

**VULCAN MINERALS INC.**

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

**For the Three Months Ended March 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 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 interim condensed consolidated financial statements for the three months ended March 31, 2016 and accompanying notes. The condensed consolidated financial statements include the accounts of the Company and 66.6% held subsidiary, Red Moon Potash Inc.

### DATE

The date of this MDA is May 27, 2016.

### OVERALL PERFORMANCE

The Company reported a net loss in the amount of \$194,321 for the three months ended March 31, 2016, as compared to a net loss of \$223,782 for the three months ended March 31, 2015 (a decrease of \$29,461). The net loss for the three months ended March 31, 2016 included general and administrative expenses of \$158,843 as compared to \$218,648 in the comparable three months in 2015 (decrease of \$59,805). The Company granted stock options in the first quarter of 2016 and reflected share-based compensation expense of \$33,843 in the three months ended March 31, 2016. Share-based compensation expense in the three months ended March 31, 2015 totalled \$4,936 and represented the expense related to options granted in 2013.

General and administrative expenses for the three months ended March 31, 2016 and 2015 are as follows:

General & Administrative Expenses Include:	Three Months Ended March 31	
	2016	2015
	\$	\$
Management, salaries, subcontract fees and benefits	83,546	93,391
Office and administrative	28,805	35,385
Directors' Fees	16,250	16,250
Transfer agent, regulatory and professional fees	26,239	67,263
Conferences, travel and accomodation	4,003	6,359
Total	158,843	218,648
Expenses attributable to subsidiary, Red Moon Potash Inc.	34,849	53,351
Expenses attributable to Vulcan Minerals Inc., parent	123,994	157,882
Total	158,843	211,233

## OPERATIONS

### *Bay St. George Salt/Potash*

Red Moon Potash Inc., a subsidiary in which Vulcan holds a 66.6% ownership interest, owns a 100% interest in mineral licenses covering a portion of the 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.

On July 25, 2012, the shareholders of the Company approved a corporate re-organization whereby the Company spun-out the 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 2013 and 2014 in the Captain Cook area and continues to manage its exploration work. 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, 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 (m <sup>3</sup> )	Tonnes (million)	Density (kg/m <sup>3</sup> )	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
<b>95</b>	<b>420,000,000</b>	<b>908</b>	<b>2.16</b>	<b>96.9</b>	<b>880</b>
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).

## Resource Estimate Overview

The Captain Cook deposit is classified as an *Inferred Resource* based on geological confidence, data quality and grade continuity. The most relevant factors used in the classification process were: drillhole number and spacing density; level of confidence in the geological interpretation; estimation parameters (i.e. continuity of halite); and number and nature of the existing sampling. The resource area is 3.73 km<sup>2</sup>.

Mineral resource modeling and estimation utilized a three-dimensional block model based on geostatistical applications and used inverse distance squared (ID2) estimation algorithms. Five drillholes, together with seismic data, were used to guide the geological interpretation of the resource area. Within the model, the thickness of the halite zone ranges from 68 m to 343 m, has an average thickness of 200 m to 250 m, and occurs at depths of between 183 m and 394 m.

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.

## Potash Prospectivity

As a result of Red Moon's ongoing evaluation of the Bay St. George Basin, historical drilling results were compiled to evaluate the potash potential outside the immediate Captain Cook area. In 1972, Hooker Chemical Corp. drilled the Hooker Robinson's hole approximately 25 kilometres southwest of the Captain Cook area in search of potash. They encountered a 483m salt interval from 212m to 695m depth which contained a gross interval of 159m of potash/salt/mudstone. Potash concentrations were encouraging as indicated in the interval 522.73 - 523.10m where individual samples of potash were reported with relatively high grades exceeding 20% potassium chloride. These were the only samples for which assays were provided over narrow intervals. Potash results over the gross interval were of lower grade but detailed analysis is not available. These results are as reported by Hooker Chemical in an assessment report filed with the Government of Newfoundland, Dept of Natural Resources in 1973, specifically Stormon, D.B.(1973) "Analysis of Robinson's Salt Deposit , private report to Hooker Chemical" NFLD 12B (151). Though it is historical in nature and not verifiable by a Qualified Person pursuant to National Instrument 43-101, the report and its contents appear to have been prepared under standard best practices of the time and there appears to be no reason to doubt its validity. The Hooker Robinson's hole was located on a gravity low anomaly and appears to have been drilled on a salt swell where significant amounts of potash were preserved in mudstone and salt beds. Further research of historic drilling in the area has lead Red Moon to acquire, by staking, an additional 161 mineral claims (4,025 hectares) in the Robinsons/St. Fintan's area which Red Moon is evaluating for a future drilling program.

