



Consolidated Financial Statements
For the Years Ended December 31, 2020 and 2019

VULCAN MINERALS INC.
December 31, 2020 and 2019

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VULCAN MINERALS INC.
Consolidated Balance Sheets
As at December 31

(in Canadian dollars)	2020	2019
	\$	\$
Assets		
Current assets		
Cash	1,190,715	322,672
Accounts receivable	87,960	5,516
Prepaid expenses	13,672	9,891
Inventory	-	10,000
	1,292,347	348,079
Due from related company (Note 5)	-	42,000
Investments (Note 5)	5,461	92,032
Exploration and evaluation assets (Note 6)	1,674,868	1,739,524
Capital assets (Note 7)	14,145	20,542
	2,986,821	2,242,177
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	148,080	113,764
	148,080	113,764
Loan (Note 8)	27,150	-
Asset retirement obligation (Note 9)	129,430	129,430
	304,660	243,194
Equity (Note 11)		
Shareholders' equity	2,235,935	1,185,628
Non-controlling interest	446,226	813,355
	2,682,161	1,998,983
Total Liabilities and Equity	2,986,821	2,242,177

Contingencies (Note 17)

Subsequents event (Note 19)

Approved on Behalf of the Board of Directors

Patrick J. Laracy Director

Carson Noel Director

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

(in Canadian dollars)	2020	2019
	\$	\$
Income (Expenses)		
Income (loss) from equity accounted investments	(15,742)	72,119
Government Assistance	13,738	-
Gain on Sale of Investment	594	-
Interest income	573	-
Impairment of exploration and evaluation assets	-	(1,440)
Write down of inventory	(10,000)	(20,000)
Bad debt recovery	10,500	-
General and administrative (Note 13)	(306,004)	(383,134)
Share-based compensation (Note 12)	(107,544)	(132,369)
Depreciation (Note 7)	(6,397)	(8,885)
Loss before income taxes recovery	(420,282)	(473,709)
Current Tax Expense	(734)	-
Deferred income tax recovery (Note 10)	-	8,666
Net loss	(421,016)	(465,043)
Net loss attributable to:		
Common shareholders	(352,463)	(385,989)
Non-controlling interest	(68,553)	(79,054)
	(421,016)	(465,043)
Net loss per share - basic and diluted	(0.005)	(0.01)
Weighted-average number of common shares outstanding - basic and diluted	68,366,464	61,120,439

Consolidated Statements of Comprehensive Loss
Years Ended December 31

(in Canadian dollars)	2020	2019
	\$	\$
Net loss	(421,016)	(465,043)
Other comprehensive loss:		
Items that may subsequently be reclassified to profit or loss		
Change in fair value on investments classified as FVOCI	3,100	-
	3,100	-
Comprehensive loss	(417,916)	(465,043)
Comprehensive loss attributable to:		
Common shareholders	(349,363)	(385,989)
Non-controlling interest	(68,553)	(79,054)
	(417,916)	(465,043)

VULCAN MINERALS INC.
Consolidated Statements of Changes in Equity

(in Canadian dollars)

	Share Capital	Warrants	Share Capital and Warrants to be Issued	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Deficit	Total Shareholders' Equity	Non-Controlling Interest	Total Equity
	\$			\$	\$	\$	\$	\$	\$
	Notes 11 (a) and (b)	Notes 11 (d) and (e)	Notes 11 (d)	Notes 11 (c),15		Note 18	Note 18	Note 18	
Balance, December 31, 2018	19,101,419	-	42,207	2,801,212	32,161	(20,404,150)	1,572,849	405,716	1,978,565
Net loss and comprehensive loss									
January 1, 2019 - December 31, 2019	-	-	-	-	-	(385,989)	(385,989)	(79,054)	(465,043)
Issuance of shares and warrants pursuant to private placements	121,417	19,915	(43,332)	-	-	-	98,000	-	98,000
Share issuance costs	(2,220)	-	1,125	-	-	-	(1,095)	-	(1,095)
Issuance of shares and warrants by subsidiary to non-controlling interest	-	-	-	-	-	160,726	160,726	94,274	255,000
Share issuance costs of subsidiary	-	-	-	-	-	(1,247)	(1,247)	(730)	(1,977)
Adjustment for change in non-controlling interest in subsidiary	-	-	-	-	-	-	-	40,196	-
Share-based compensation in parent	-	-	-	54,799	-	(40,196)	14,603	-	54,799
Share-based compensation in subsidiary	-	-	-	-	-	50,887	50,887	29,847	80,734
Balance, December 31, 2019	19,220,616	19,915	-	2,856,011	32,161	(20,619,969)	1,508,734	490,249	1,998,983
Net loss and comprehensive loss									
January 1, 2020 - December 31, 2020	-	-	-	-	3,100	(352,463)	(349,363)	(68,553)	(417,916)
Issuance of shares and warrants pursuant to private placements	523,504	476,496	-	-	-	-	1,000,000	-	1,000,000
Share issuance costs	(6,450)	-	-	-	-	-	(6,450)	-	(6,450)
Expiration of warrants	-	(19,915)	-	19,915	-	-	-	-	-
Share-based compensation in parent	-	-	-	41,200	-	-	41,200	-	41,200
Share-based compensation in subsidiary	-	-	-	-	-	41,814	41,814	24,530	66,344
Balance, December 31, 2020	# 19,737,670	476,496	-	2,917,126	35,261	(20,930,618)	2,235,935	446,226	2,682,161

