

VULCAN MINERALS INC.

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

For the Year Ended December 31, 2016

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 exploration on properties in Newfoundland and Labrador. The Company is an exploration venture company and has no proven reserves. The Company holds a 66.6% interest in Red Moon Resources Inc. (formerly Red Moon Potash Inc.) (Red Moon), a publicly traded company. Red Moon is engaged in mineral exploration on properties in Western Newfoundland.

This MDA should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2016 and accompanying notes. The consolidated financial statements include the accounts of the Company and 66.6% held subsidiary, Red Moon Resources Inc.

DATE

The date of this MDA is April 18, 2017.

OVERALL PERFORMANCE

The Company reported a net loss in the amount of \$809,182 for the year ended December 31, 2016, as compared to a net loss of \$1,761,296 for the year ended December 31, 2015 (decrease of \$952,114).

The major reason for the decrease in the net loss for 2016 as compared to 2015 relates to the provision for write down of exploration and evaluation assets. The Company recorded a provision for the write down of its geological and geophysical data in the amount of \$127,460 for the year ended December 31, 2016 as compared to a write down of geological and geophysical data and mineral exploration assets in the amount of \$1,015,854 in the year ended December 31, 2015 (decrease of \$888,394). The Company regrouped certain of its mineral licences in 2016 and 2015 and in that process surrendered some of the lands associated with the licences. The Company recorded a provision for write-down to its geological and geophysical data in the amount of \$127,460 (year ended December 31, 2015 - \$996,731), which was in proportion to the land surrendered as compared to the total area covered by the geological and geophysical data. In the year ended December 31, 2015, the Company wrote off costs in the amount of \$19,123 associated with the metallic and industrial mineral permits in Alberta, with no corresponding amount in 2016. The necessary work to keep the permits in good standing was not performed and the permits were cancelled. The Company also recorded a write down of its inventory of steel casing in the amount of \$33,000 in 2015 with no comparable amount in 2016.

In 2015 the Company transferred unrealized losses on investments which were classified as available for sale, in the amount of \$49,409, from the “statement of other comprehensive income” to the “statement of loss”, with no comparable amount in 2016. When a decline in the 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”.

The Company granted stock options in the first quarter of 2016 (and 50% of the options vested immediately) and recorded share based compensation expense of \$48,186 in the year ended December 31, 2016. Share based compensation expense in the year ended December 31, 2015 in the amount of \$4,964 represents the expense related to options granted in 2013.

The following table outlines the significant components of consolidated general and administrative expenses for each of the years ended December 31, 2016 and 2015:

	Year Ended December	
	2016	2015
	\$	\$
Management, salaries, subcontract fees and benefits	314,614	316,118
Transfer agent , regulatory and professional fees	137,270	167,252
Office and administrative	122,337	114,937
Conferences, travel and accomodation	17,106	20,518
Directors' fees	32,500	32,500
Total	623,827	651,325
Expenses attributable to subsidiary, Red Moon Resources Inc.	115,401	168,327
Expenses attributable to Vulcan Minerals Inc., parent	508,426	482,998
Total	623,827	651,325

SELECTED ANNUAL INFORMATION

Year Ended December 31	2016	2015	2014
	\$	\$	\$
Total revenue- interest	10,126	17,897	37,449
Net loss	(809,182)	(1,761,296)	(1,185,710)
Net loss per share - basic & diluted	(0.01)	(0.03)	(0.02)
Total assets	5,182,710	5,960,321	7,734,559
Total long-term financial liabilities	-	-	-
Cash dividends	Nil	Nil	Nil

Revenue in each of 2016, 2015 and 2014 is represented by interest income. The 2016 net loss included a write down of geological and geophysical data in the amount of \$127,460. The 2015 net loss included a write down of geological and geophysical data and mineral exploration properties in the amount of \$1,015,854. Accumulated losses on available for sale investments in the amount of \$49,409 were transferred from the “statement of other comprehensive income” to the “statement of loss” in 2015. The net loss for 2014 included a write down of the geological and geophysical data in the amount of \$318,579. Accumulated losses on available for sale investments in the amount of \$118,933 were transferred from the “statement of other comprehensive income” to the “statement of loss” in 2014.