## 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. There have been two gas discoveries as well as a shallow oil discovery (Flat Bay) on the permits. These discoveries are unconventional due to 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.

Investcan carried out some evaluation work in 2012-2013 but no field work has occurred since that time. Investcan is awaiting the results of a regulatory review of fracking in Western Newfoundland by an independent panel retained by the provincial government. The panel's recommendations are expected in the 2<sup>nd</sup> quarter of this year.

## 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. 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.

## Colchester Copper Gold Project

Consistent with the Company's ongoing evaluation of mineral properties for acquisition, the Company announced in May the acquisition, by staking, of the Colchester copper-gold property in north-central Newfoundland. The property consists of 98 claims over 2,500 hectares covering four past producing historic mines, namely the Colchester, West Colchester, McNeilly and Old English. These mines operated in the late 1800's and are believed to have produced a combined 1,000 tons of handpicked ore from underground shafts and drifts. The information regarding the property is taken from historic assessment reports filed by past explorers with the Government of Newfoundland and Labrador Department of Natural Resources and the Mineral Occurrence Data System (MODS).

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 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. Gibbs calculated this tonnage on individual grid sections, assuming a maximum lateral influence of 15 m and a maximum vertical influence of 23 m per drillhole; he applied a specific gravity of 3.5 and a cut-off grade of 0.85% Cu. 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. The company has just recently staked the claims and has not yet accessed the property to verify any of the historic results referenced herein. 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.

<b>Hole</b>	<b>True Thickness (m)</b>	<b>Vertical Depth (m)*</b>	<b>Cu (%)</b>
<b>COL-30</b>	7.01	27.43	2.3
<b>COL-48</b>	24.38	262.13	1.02
<b>COL-3</b>	5.49	48.77	2.6
<b>COL-16</b>	4.57	12.19	1.13
<b>COL-16</b>	5.18	32.00	1.7
<b>COL-16</b>	21.03	112.78	0.95
<b>COL-21</b>	28.96	35.05	1.2
<b>COL-49</b>	33.53	152.40	0.8
<b>COL-35</b>	13.11	62.48	1.06
<b>COL-37</b>	7.32	39.62	1.3
<b>COL-41</b>	31.39	102.11	1.05
<b>COL-51</b>	12.19	68.58	1.44
<b>COL-51</b>	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
<b>Including</b>	<b>30.85</b>	<b>33.40</b>	<b>2.55</b>	<b>n/a</b>	<b>9.80</b>	<b>0.14</b>	<b>3.69</b>
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. Company geologists have inspected some diamond drill core from 1963 to 1971 drilling programs (M.J. Boylen Engineering and Cerro) at a government core facility and has confirmed the style of mineralization.

The Company is in the process of compiling all available information towards designing an exploration program. Based on preliminary research, it appears most of the previous work focussed on the known mineral workings while much of the property remains underexplored. The company anticipates a summer program of geophysics and mapping towards indentifying drill targets.

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.

## SUMMARY OF QUARTERLY RESULTS

Quarter	Total Revenue	Net (Loss)	Net (Loss) per share
	\$	\$	\$
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)
December 31, 2014	7,503	(338,835)	(0.006)
September 30, 2014	8,425	(160,804)	(0.002)
June 30, 2014	10,370	(187,861)	(0.003)

Revenue for each quarter is represented by interest income. 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. Net loss for the quarter ended December 31, 2014 included a write-down of exploration and evaluation assets in the amount of \$40,113 and a reallocation of accumulated unrealized losses on investments of \$118,933 from other comprehensive loss to net loss.

## LIQUIDITY

At March 31, 2016, the Company had current assets of \$2,070,333, of which \$1,969,533 consisted of cash, including \$150,500 held by the Company's consolidated subsidiary, Red Moon Potash 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 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 \$163,243 at March 31, 2016 and current liabilities of \$44,620, resulting in working capital of \$118,623. 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 the Vulcan are sufficient meet its current and medium term requirements.