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

(in Canadian dollars)	2020	2019
	\$	\$
Operating Activities		
Net loss	(421,016)	(465,043)
Adjustment for non cash items :		
Impairment of exploration and evaluation assets	-	1,440
Gain on disposal of investment	(594)	-
Write down of inventory	10,000	20,000
Bad debt recovery	(10,500)	-
Government assistance	(13,738)	-
Interest accertion on loan	888	
Income from equity accounted investments	15,742	(72,119)
Deferred income tax recovery	-	(8,666)
Share-based compensation	107,544	132,369
Depreciation	6,397	8,885
	(305,277)	(383,134)
Changes in non-cash working capital		
Accounts receivable	15,138	2,440
Prepaid expenses	(3,781)	2,801
Accounts payable and accrued liabilities	31,491	20,847
	(262,429)	(357,046)
Financing Activities		
Issuance of common shares and warrants	-	88,000
Share issuance costs	(6,450)	(1,095)
Private Placement - Subsidiary	-	255,000
Share issuance costs - Subsidiary	-	(1,977)
Private placement	1,000,000	-
Loan proceeds	40,000	-
	1,033,550	339,928
Investing Activities		
Exploration and evaluation assets	(210,058)	(113,778)
Deposits refunded	5,250	-
Change in accounts payable -exploration and evaluation assets		
Government grant	-	-
Proceeds from gypsum revenues	185,208	366,400
Proceeds from investments	-	-
Repayment from (advances to) related company	42,000	52,490
Proceeds from sale of investment	74,522	-
	96,922	305,112
Net change in cash for the year	868,043	287,994
Cash, beginning of year	322,672	34,678
Cash, end of year	1,190,715	322,672

1. NATURE OF OPERATIONS AND GOING CONCERN

Vulcan Minerals Inc. is engaged in the evaluation, acquisition and exploration of minerals 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 is in the exploration stage on most of its projects except through its subsidiary Red Moon Resources Inc. which is in the pre-production phase for gypsum.

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

The Company prepares its consolidated financial statements with Canadian generally accepted accounting principles ("GAAP") as set out in the Canadian Professional Accountants of Canada Handbook – Accounting – Part I ("CPA Canada Handbook") which incorporates International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

A summary of the Company's significant accounting policies under IFRS is presented in Note 4.

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 28, 2021.

3. FUTURE ACCOUNTING STANDARDS

IAS 1 – Presentation of Financial Statements

On January 23, 2020, the IASB issued an amendment to IAS 1 Presentation of Financial Statements providing a more general approach to the classification of liabilities. The amendment clarifies that the classification of liabilities as current or non-current depends on the rights existing at the end of the reporting period as opposed to the expectations of exercising the right for settlement of the liability. The amendments further clarify that settlement refers to the transfer of cash, equity instruments, other assets, or services to the counterparty. The amendments are effective for annual periods beginning on or after January 1, 2023 and are to be applied retrospectively, with early adoption permitted. The Company is currently assessing the financial impact of the amendments and expects to apply the amendments at the effective date.

4. 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 Resources Inc. (formerly Red Moon Potash Inc.) in which the Company has a 63.03% interest (2019 –63.03%) 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 of 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 control commences until the date control ceases. All significant intercompany transactions and balances have been eliminated.

