**27,646**	101,843

13. GENERAL AND ADMINISTRATIVE EXPENSES

	2014	2013
	$	**$**
Office and administrative	**122,358**	144,293
Management, salaries and contract fees and benefits	**376,310**	482,310
Directors' fees	**32,500**	32,500
Transfer agent and professional fees	**139,528**	142,171
Travel and accommodation	**52,841**	53,615
	723,537	854,889

14. RELATED PARTY TRANSACTIONS

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

	2014	2013
	$	**$**
Management fees, salaries and benefits		
General and administrative expense expense	**247,598**	295,201
Capitalized as mineral exploration and evaluation assets	**9,309**	28,530
Directors' fees	**32,500**	32,500
	289,407	356,231

$23,938 was expensed (December 31, 2013 - $79,042) and $Nil (December 31, 2013 - $12,678) was capitalized to mineral exploration and evaluation assets for the year ended December 31, 2014 for share-based compensation related to key management personnel.

	2014	2013
	$	$
Rent paid to a corporation which is controlled by the President of the Company	**45,000**	45,000

15. 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.

16. 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**	**2014**	2013
Level 1 (shares in public companies)	**$ 169,347**	$ 117,393
Level 2	**-**	-
Level 3	-	-
Total financial assets at fair value	**$ 169,347**	$ 117,393

16. 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 it liquidity risk by continuously monitoring forecasts and actual cash flows.

Accounts payable and accrued liabilities at December 31, 2014 in the amount of $85,149 (December 31, 2013 - $71,759) 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.

17. 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 related to this claim. 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. GSI has submitted a Statement of Claim and the Company has filed a Statement of Defence. The Company believes the claims against it are without basis or merit and no amounts have been recorded in the Company's accounts related to this claim 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
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