## CAPITAL RESOURCES

The Company has a mineral license in Tasisuak, Labrador, and subsidiary company, Red Moon, has 17 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 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 \$64,406 for the three months ended March 31, 2016 of which \$61,588 is reflected as general and administrative expense and \$2,818 has been capitalized to exploration and evaluation assets. ( \$63,886- three months ended March 31, 2015, and reflected as general and administrative expense).

The Company and its subsidiary, Red Moon, paid premises rent aggregating \$11,250 (2015- \$11,250) to a private company owned and controlled by the President and a director of the Company.

The Company and its subsidiary, Red Moon, paid directors' fees of \$16,250 for the three months ended March 31, 2016 (2015- \$16,250). Five directors of Red Moon were each paid \$1,250 in the three months ended March 31, 2016 (total of \$6,250 for the three months ended March 31, 2016 and \$6,250 for the three months ended March 31, 2015). Each director of Red Moon is paid an annual director's fee of \$2,500 (\$1,250 in January and June of each year). Four directors of Vulcan were each paid \$2,500 in the three months ended March 31, 2016 (total of \$10,000 for the three months ended March 31, 2016 and March 31, 2015). Each director of Vulcan is paid an annual director's fee of \$5,000 (\$2,500 in January and June of each year).

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.

## 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 period beginning on January 1, 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**

IFRS 9, "*Financial instruments*" ("IFRS 9") introduces new requirements for the classification and measurement of financial assets. IFRS 9 required all recognized financial assets that are within the scope of IAS 39 Financial Instruments- Recognition and Measurement to be measured at amortized cost or fair value in subsequent accounting periods following initial recognition. Specifically, financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods.

Requirements for classification and measurement of financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, Financial Instruments – Recognition and Measurement, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.

IFRS 9 was amended in November 2013 to: (i) include guidance on hedge accounting; (ii) allow entities to early adopt the requirement to recognize changes in fair value attributable to changes in an entity's own credit risk, from financial liabilities designated under the fair value option, in other comprehensive loss, without having to adopt the remainder of IFRS 9; and (iii) remove the previous mandatory effective date for adoption of January 1, 2015, although the standard is available for early adoption.

The final version of IFRS 9 was issued in July 2014 and includes: (i) a third measurement category for financial assets – fair value through other comprehensive income; (ii) a single, forward-looking expected loss impairment model; and (iii) a mandatory effective date for IFRS 9 of 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. 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 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 \$8,000 at March 31, 2016.

### **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 March 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 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.

## **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 7,050,000 stock options outstanding at May 27 , 2016 as outlined below:

<b>Date Issued</b>	<b>Number</b>	<b>Exercise Price</b>	<b>Details</b>
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
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 5,250,000 options exercisable at May 27, 2016 (of which 2,550,000 related to subsidiary, Red Moon).

#### ADDITIONAL INFORMATION

All corporate disclosure documents are filed on [www.sedar.com](http://www.sedar.com). Additional information regarding the Company's projects and activities are available at [www.vulcanminerals.ca](http://www.vulcanminerals.ca).



**Interim Condensed Consolidated Financial Statements**  
For the Three Months Ended March 31, 2016 and 2015  
(Unaudited)

**VULCAN MINERALS INC.**  
March 31, 2016 and 2015

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## **Notice of No Auditor Review of Interim Financial Statements**

Under National Instrument 51-102, “Continuous Disclosure Obligations”, part 4 subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The Corporation’s external auditors have not performed a review of these financial statements.

**VULCAN MINERALS INC.**  
**Condensed Consolidated Balance Sheets**  
**(Unaudited)**  
**As at**

(in Canadian dollars)	March 31 2016	December 31 2015
	\$	\$
<b>Assets</b>		
Current assets		
Cash	1,969,533	2,183,306
Accounts receivable	16,258	17,890
Prepaid expenses	8,318	20,444
Deposits	-	9,000
Inventory	76,224	76,224
	<b>2,070,333</b>	<b>2,306,864</b>
Deposits	286,000	286,000
Investments	8,000	16,650
Exploration and evaluation assets (Note 4)	3,323,766	3,289,521
Equipment	56,732	61,286
<b>Total Assets</b>	<b>5,744,831</b>	<b>5,960,321</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	68,849	117,752
Flow through premium liability	2,500	2,500
	<b>71,349</b>	<b>120,252</b>
<b>Equity</b>		
Shareholders' equity	5,217,494	5,365,754
Non-controlling interest	455,988	474,315
	<b>5,673,482</b>	<b>5,840,069</b>
<b>Total Liabilities and Equity</b>	<b>5,744,831</b>	<b>5,960,321</b>
Nature of operations (Note 1)		
Contingencies (Note 8)		
Approved on Behalf of the Board of Directors		
Patrick J. Laracy	_____	<b>Director</b>
Rex Gibbons	_____	<b>Director</b>