Non-controlling interest in the net assets of Red Moon Resources Inc. is 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).

b) 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:

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.

Fair value of investments: The Company follows the guidance of IFRS 9 "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.

Asset retirement obligation: The Company's exploration activities are subject to various laws and regulations governing the protection of the environment. The Company recognizes management's best

estimate for asset retirement obligations in the period in which they are incurred. Actual costs incurred in future periods could differ materially from the estimates. Additionally, future changes to environmental laws and regulations, timing of estimated cash flows and discount rates could affect the carrying amount of this provision.

Share-based compensation: Management is required to make certain estimates when determining the fair value of stock options, deferred share units and compensation units issued including future volatility of the Company's share price, expected forfeiture rates, expected lives of the underlying securities, expected dividends and other relevant assumptions.

Going concern: When preparing financial statements, management is required to make an assessment of the entity's ability to continue as a going concern. This assessment requires management to estimate the Company's ability to meet current obligations and commitments over the upcoming twelve months.

c) 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.

d) 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.

e) 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 is anti-dilutive.

f) Cash and cash equivalents

Cash consists of cash on hand and deposits in banks.

g) Deposits

The Company makes deposits on mineral licences 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.

h) 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. Inventory is valued at the lower of cost and net realizable value.

i) Government Grant

The Company has received a loan from the Federal Government under Covid-19 relief measures. This forgivable loan from the government is treated as a government grant as there is reasonable assurance that the entity will meet the terms for forgiveness of the loan. The benefit of a government loan at a below market rate of interest is treated as a government grant. The benefit of the below market rate of interest is measured as the difference between the initial fair value of the loan and is recognized in profit and loss.

j) 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).

k) Capital assets

Capital assets are 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 capital assets: drilling rig is depreciated at 30% declining balance; furniture and fixtures are depreciated at 20% declining balance; and computer equipment is depreciated at 30% declining balance.

l) Investments

The Company accounts for its investments over which it has significant influence using the equity accounting method.

m) Asset retirement obligations

The Company recognizes a liability for retirement obligations associated with long-lived assets, which includes the abandonment of exploration and evaluation and costs required to return the property 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-free discount rate. The liability is subsequently adjusted for the passage of time and is recognized as an accretion expense in the consolidated statements 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. If the retirement obligation relates to an area still in the exploration and evaluation stage the retirement obligation is capitalized to the exploration and evaluation asset. Subsequent to original measurement, accretion expense is also capitalized to the exploration and evaluation asset.

n) 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 "CGU"). A CGU may include certain aggregated mineral 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.

o) Financial instruments

The Company classifies its financial instruments in the following measurement categories: fair value through profit and loss (FVTPL); fair value through other comprehensive income (FVOCI); or amortized cost. Management determines the classification of its financial instruments at initial recognition.

The accounting policies related to these financial assets and liabilities are as follows:

Amortized cost and effective interest rate

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments (including all fees, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Initial recognition and measurement

Financial instruments are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial instruments, other than financial instruments at FVTPL are added to or deducted from the fair value of the financial instrument, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial instruments at FVTPL are recognized immediately in net earnings.

Classification and subsequent measurement

A financial asset is subsequently measured at:

- amortized cost if it is held for the purposes of collecting contractual cash flows with such cash flows solely comprising payments of principal and interest on the principal amount outstanding;
- fair value through other comprehensive income if it is: held for the purposes of collecting contractual cash flows and selling financial assets with such cash flows solely comprising payments of principal and interest on the principal amount outstanding; or irrevocably designated as such upon initial recognition; and
- FVTPL if it is: neither classified as subsequently measured at amortized cost nor FVOCI; or irrevocably designated as such upon initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

The Company classifies its financial assets using the following measurement categories:

- FVOCI; or
- Amortized cost

Liabilities carried at amortized cost will continue to be measured as outlined in measurement methods above.

Impairment of financial assets

Financial assets which are measured subsequent to initial recognition at amortized cost are assessed for indicators of impairment at the end of each reporting period. The amount of the impairment loss, if any, is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. The Company's financial assets carried at amortized cost consist only of cash, accounts receivable and due from related company.

The Company's exposure to credit risk on its cash balance is mitigated as cash deposits are held with major financial institutions with strong credit ratings.