OPERATIONS

Captain Cook Salt

Red Moon Resources Inc., a subsidiary in which Vulcan holds a 66.6% ownership interest, owns a 100% interest in mineral licences covering a portion of the Bay St. George Basin. Vulcan holds a 3% net production royalty on these mineral licences. The Bay St. George area is part of the larger Maritimes Basin which is a significant producer of salt and potash.

The Company designed and managed a drilling program on behalf of Red Moon in 2013 and 2014 in the Captain Cook area and continues to manage its exploration work. As a result of that evaluation, the salt potential demonstrated greater promise than the potash potential in the Captain Cook discovery area. Though potash potential does exist in other areas of the property the recent evaluation has focussed on salt. In 2015 Red Moon contracted APEX Geoconsultants Ltd. to prepare a National Instrument 43-101 compliant mineral resource report with respect to the Captain Cook salt deposit which was completed in January 2016, the highlights of which are as follows:

Salt Resource Estimate Highlights

- Using a 95.0% lower base cut-off for sodium chloride, the Captain Cook Halite Resource Estimate is classified as “Inferred” and demonstrates that there is **908 million tonnes** of high purity halite (**96.9% salt**) for 880 million *in-situ* tonnes of salt (Table 1);
- Additional analytical work was conducted as part of the estimation, the results of which help to define a thick section of high purity halite. For example, the best halite intersection, from drillhole CC-4, contains 96.8% NaCl over 335.3 m, which includes two large segments of high purity halite of 98.0% NaCl over 125.3 m and 97.5% NaCl over 177.3 m;
- The Technical Report summarizes: positive physical and chemical characteristics; salt composition and quality; market applicability; and infrastructure/transportation readiness, all of which support the conclusion that the Captain Cook halite deposit is a deposit of merit and warrants further delineation/evaluation work;
- The Captain Cook project area has access to important infrastructure including: two nearby deep water ports; airports at Stephenville and Deer Lake; the Trans-Canada highway; high voltage power grid; and an extensive road network including a well-maintained, all-weather gravel road connecting the deposit with the Turf Point Port, approximately 5.5 km from the deposit.

Table 1

NaCl lower cut-off (%)	Volume (m³)	Tonnes (million)	Density (kg/m³)	NaCl (%)	Tonnes <i>in-situ</i> (million)
88	682,000,000	1,473	2.16	95.3	1,405
89	677,000,000	1,462	2.16	95.4	1,395
90	672,000,000	1,451	2.16	95.4	1,385
91	653,000,000	1,410	2.16	95.6	1,348
92	602,000,000	1,301	2.16	95.9	1,248
93	557,000,000	1,203	2.16	96.2	1,157
94	499,000,000	1,078	2.16	96.5	1,040
95	420,000,000	908	2.16	96.9	880
96	304,000,000	657	2.16	97.4	640
97	190,000,000	410	2.16	97.9	401
98	71,000,000	154	2.16	98.6	152
99	17,000,000	37	2.16	99.3	37

Note 1: Mineral resources are not mineral reserves and do not have demonstrated economic viability. There is no guarantee that all or any part of the mineral resource will be converted into a mineral reserve.

Note 2: The quantity of reported inferred resource in these estimations are uncertain in nature and there has been insufficient exploration to define these inferred resources as an indicated or measured mineral resource, and it is uncertain if further exploration will result in upgrading them to an indicated or measured resource category.

Note 3: The estimate of mineral resources may be materially affected by geology, environment, permitting, legal, title, taxation, socio-political, marketing or other relevant issues.

Note 4: Tonnes have been rounded to the nearest 1,000,000 (numbers may not add up due to rounding).

To demonstrate that the halite has reasonable prospects of economic extraction, the mineral resource is reported at a lower base case cut-off of 95.0% NaCl. This is the general standard used in the purchase of road salt and follows the specification outlined in American Society for Testing and Materials (ASTM) Designation D632-12 (2012), which is applicable for sodium chloride intended for use as a de-icer and for road construction or maintenance purposes. Accordingly, with respect to reporting a resource estimate that abides by the General Guidelines of NI 43-101, the Red Moon halite test work results show that the Captain Cook halite deposit has good prospects of economic viability for an industrial mineral deposit.