See accompanying notes to the consolidated financial statements

**VULCAN MINERALS INC.**  
**Condensed Consolidated Statements of Loss**  
**(Unaudited)**  
**Three Months Ended March 31**

(in Canadian dollars)	2016	2015
	\$	\$
<b>Income (Expenses )</b>		
Interest income	2,919	5,846
General and administrative (Notes 6 and 7)	(158,843)	(218,648)
Share-based compensation	(33,843)	(4,936)
Depreciation	(4,554)	(6,044)
<b>Net loss</b>	<b>(194,321)</b>	<b>(223,782)</b>
Net loss attributable to:		
Common shareholders	(175,994)	(199,997)
Non-controlling interest	(18,327)	(23,785)
	<b>(194,321)</b>	<b>(223,782)</b>
<b>Net loss per share - basic and diluted</b>	<b>(0.003)</b>	<b>(0.003)</b>
Weighted-average number of common shares outstanding - basic and diluted	<b>58,526,129</b>	<b>58,526,129</b>

**Condensed Consolidated Statements of Comprehensive Loss**  
**Three Months Ended March 31**

(in Canadian dollars)	2016	2015
	\$	\$
<b>Net loss</b>	<b>(194,321)</b>	<b>(223,782)</b>
Other comprehensive loss:		
Change in unrealized loss on available-for-sale financial assets (net of tax)	(8,649)	(90,989)
	<b>(8,649)</b>	<b>(90,989)</b>
<b>Comprehensive loss</b>	<b>(202,970)</b>	<b>(314,771)</b>
Comprehensive loss attributable to:		
Common shareholders	(184,643)	(290,986)
Non-controlling interest	(18,327)	(23,785)
	<b>(202,970)</b>	<b>(314,771)</b>

See accompanying notes to the consolidated financial statements

**VULCAN MINERALS INC.**  
**Condensed Consolidated Statements of Changes in Equity**  
**(Unaudited)**

(in Canadian dollars)

	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Loss	Deficit	Total Shareholders' Equity	Non-Controlling Interest	Total Equity
	\$	\$	\$	\$	\$	\$	\$
Balance, December 31, 2014	19,103,640	2,802,432	103,288	(14,827,511)	7,181,849	467,561	7,649,410
Net loss and comprehensive loss							
January 1, 2015 - March 31, 2015	-	-	(90,989)	(199,997)	(290,986)	(23,785)	(314,771)
Share-based compensation	-	4,936	-	-	4,936	-	4,936
Balance March 31, 2015	19,103,640	2,807,368	12,299	(15,027,508)	6,895,799	443,776	7,339,575
Net loss and comprehensive loss							
April 1, 2015 - December 31, 2015	-	-	(12,299)	(1,502,471)	(1,514,770)	(35,043)	(1,549,813)
Share issuance costs	(2,221)	-	-	-	(2,221)	-	(2,221)
Share-based compensation	-	28	-	-	28	-	28
Transfer to non-controlling interest on acquisition of shares in subsidiary	-	(13,082)	-	-	(13,082)	13,082	-
Issuance of shares by subsidiary to non-controlling interest	-	-	-	-	-	52,500	52,500
Balance December 31, 2015	19,101,419	2,794,314	-	(16,529,979)	5,365,754	474,315	5,840,069
Net loss and comprehensive loss							
January 1, 2016 - March 31, 2016	-	-	(8,649)	(175,994)	(184,643)	(18,327)	(202,970)
Share-based compensation	-	36,383	-	-	36,383	-	36,383
Balance, March 31, 2016	19,101,419	2,830,697	(8,649)	(16,705,973)	5,217,494	455,988	5,673,482

See accompanying notes to the consolidated financial statements

**VULCAN MINERALS INC.**  
**Condensed Consolidated Statements of Cash Flows**  
**(Unaudited)**  
**Three Months Ended March 31**