A loss allowance provision, which reflects the Company's estimate of credit losses, is applied to reduce the carrying amount of trade receivables and due from related parties. Subsequent recoveries of amounts previously provided for are credited against the allowance.

p) Flow-through shares

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

5. INVESTMENTS

	31-Dec-20	31-Dec-19
Investments	\$ 5,461	\$ 92,032

Investments classified as fair value through other comprehensive income consist of shares in a public company with a cost of \$91,512 and a fair value of \$5,461. During the year ended December 31, 2020, the Company sold its shares in an equity accounted investment with a carrying value of \$73,928 for \$74,522 recording a gain on the sale of the investment of \$594. A loan of \$42,000 to this equity accounted investment was repaid in 2020 as such the Company reversed the expected credit loss provision of \$10,500 for this loan.

6. EXPLORATION AND EVALUATION ASSETS

The Company has 45 mineral licences (2019 - 37) which consist of 1,298 claims (2019 – 736), which are active and in good standing with the Department of Natural Resources in the Province of Newfoundland and Labrador. These licences are in the exploration and evaluation stage. A summary of the exploration and evaluation assets is as follows:

	December 31, 2020				
	Balance, Beginning of Year	Additions	Impairment	Incidental Revenue	Balance, End of Year
	\$	\$	\$	\$	\$
Mineral properties					
Property acquisition costs	87,609	49,016	-		136,625
Exploration costs	1,651,915	158,617	-	(272,289)	1,538,243
	1,739,524	207,633		(272,289)	1,674,868

December 31, 2019					
	Balance, Beginning of Year	Additions	Impairment	Incidental Revenue	Balance, End of Year
	\$	\$	\$	\$	\$
Mineral properties					
Property acquisition costs	79,743	7,866	-	-	87,609
Exploration costs	1,825,725	194,030	(1,440)	(366,400)	1,651,915
	1,905,468	201,896	(1,440)	(366,400)	1,739,524

Current year additions to mineral exploration costs include share-based compensation of \$nil (2019 - \$3,163).

The Company recorded \$272,289 (2019 - \$366,400) in incidental revenue from sales of gypsum from the Ace Gypsum mine.

7. CAPITAL ASSETS

	2020				2019			
	Drilling Rig	Furniture & Fixtures	Computer Equipment	TOTAL	Drilling Rig	Furniture & Fixtures	Computer Equipment	TOTAL
	\$	\$	\$	\$	\$	\$	\$	\$
Opening balance	798,368	12,296	77,568	888,232	798,368	12,296	77,568	888,232
Additions	-	-	-	-	-	-	-	-
Subtotal	798,368	12,296	77,568	888,232	798,368	12,296	77,568	888,232
Opening depreciation	(786,799)	(11,483)	(69,409)	(867,691)	(781,841)	(11,278)	(65,686)	(858,805)
Adjustments to depreciation	(3,471)	(163)	(2,762)	(6,396)	(4,958)	(204)	(3,723)	(8,885)
Closing balance	8,098	650	5,397	14,145	11,569	814	8,159	20,542

8. LOAN

	2020	2019
	\$	\$
Loan	27,150	-
	27,150	-

The Company availed of a \$40,000 loan under the federal government of Canada Covid-19 relief measures in 2020. The Canada Emergency Business Account loan provides a forgivable amount of \$10,000 if the amount of \$30,000 is repaid by December 31, 2022. This loan is non-interest bearing until January 1, 2023. In the event there is a loan balance outstanding on January 1, 2023, the loan will be renewed for a 3-year term with a fixed annual rate of interest of 5%. The fair value of the forgivable portion (\$13,738) of this loan is included in the statement of loss as government assistance.

9. ASSET RETIREMENT OBLIGATIONS

Upon termination of the Company's Ace Gypsum mine, the Company is required to satisfy certain asset retirement obligations including the removal of any equipment and the restoration of the land and premises to their original condition.

The total discounted cash flows estimated to settle its asset retirement obligations at December 31, 2020 was \$129,430 (2019- \$129,430). The estimated future cash flows have been discounted using a risk-free rate of 0.2% (2019 - 1.68%) and an inflation rate of 0.7% (2019 - 2.20%). As at December 31, 2020, the Company had entered an agreement with an insurance company to provide a surety bond to the Newfoundland and Labrador government in compliance with its requirements under the approved site development plan, as submitted and reviewed by the government of Newfoundland and Labrador. As additional work and reclamation is completed on the property, the Company will increase or decrease this bond as required by the Newfoundland and Labrador government.