Mineral Properties

Colchester Copper Gold Project

Consistent with the Company's ongoing evaluation of mineral properties for acquisition, the Company announced in May 2016 the acquisition, by staking, of the Colchester copper-gold property in north-central Newfoundland. The property is accessible by paved road approximately 25 kilometres off the Trans Canada Highway. The area is serviced by an airport at Deer Lake 110 kilometres to the southwest.

The property contains four past producing historic mines which operated in the late 1800's, namely the Colchester, West Colchester, McNeilly and Old English.

In 1967, G.H. Gibbs, a mining engineer with Colchester Mines Ltd. evaluated the previous work on the property and provided a resource calculation (Preliminary Report, Green Bay Properties, Newfoundland Government File 12H/09/0113). He concluded, based on diamond drilling, that the known workings contained 1,000,000 tons (including 20% dilution) of copper grading 1.3% over a strike length of 305 metres and from surface to a depth of 183 metres. This estimate used data from 37 drillholes. This is an historic reference that is not compliant with National instrument 43-101 and cannot be relied upon according to modern reporting standards. As such the Company is not treating the historical estimate as a current resource or reserve. Rather, it is used to demonstrate the potential for the property to contain significant copper mineralization.

Follow-up drilling in 1971 by Cerro Mining Company encountered the following highlights, presented below in Table 1.

Hole	True Thickness (m)	Vertical Depth (m)*	Cu (%)
COL-30	7.01	27.43	2.3
COL-48	24.38	262.13	1.02
COL-3	5.49	48.77	2.6
COL-16	4.57	12.19	1.13
COL-16	5.18	32.00	1.7
COL-16	21.03	112.78	0.95
COL-21	28.96	35.05	1.2
COL-49	33.53	152.40	0.8
COL-35	13.11	62.48	1.06
COL-37	7.32	39.62	1.3
COL-41	31.39	102.11	1.05
COL-51	12.19	68.58	1.44
COL-51	19.81	146.30	1.04

** vertical depth is measured using Colchester Pond as '0' datum*

Table 1. Highlights from historical drilling by M.J. Boylen Engineering and Cerro Mining (1963-1970).

More recent drilling in 2004-2005 by another operator confirmed the significant distribution of copper on the property as well as the potential for gold. Several gold occurrences are documented, including the Alpha showing, which occurs within the immediate vicinity of the Colchester Main Zone, where trench sampling by previous explorers encountered 5.9 g/t Au, 2.05% Cu, 1.18% Zn and 30.7 g/t Ag over 3.0 m and also 18.9 g/t Au, 4.7% Cu, 0.42% Zn and 36.49 g/t Ag over 1.5 m. Follow-up drilling of the Alpha showing by the same explorers confirmed subsurface continuity of base and precious metal mineralization, as summarized in Table 2.

Hole	From (m)	To (m)	Interval (m)	Approx. True thickness (m)	Au (g/t)	Cu (%)	Zn (%)
CC-03-02	67.10	69.55	2.45	1.73	0.20	2.25	n/a
CC-03-02	74.20	80.05	5.85	4.14	3.91	2.81	n/a
CC-03-03	22.35	36.85	14.50	n/a	1.90	0.05	0.97
Including	30.85	33.40	2.55	n/a	9.80	0.14	3.69
CC-03-03	61.55	62.65	1.10	n/a	1.60	1.82	0.02
CC-03-05	28.65	30.57	1.92	n/a	3.30	1.89	0.08

Table 2. Historical drilling highlights from the Alpha showing.

The property geology consists of a Cambro-Ordovician assemblage of island arc volcanic and plutonic rocks metamorphosed to greenschist facies that has been interpreted by previous workers to represent an ophiolite sequence. The mineralization identified to date is hosted in chlorite schist zones within mafic to intermediate volcanic and volcanoclastic units, occurring as stockwork to locally semi-massive to massive sulfides with associated gold; historical mapping and drilling suggests secondary porphyry-style mineralization and alteration may overprint the deposit.