(in Canadian dollars)	<b>2016</b>	2015
	\$	\$
<b>Operating Activities</b>		
Interest receipts	<b>2,919</b>	5,846
Operating payments	<b>(171,951)</b>	(199,316)
	<b>(169,032)</b>	(193,470)
<b>Investing Activities</b>		
Exploration and evaluation assets	<b>(31,705)</b>	13,938
Change in accounts payable-exploration and evaluation assets	<b>(27,489)</b>	-
Change in accounts receivable- exploration and evaluation assets	<b>5,453</b>	-
Refund of security deposit	<b>9,000</b>	-
Government grant receivable	-	(15,000)
	<b>(44,741)</b>	(1,062)
Cash (outflow)	<b>(213,773)</b>	(194,532)
Cash, beginning of period	<b>2,183,306</b>	2,747,212
<b>Cash, end of period</b>	<b>1,969,533</b>	2,552,680
Cash is comprised of:		
Deposits with bank	<b>1,969,533</b>	2,552,680
	<b>1,969,533</b>	2,552,680

See accompanying notes to the consolidated financial statements

# VULCAN MINERALS INC.

## Notes to the Condensed Consolidated Financial Statements

(Unaudited)

March 31, 2016 and 2015

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### 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. 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 unaudited interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. The accounting policies used in preparing these unaudited interim condensed consolidated financial statements are consistent with those used in the preparation of the Company's annual financial statements. These unaudited interim condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2015.

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 May 27, 2016.

#### *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 66.6% interest and a wholly owned inactive subsidiary. 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 Condensed Consolidated Financial Statements**  
**(Unaudited)**  
**March 31, 2016 and 2015**

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**3. NEW AND AMENED ACCOUNTING STANDARDS**

**New and amended standards adopted by the Company**

The following standards have been adopted by the Company for the period beginning on January 1, 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**

IFRS 9, "*Financial instruments*" ("IFRS 9") introduces new requirements for the classification and measurement of financial assets. IFRS 9 required all recognized financial assets that are within the scope of IAS 39 Financial Instruments- Recognition and Measurement to be measured at amortized cost or fair value in subsequent accounting periods following initial recognition. Specifically, financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods.

Requirements for classification and measurement of financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, Financial Instruments – Recognition and Measurement, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.

IFRS 9 was amended in November 2013 to: (i) include guidance on hedge accounting; (ii) allow entities to early adopt the requirement to recognize changes in fair value attributable to changes in an entity's own credit risk, from financial liabilities designated under the fair value option, in other comprehensive loss, without having to adopt the remainder of IFRS 9; and (iii) remove the previous mandatory effective date for adoption of January 1, 2015, although the standard is available for early adoption.

The final version of IFRS 9 was issued in July 2014 and includes: (i) a third measurement category for financial assets – fair value through other comprehensive income; (ii) a single, forward-looking expected loss impairment model; and (iii) a mandatory effective date for IFRS 9 of annual periods beginning on or after January 1, 2018, with early adoption permitted.

**VULCAN MINERALS INC.**  
**Notes to the Condensed Consolidated Financial Statements**  
**(Unaudited)**  
**March 31, 2016 and 2015**

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**3. NEW AND AMENED ACCOUNTING STANDARDS (continued)**

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. 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.

**4. EXPLORATION AND EVALUATION ASSETS**

The Company has 18 mineral licenses (December 31, 2015-13) which consist of 1,160 claims (December 31, 2015 – 1,042 claims), which are active and in good standing with the Department of Natural Resources in the Province of Newfoundland and Labrador. These licenses are in the exploration and evaluation stage. The Company holds a database of geological and geophysical data at March 31, 2016 and December 31, 2015. A summary of the exploration and evaluation assets is as follows:

	March 31, 2016			December 31, 2015		
	Balance, Beginning of Period	Additions (Writedowns/ Dispositions)	Balance, End of Period	Balance, Beginning of Year	Additions (Dispositions, net)	Balance, End of Year
	\$	\$	\$	\$	\$	\$
<b>Mineral properties</b>						
Property acquisition costs	95,615	7,345	102,960	66,750	28,865	95,615
Exploration costs	1,354,187	26,900	1,381,087	1,310,664	43,523	1,354,187
<b>Geological and geophysical data</b>	1,839,719	-	1,839,719	2,836,450	(996,731)	1,839,719
	<b>3,289,521</b>	<b>34,245</b>	<b>3,323,766</b>	4,213,864	(924,343)	3,289,521

Additions to mineral exploration costs in 2016 includes share-based compensation of \$2,540 (2015-\$-nil) (Note 5). Additions to mineral exploration and evaluation assets in 2015 have been reduced by a government grant of \$15,000.