A reconciliation of the asset retirement obligation is provided below:

	2020	2019
	\$	\$
Balance, beginning of year	129,430	35,777
Provisions incurred	-	93,653
Balance, end of year	129,430	129,430

10. INCOME TAXES

a) *Deferred income taxes*

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

	2020	2019
	\$	\$
Temporary differences related to exploration and evaluation assets	(1,462,425)	(1,405,568)
Temporary differences related to inventory	(32,767)	(29,767)
Tax effect on investments classified as FVOCI	(12,909)	(13,373)
Tax effect on equity investment	-	13,449
Share issuance costs	(2,146)	(894)
Non-capital loss carryforwards	(871,697)	(899,173)
Capital loss carryforwards	(86,844)	(86,844)
(Unrecognized deferred tax asset)	(2,468,788)	(2,422,170)

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 30% (2019 – 30%) to loss before income taxes as follows:

	2020	2019
	\$	\$
Expected income tax recovery	(126,305)	(142,113)
Share-based compensation costs	32,263	39,711
Permanent differences	274	496
Reduction to flow-through premium liability	-	(8,666)
Deferred income tax asset not recognized	-	-
Net loss carry forwards utilized	(27,475)	(24,878)
Effect of not recognizing deductible temporary differences	121,243	126,784
Deferred income tax	0	(8,666)

c) Non-capital losses

The Company has non-capital losses at December 31, 2020 amounting to \$2,905,657 which are available to reduce future taxable income. These non-capital losses expire as follows:

2033	\$512,111
2034	\$537,873
2035	\$446,893
2036	\$396,659
2037	\$423,520
2038	\$389,346
2039	\$137,358
2040	\$61,900

The Company also has Canadian exploration expenses of \$6,555,402 which may be deducted in determining taxable income of future years.

11. SHARE CAPITAL

a) Authorized

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

b) Issued and outstanding

	2020		2019	
	Number	Share Capital \$	Number	Share Capital \$
Balance, beginning of year	61,352,765	19,220,616	58,526,129	19,101,419
Issued pursuant to private placements (Notes 11 (d) and (e))	20,000,000	523,504	2,826,636	121,417
Share issuance cost		(6,450)	-	(2,220)
Balance, end of year	81,352,765	19,737,670	61,352,765	19,220,616

(c) Contributed surplus

A summary of contributed surplus is as follows:

	December 30, 2020	December 31, 2019
	\$	\$
Balance, beginning of year	2,856,011	2,801,212
Share-based compensation (Note 12)	41,200	54,799
Balance, end of year	2,897,211	2,856,011

(d) Private Placements

Pursuant to a private placement dated August 26th, 2020 the Company closed 20,000,000 units at \$0.05 per unit for total cash consideration of \$1,000,000. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company at a price of \$0.10 per share until August 26, 2023. An amount of \$523,504 has been allocated to share capital and \$476,496 to the fair value of the warrants (note 11(e)).

Pursuant to a private placement dated December 14, 2018, the Company closed 866,636 flow through units at \$0.06 per unit for total cash consideration of \$51,998. Each flow-through unit consisted of one flow-through common share and one-half of a common share purchase warrant. Each whole warrant entitles the holder to purchase one common share of the Company at a price of \$0.12 per share until December 14, 2020. In 2018, an amount of \$37,299 had been allocated to shares to be issued, \$6,033 to the fair value of the warrants (note 11(e)) and \$8,666 to flow-through premium liability representing the obligation to deliver the tax deduction to the subscriber. During 2019 these shares were issued and the related obligation for the flow-through premium was completed.

The Company completed the second tranche of the private placement announced on December 14, 2018 on January 31, 2019. The second tranche included 1,960,000 units at \$0.05 per unit for total cash consideration of \$98,000. Each unit consists of one common share and one-half of a common share purchase warrant. Each whole warrant entitles the holder to purchase one common share of the Company at a price per share of \$0.12 until January 31, 2021.

e) Warrants

A summary of warrants issued and exercisable as at December 31, 2020 and changes during the periods then ended is as follows:

	2020		2019	
	Number of Warrants	Weighted-Average Exercise Price	Number of Warrants	Weighted-Average Exercise Price
		\$		\$
Beginning of year	1,413,318	0.12	433,318	0.12
To be issued	-	-	(433,318)	0.12
Expired	(433,318)	0.12		
Issued	20,000,000	0.10	1,413,318	0.12
End of year	20,980,000	0.10	1,413,318	0.12