The Company re-established a 20 line km. grid on the Old English portion of the property and carried out a high resolution Induced Polarization (IP) geophysical program in November 2016 followed by an 800 metre drill program (see results in the Table below) which confirmed the tenor of mineralization and the positive correlation with the IP survey results. Several drill targets with significant potential for copper and gold discoveries have been identified both within and outside the historic resource area. Further drilling on the property is warranted based on these results.

Based on the regional compilation work carried out on the original Colchester property, additional claims have been staked including the Little Bay copper mine (dormant) and adjacent gold showings.

Drill Program November 2016

HOLE	From (m)	To (m)	Length (m)	Cu (%)	Au (g/t)
OE-16-01	48.52	65.27	16.75	0.69	0.16
<i>Including sub-intervals:</i>					
OE-16-01	52.85	53.62	0.77	8.79	1.75
OE-16-01	48.52	53.62	5.10	1.60	0.32
OE-16-01	83.00	85.76	2.76	0.75	0.11
OE-16-01	89.30	92.26	2.96	0.84	0.09
OE-16-01	170.64	176.63	5.99	1.01	0.23
OE-16-02	146.36	147.39	1.03	5.07	0.11
OE-16-03	70.73	84.18	13.45	0.65	0.24
<i>Including sub-interval:</i>					
OE-16-03	76.73	84.18	7.45	1.02	0.32
OE-16-03	93.50	96.50	3.00	0.60	0.08
OE-16-04	16.00	32.54	16.54	0.22	0.08

Lizard Pond Gold Property

In July 2016 the Company acquired, by staking, the Lizard Pond gold property in central Newfoundland. The property is adjacent to the Baie d'Espoir highway approximately 50 kilometres south of the Town of Grand Falls-Windsor. The property consists of several gold showings including: Lizard Pond, Lizard Pond South, Lizard Pond Extension, Swan Pond and Breccia Pond. Of these, the Lizard Pond South showing has received the most attention, having initially yielded channel samples of 12.6 grams per tonne (g/t) gold over 0.4 metres and 6.6 g/t gold over 1.2 metres. Follow-up drilling included hole LP 87-01 which assayed 0.8 g/t gold over 15 metres (66.6-81.6 metres depth) including 1.0 g/t gold over 8 metres (72.6-80.6 metres depth). Approximately 500 metres east, the Lizard Pond Extension assayed 1.6 g/t gold over 5.4 metres (41.3-46.7 metres) in drill hole MO-90-10. The Breccia Pond showing is located approximately 1500 metres east of the Lizard Pond showing and yielded a channel sample of 3.2 g/t gold over 1.0 metre. Two rounds of drilling were conducted on the property in 1989 (totalling 510 m) and 1990 (totalling 1371 m) by different operators, most of which focused on delineating the Lizard Pond South showing. Prospecting by another operator in 2006 resampled (grab) the Lizard Pond South showing with up to 22 g/t gold and up to 8.2 g/t gold at the Lizard Pond Extension.

The gold prospects are hosted in ophiolitic ultramafic rocks and sediments of Lower Paleozoic age. They have been hydrothermally altered over several kilometers along a major fault zone. The gold occurs in vuggy chaledonic and breccia and quartz veining within a larger silica-magnesite altered sequence in fault contact with gold enriched sediments. The property has not been surveyed with modern geophysical techniques. Given the wide distribution of gold occurrences, the scarcity of outcrop, the high grade nature of the showings where exposed at surface, and the apparent structural control of the hydrothermal alteration system, it is felt the property warrants appropriate geophysical investigation towards identifying potential traps for gold enrichment.

The property also contains a potentially significant deposit of magnesite, which is a prime source of magnesium. The company will evaluate the historical information regarding the nature of the deposit and its commercial potential.