# VULCAN MINERALS INC.

## Notes to the Condensed Consolidated Financial Statements

(Unaudited)

March 31, 2016 and 2015

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### 4. EXPLORATION AND EVALUATION ASSETS (continued)

The Company holds a database of geological and geophysical data. In 2015 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 2015 in the amount of \$996,731 which was in proportion to the land surrendered as compared to the total area covered by the geological and geophysical data.

### 5. SHARE-BASED COMPENSATION

The Company and one of its subsidiaries 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:

	March 31, 2016		December 31, 2015	
	Number of Options	Weighted-Average Exercise Price	Number of Options	Weighted-Average Exercise Price
		\$		\$
Outstanding, beginning of period	3,450,000	0.10	4,603,345	0.17
Granted	3,600,000	0.10	-	-
Expired	-	-	(978,345)	0.44
Forfeited	-	-	(175,000)	0.10
Outstanding, end of period	7,050,000	0.10	3,450,000	0.10
<b>Exercisable, end of period</b>	<b>5,250,000</b>	<b>0.10</b>	<b>3,450,000</b>	<b>0.10</b>

The weighted average remaining contractual life of outstanding options is 2.29 years (December 31, 2015 – 2.09 years). The weighted average remaining contractual life of exercisable options is 2.14 years (December 31, 2015 – 2.09 years).

# VULCAN MINERALS INC.

## Notes to the Condensed Consolidated Financial Statements

(Unaudited)

March 31, 2016 and 2015

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### 5. SHARE-BASED COMPENSATION (continued)

The weighted average fair value of stock options granted in the three months ended March 31, 2016 was estimated on the dates of the grants to be \$ 0.019 using the Black- Scholes fair value option pricing model and the following weighted average assumptions:

	2016	2015
Expected volatility (%)	197	-
Risk free interest rate (%)	0.69	-
Weighted-average expected life (years)	5.0	-
Dividend yield (%)	0	-

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The Company recognized share-based compensation in the amount of \$36,383 in the three months ended March 31, 2016 (\$4,936- three months ended March 31, 2015). Share-based compensation in the amount of \$33,843 was expensed for the three months ended March 31, 2016 ( \$4,936- three months ended March 31, 2015) and \$2,540 (March 31, 2015- \$nil) was capitalized to mineral exploration and evaluation assets.

### 6. GENERAL AND ADMINISTRATIVE EXPENSES

	2016	2015
	\$	\$
Office and administrative	28,805	35,385
Management, salaries and contract fees and benefits	83,546	93,391
Directors' fees	16,250	16,250
Transfer agent and professional fees	26,239	67,263
Conferences, travel and accommodation	4,003	6,359
	158,843	218,648

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# VULCAN MINERALS INC.

## Notes to the Condensed Consolidated Financial Statements

(Unaudited)

March 31, 2016 and 2015

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### 7. RELATED PARTY TRANSACTIONS

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

	2016	2015
	\$	\$
Management fees, salaries and benefits for key management personnel		
General and administrative expense	61,588	63,886
Capitalized as mineral exploration and evaluation assets	2,818	-
Share-based compensation		
General and administrative expense	32,243	4,714
Capitalized as mineral exploration and evaluation assets	2,540	-
Directors' fees	16,250	16,250
	<b>115,439</b>	<b>84,850</b>

	2016	2015
	\$	\$
Rent paid to a corporation which is controlled by the President of the Company	11,250	11,250

# **VULCAN MINERALS INC.**

## **Notes to the Condensed Consolidated Financial Statements**

**(Unaudited)**

**March 31, 2016 and 2015**

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### **8. 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**

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

## **REGISTRAR AND TRANSFER AGENT**

Computershare Trust Company of Canada

## **AUDITORS**

PricewaterhouseCoopers LLP

## **BANKERS**

Scotiabank

## **ADDITIONAL INFORMATION**

Please contact, Patrick J. Laracy

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## **HEAD OFFICE**

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