	2020	2019
	\$	\$
Balance, beginning of year	19,915	6,033
Fair value of warrants issued	476,496	13,882
Balance, end of year	496,411	19,915

The weighted average fair value of the warrants was estimated on the date of issuance to be \$0.07 (2019-\$0.0142) using the Black-Scholes fair value option pricing model and the following weighted average assumptions:

	2020	2019
Expected volatility (%)	200	114
Risk free interest rate (%)	1.49	1.76
Weighted-average expected life (years)	3.0	2.0
Dividend yield (%)	0	0

12. SHARE-BASED COMPENSATION

a) *Vulcan Minerals Inc. stock options*

The Company has a stock option plan under which directors, officers, management, consultants and employees of the Company and its subsidiary 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:

	December 31, 2020		December 31, 2019	
	Number of Options	Weighted- Average Exercise Price	Number of Options	Weighted- Average Exercise Price
		\$		\$
Outstanding, beginning of year	5,500,000	0.10	5,600,000	0.10
Granted	700,000	0.10	700,000	0.10
Expired	(775,000)		(350,000)	0.10
Forfeited	-	0.10	(450,000)	0.10
Outstanding, end of year	5,425,000	0.10	5,500,000	0.10
Exercisable, end of year	4,725,000	0.10	5,050,000	0.10

The Company granted 700,000 stock options to a director with each option entitling the holder to purchase one common share at \$0.10 per share for a period of five years. 350,000 options vested on the date of the grant and the remaining 350,000 options vest December 31, 2021. In the year ended December 30, 2019, the Company granted 700,000 stock options to a director with each option entitling the holder to purchase one common share at \$0.10 per share for a period of five years. 350,000 options vested on the date of the grant and the remaining 350,000 options vest March 31, 2021.

The weighted average remaining contractual life of outstanding options is 2.21 years (December 31, 2019 – 2.79 years). The weighted average remaining contractual life of exercisable options is 1.9 years (December 31, 2019 – 2.63 years).

b) Fair Value assumptions

The weighted average fair value of stock options granted in the year ended December 31, 2020 was estimated to be \$0.0575 (2019- \$0.05) using the Black-Scholes fair value option pricing model and the following weighted average assumptions:

	2020	2019
Expected volatility (%)	84	177
Risk free interest rate (%)	0.49	1.65
Weighted-average expected life (years)	5.0	5.0
Dividend yield (%)	-	-

c) Red Moon Resources Inc. stock options

Red Moon Resources Inc. (Red Moon) has a stock option plan under which directors, officers, management, consultants and employees of the Company 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 number of

shares which may be reserved for issuance in any 12 month period to any one individual may not exceed 5% of the issued shares or 2% if the optionee is a consultant, and the number of shares which may be reserved for issuance in any 12 month period to all optionees engaged in investor relations activities may not exceed 2% in the aggregate of the issued shares on a yearly basis. Options may be exercisable over periods of up to ten years, as determined by the Board of Directors of the Company and are required to have an exercise price no less than the closing market price of the Company's shares prevailing on the day that the option is granted less a discount of up to 25%, with the amount of the discount varying with market price in accordance with the policies of the TSXV.

A summary of stock options outstanding and exercisable is as follows:

	December 31, 2020		December 31, 2019	
	Number of Options	Weighted- Average Exercise Price	Number of Options	Weighted- Average Exercise Price
		\$		\$
Outstanding, beginning of year	4,500,000	0.10	3,800,000	0.10
Granted	1,100,000	0.10	700,000	0.10
Expired	(600,000)	-	-	-
Outstanding, end of period	5,000,000	0.10	4,500,000	0.10
Outstanding and exercisable, end of year	4,150,000	0.10	4,150,000	0.10

The weighted average remaining contractual life of outstanding options is 2.59 years (December 31, 2019 – 2.91 years). The weighted average remaining contractual life of exercisable options is 2.30 years (December 31, 2019 - 2.54 years). The weighted average fair value of stock options granted in the year was estimated on the dates of the grants to be \$0.075 (December 31, 2019- \$0.0905) using the Black-Scholes fair value option pricing model and the following weighted average assumptions:

	December 31, 2020	December 31, 2019
Expected volatility (%)	175	177
Risk free interest rate (%)	0.45	1.65
Weighted-average expected life (years)	5.00	5.00
Dividend yield (%)	-	-

d) Consolidated share-based compensation expense

On a consolidated basis, the Company recognized share-based compensation costs in the amount of \$107,544 in the year ended December 31, 2020 (2019- \$135,532). Share-based compensation in the amount of \$107,544 was expensed for the year ended December 31, 2020 (2019-\$132,369) and \$nil (2019- \$3,163) was capitalized to mineral exploration and evaluation assets.