The information pertaining to the property is taken from historic assessment reports filed by past explorers with the Government of Newfoundland and Labrador Department of Natural Resources. As well the Company has examined core at government facilities which confirms the style of mineralization described above. The Company is in the process of compiling and digitizing all available information towards designing an exploration program for 2017. The Company has completed a preliminary geological property visit and has confirmed the style of mineralization previously reported.

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. In 2008, significant drill intersections of mineralization were encountered including 14 metres of 1.02% Nickel, 0.51% Copper, and 0.03% Cobalt. The Company currently holds a 100% working interest in the property, subject to a 1% royalty with certain buyback provisions. The Company has conducted a full review, integration and interpretation of all previous work towards formulating a strategic exploration program. The work has identified several prospects on the property in addition to potential extensions of the known mineralized zones. For the purposes of maintaining the core area of the property in good standing for the maximum period based on previous work, non-core claims have been relinquished. The property now consists of 120 mineral claims (3000 hectares). The Company is soliciting partners to advance further drilling and evaluation.

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, operated by Investcan Energy Corporation (Investcan).

Investcan is awaiting the provincial government's response to a regulatory review of fracking in Western Newfoundland conducted by an independent panel retained by the provincial government. The panel's report to the provincial government was delivered on May 31,2016. The panel concluded that it could not recommend to government whether or not to allow hydraulic fracturing to proceed in Western Newfoundland without further information. They therefore proposed a "pause" whereby no fracturing would occur until government implemented 85 recommendations. Government is currently reviewing the report and recommendations. In the interim no fracturing applications will be accepted.

Plans for 2017

The Company is soliciting partners to advance each of its projects. The Colchester property is the most advanced of these and will be the primary focus of further field work regardless of participation by other parties. The Company will also continue to advance, through Red Moon, the Captain Cook salt project towards feasibility.

SUMMARY OF QUARTERLY RESULTS

Quarter	Total Revenue	Net (Loss)	Net (Loss) per share
	\$	\$	\$
December 31, 2016	2,106	(179,969)	(0.003)
September 30, 2016	2,438	(149,300)	(0.002)
June 30, 2016	2,663	(285,592)	(0.005)
March 31, 2016	2,919	(194,321)	(0.003)
December 31, 2015	3,250	(273,964)	(0.004)
September 30, 2015	3,705	(116,329)	(0.002)
June 30, 2015	5,096	(1,147,221)	(0.019)
March 31, 2015	5,846	(223,782)	(0.003)

Revenue for each quarter is represented by interest income. Net loss for the quarter ended June 30, 2016 included a write down of exploration and evaluation assets in the amount of \$127,460. Net loss for the quarter ended December 31, 2015 included a reallocation of accumulated unrealized losses on investments of \$49,409 from other comprehensive loss to net loss and a write down of inventory in the amount of \$33,000. Net loss for the quarter ended June 30, 2015 included a provision for write-down of exploration and evaluation assets in the amount of \$996,731.

LIQUIDITY

At December 31, 2016, the Company had current assets of \$1,457,078, which includes cash of \$1,254,492, including cash of \$65,833 held by the Company's consolidated subsidiary, Red Moon Resources Inc. 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'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 Resources Inc., had current assets of \$83,321 at December 31, 2016 and current liabilities of \$55,598, resulting in working capital of \$27,723. The subsidiary company's ability to continue as a going concern will be dependent upon obtaining further equity financing, and there is no assurance that equity financing will be obtained.

The cash balances of Vulcan are sufficient to meet its current requirements.

CAPITAL RESOURCES

The Company holds 14 mineral licences and subsidiary company, Red Moon, has 20 mineral licences 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 certain of the mineral licences currently held by subsidiary, Red Moon.

TRANSACTIONS WITH RELATED PARTIES

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 \$246,205 for the year ended December 31, 2016 (\$248,582- 2015). The 2016 and 2015 figures include management fees of \$1,250 per month paid by subsidiary Red Moon to the President and CEO and this management fee has been eliminated effective October 1, 2016.