13. GENERAL AND ADMINISTRATIVE EXPENSES

	2020	2019
	\$	\$
Office and administrative	91,196	120,430
Management, salaries and contract fees and benefits	96,891	132,270
Transfer agent and professional fees	108,627	97,825
Travel and accommodation	9,290	32,609
	306,004	383,134
Expenses attributable to subsidiary, Red Moon Resources Inc.	118,539	133,762
Expenses attributable to parent, Vulcan Minerals Inc.	187,465	249,372
Total	306,004	383,134

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:

	2020	2019
	\$	\$
Management fees, salaries and benefits for key management personnel		
General and administrative expense	87,089	106,577
Capitalized as mineral exploration and evaluation assets	35,255	24,810
Share-based compensation for key management personnel		
General and administrative	107,544	132,369
Capitalized as mineral exploration and evaluation assets	-	3,163
Total	229,888	266,919

	2020	2019
	\$	\$
Rent paid to a corporation which is controlled by the President of the Company	36,000	36,000

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, and deficit.

The Company manages its capital structure and adjusts 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; and

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 5) would thus be classified as Level 1 as presented below.

Financial Assets

Investments	2020	2019
Level 1 (shares in public companies)	\$ 5,461	\$ 2,362
Level 2	\$ -	-
Level 3	\$ -	-
Total financial assets at fair value	\$ 5,461	\$ 2,362

Financial risk management

The Company has exposure to credit risk, liquidity risk, market risk and commodity price risk. The source of risk exposure and how each is managed is outlined below:

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

The Company's approach to managing liquidity risk is to ensure it will have sufficient liquidity to meet liabilities when due. To the extent that the Company does not believe it has sufficient liquidity to meet these obligations, management will consider securing additional funds through debt or equity transactions. The Company manages its liquidity risk by continuously monitoring forecast and actual cash flow from operations. Subsequent to year-end the Company's subsidiary completed financings totaling \$4,199,980. These funds are unrestricted and are intended to be used as working capital and to increase the Company's ability to fund future exploration projects. See note 19 for further information on subsequent events.

Accounts payable and accrued liabilities at December 31, 2020 in the amount of \$148,080 (2019 - \$113,764) 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) The legal case initiated by Geophysical Service Incorporated (GSI) in 2011 against the Company has been discontinued (dropped) by GSI. The claim related 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 fully defended its interests including participating in an Alberta "common issues" trial with multiple defendants from other cases and jurisdictions which raised the same legal issues with GSI. The common legal issues pertained to whether certain GSI seismic data is subject to copyright law and if so whether the regulatory regime which prescribes for the release of that data by the regulatory bodies, including the CNLOPB, is valid and not an unlawful infringement on any copyright protection. The Alberta Court of Queen's Bench and the Alberta Court of Appeal both upheld the validity of the regulatory regime as a full answer to any allegation of unlawful disclosure and copyright infringement by the multiple defendants. Therefore, the CNLOPB was within its rights to release the seismic data pursuant to its regulatory regime and the Company was within its rights to access the data. GSI had sought permission to appeal the decision

of the Alberta Court of Appeal to the Supreme Court of Canada (SCC), however this permission was not granted by the SCC. The notice of discontinuance of this action by GSI was filed in the Supreme Court of Newfoundland and Labrador. Vulcan is settling legal costs in the matter.

- 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. Procedurally the action has moved slowly through the Alberta courts as multiple GSI actions in Alberta involving other parties were awaiting the resolution of the “common issues” trial noted (a) above. 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.

18. COMPARTIVE FIGURES

An adjustment resulting in an increase of \$208,823 to deficit and decrease of \$208,823 to non-controlling interest as of January 1, 2019 was made to the December 2019 statement of changes in equity. An additional adjustment resulting in an increase of deficit of \$119,283 and a decrease to non-controlling interest of \$119,283 as of December 31, 2019 was made to the December 2019 statement of changes in equity. These adjustments were made in order to revise the allocation of the group’s equity between the shareholders and the non-controlling interest.