The Company and its subsidiary, Red Moon, paid directors' fees of \$32,500 for the year ended December 31, 2016 (2015 - \$32,500). Each director of Vulcan is paid an annual director's fee of \$5,000 (\$2,500 in January and June of each year) and each director of Red Moon is paid an annual director's fee of \$2,500 (\$1,250 in January and June of each year). The directors of Red Moon have resolved to pay no directors' fees for 2017.

The Company and its subsidiary, Red Moon, paid premises rent aggregating \$42,750 (2015- \$45,000) to a private company owned and controlled by the President of the Company. Effective October 1, 2016 the premises rent paid by subsidiary, Red Moon, has been reduced from \$1,750 per month to \$1,000 per month.

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.

The Company and its subsidiary company, Red Moon, granted 3,400,000 stock options to directors and officers in the first quarter of 2016. The Company recorded stock based compensation expense related to these options in the year ended December 31, 2016 in the amount of \$48,479, of which \$44,200 was reflected as share-based compensation expense and \$4,279 was capitalized to mineral exploration and evaluation assets. The Company recorded stock based compensation expense in 2015 in the amount of \$4,714 related to stock options granted in 2013.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

New and amended standards adopted by the Company

The following standards have been adopted by the Company in 2016:

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.

Standards and amendments not yet effective and not yet applied

In July 2014, the IASB issued IFRS 9 Financial Instruments. The IASB has previously published versions of IFRS 9 that introduced new classification and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). The July 2014 publication represents the final version of the Standard, replaces earlier versions of IFRS 9 and substantially completes the IASB’s project to replace IAS 39 Financial Instruments: Recognition and Measurement.

This standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only three classification categories: amortized cost and fair value through other comprehensive loss and fair value through profit or loss. The basis of classification depends on the entity’s business model and the contractual cash flow characteristics of the financial asset or liability. The standard introduces a new, expected loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and it lowers the threshold for recognition of full lifetime expected losses. The new standard also introduces a substantially-reformed model for hedge accounting with enhanced disclosures about risk management activity and aligns hedge accounting more closely with risk management. The new standard is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted.

IFRS 16, “*Leases*” (“IFRS 16”) is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted for entities that have also adopted IFRS 15 “*Revenue from contracts with customers*” (“IFRS 15”). IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. It supersedes IAS 17, “*Leases*” (“IAS 17”). Qualifying leases will be recorded on the balance sheet as an asset under property and equipment, and will have a corresponding liability with both current and long-term portions.

IAS 12, “*Income Taxes*” (“IAS 12”) was amended to provide guidance on the recognition of deferred tax assets for unrealized losses, effective for annual periods beginning on or after January 1, 2017. The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value.

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

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company’s financial instruments 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 investments had a carrying value of \$14,072 at December 31, 2016.

Business Risks

The Company is a junior exploration company principally involved in mineral and oil and gas exploration which are inherently high-risk activities. The business of exploring for, developing, and acquiring, minerals and oil and natural gas projects 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 to which the Company is exposed 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 term. Liquidity risk is significant to subsidiary company, Red Moon Resources 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, 2016 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 related to this claim. The Company is fully defending its interests.
- b) The Company has been added as a co-defendant in an ongoing legal action Geophysical Service Incorporated (GSI) has with NWest Energy Corp. (now Ceylon Graphite Corp. by way of name change) 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.

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 7,250,000 stock options outstanding at April 18, 2017 as outlined below:

Date Issued	Number	Exercise Price	Details
February 1, 2013	1,700,000	\$0.10	Directors' Options, Expiry February 1, 2018
February 17, 2016	1,800,000	\$0.10	Directors' Options, Expiry February 17, 2021
February 17, 2016	200,000	\$0.10	Employee Options, Expiry February 17, 2021
December 14, 2016	100,000	\$0.10	Advisory Committee, Expiry December 14, 2021
March 21, 2017	100,000	\$0.10	Employee Options, Expiry March 21, 2022
Red Moon as follows:			
February 1, 2013	1,750,000	\$0.10	Directors' Options, Expiry February 1, 2018
March 16, 2016	1,600,000	\$0.10	Directors' Options, Expiry March 16, 2021

There were 5,350,000 options exercisable at April 18, 2017 (of which 2,550,000 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.