19. SUBSEQUENT EVENTS

a) *Option Agreement with Sassy Resources Corporation*

On February 11, 2021, the Company entered into an Option Agreement with Sassy Resources Corporation (CSE: SASY, Sassy) whereby Vulcan has agreed to option to Sassy a 100% interest in the Gander Belt Gold properties (624 claims) in central Newfoundland. Pursuant to the terms of the Agreement, total aggregate consideration payable by Sassy to Vulcan is \$400,000 cash over four years (\$100,000 payable immediately), exploration expenditures of \$2 million over four years (\$200,000 in Year 1), and 2.5 million shares of Sassy over four years as follows:

- 1,000,000 common shares due upon signing
- 300,000 common shares on the first anniversary of the agreement
- 300,000 common shares on the second anniversary
- 400,000 common shares on the third anniversary
- 500,000 common shares on the fourth anniversary

Vulcan will retain a 3% net smelter royalty (NSR) covering the 624 claims. Sassy has the right to repurchase one-half of that NSR (1.5%) for \$2,000,000 in cash and 500,000 common shares within one year following delivery to Vulcan of a Feasibility Report on any deposit advanced on the properties.

b) Stock Option Expiry Extension

The Company was granted approval by the TSX Venture Exchange to amend the expiry date of stock options originally issued on February 17th, 2016 with an expiry of February 17th, 2021 to expire on February 21, 2026. The extension of 1,200,000 stock options with each option entitling the holder to acquire one share at a price of \$0.10 per share to be extended to February 21st, 2026.

c) Warrant Expiry Extension

The Company was granted approval by the TSX Venture Exchange to amend the expiry date of warrants originally issued on January 31, 2019 with an expiry of January 31, 2021 to expire on January 21, 2024. The extension of 980,000 common share purchase warrants with each warrant entitling the purchaser to acquire one share at a price of \$0.12 per share to be extended to January 21, 2024.

d) Sale of Shares in Subsidiary

On February 3, 2021, Vulcan Minerals Inc. having owned 31,891,000 (63.03%) of the common shares of the company disposed of 3,000,000 common shares. As a result of this disposition, Vulcan Minerals Inc. subsequently owns 42.61% of the common shares of the subsidiary.

e) Private Placements – Red Moon Resources

On February 8, 2021, Red Moon Resources Inc. closed a non-brokered private placement for proceeds of \$700,000. The company placed 7,000,000 units at a price of \$.10 per unit. A unit consists of consist of one common share and one half common share purchase warrant exercisable at a price of \$0.17 per common share for a period of two years subject to an acceleration clause whereby in the event that the closing price of the Company's Shares on the TSX Venture Exchange is \$0.30 or greater per share during any ten (10) consecutive trading day period at any time subsequent to four months and one day after the closing date, the Warrants will expire at 4:00 p.m. (Newfoundland Time) on the 30th day after the date on which the Company provides notice of such accelerated expiry to the holders of the warrants.

On March 25, 2021, the company closed a non-brokered private placement for proceeds of \$3,499,980. The company placed 9,999,944 units at a price of \$0.35 per unit. A unit consists of one common share and one half common share purchase warrant with each whole warrant to be exercisable at a price of \$0.55 per common share for a period of two years subject to an acceleration clause whereby in the event that the closing price of the company's shares on the TSX Venture Exchange is \$0.85 or greater per share during any ten consecutive trading day period at any time subsequent to four months and one day after the closing date, the warrants will expire at 4pm (Newfoundland Time) on the 30th day after the date on which the Company provides notice of such accelerated expiry to the holders of the warrants. Finder's Fees in the aggregate amount of \$181,377 cash and 518,220 finders' warrants have been issued as a result of this financing.

f) Stock Option Grant

The Company granted 2,700,000 stock options to directors with each option entitling the holder to purchase one common share at \$0.15 per share for a period of five years. 1,350,000 options vested on the date of the grant March 9, 2021 and the remaining 1,350,000 options vest June 1, 2022.

CORPORATE INFORMATION

OFFICERS AND MANAGEMENT

Patrick J. Laracy
President and Chairman

Jennifer Button
Chief Financial Officer and Corporate
Secretary

BOARD OF DIRECTORS

Patrick J. Laracy

Carson Noel

Philip E. Collins

Fraser Edison

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

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