



Consolidated Financial Statements
For the Years Ended December 31, 2022 and 2021

VULCAN MINERALS INC.

December 31, 2022

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Independent auditor's report

To the Shareholders of Vulcan Minerals Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Vulcan Minerals Inc. and its subsidiaries (together, the Company) as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated balance sheets as at December 31, 2022 and 2021;
- the consolidated statements of (loss) income for the years then ended;
- the consolidated statements of comprehensive (loss) income for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p>Assessment of impairment indicators of exploration and evaluation assets</p> <p><i>Refer to note 5 – Significant accounting policies and note 8 – Exploration and evaluation assets to the consolidated financial statements.</i></p> <p>The total book value of exploration and evaluation assets amounted to \$1.29 million as at December 31, 2022. At the end of each reporting period, management 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.</p> <p>Where an indicator of impairment exists, a formal estimate of the recoverable amount is made to determine the extent of the impairment, if any. No indicators of impairment were identified during the year.</p> <p>We considered this a key audit matter due to the significance of the exploration and evaluation assets and the judgments by management in their assessment of indicators of impairment related to exploration and evaluation assets, and these have resulted in a high degree of subjectivity in</p>	<p>Our approach to addressing the matter included the following procedures, among others:</p> <ul style="list-style-type: none">• Assessed the judgment by management in determining the impairment indicators, which included the following:<ul style="list-style-type: none">– Obtained, for a sample of claims, by reference to a government registry, evidence to support the right to explore the area.– Read board of directors' resolutions and obtained budgets to evidence continued and planned substantive expenditures on further exploration and evaluation of resource properties, and the expected renewals of exploration rights.– Assessed the results of exploration and evaluation activities on the exploration and evaluation assets and whether facts and circumstances suggest that the carrying amount may exceed the recoverable amount, based on evidence obtained in other areas of the audit.



Key audit matter	How our audit addressed the key audit matter
performing procedures related to these judgments applied by management.	

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards



will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Curtis Gagne.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

St. John's, Newfoundland and Labrador
April 26, 2023

VULCAN MINERALS INC.
Consolidated Balance Sheets
As at

(in Canadian dollars)	December 31 2022	December 31 2021
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	6,148,762	5,449,161
Accounts receivable	154,130	123,306
Prepaid expenses	10,615	9,582
	6,313,507	5,582,049
Investments (Note 6)	650,893	636,723
Investment in associates (Note 7)	39,455,425	42,069,385
Exploration and evaluation assets (Note 8)	1,293,728	999,489
Capital assets (Note 9)	20,947	12,459
Total Assets	47,734,500	49,300,105
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	137,981	101,157
	137,981	101,157
Loan (Note 10)	30,000	28,543
Deferred income tax liability (Note 11)	3,957,119	4,063,440
	4,125,100	4,193,140
Equity (Note 12)		
Shareholders' equity	43,609,400	45,106,965
	43,609,400	45,106,965
Total Liabilities and Equity	47,734,500	49,300,105
Contingencies (Note 18)		
Subsequent events (Note 19)		
Approved on Behalf of the Board of Directors		
Patrick J. Laracy	_____ Director	
Carson Noel	_____ Director	

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

(in Canadian dollars)	2022	2021
	\$	\$
Income (Expenses)		
Gain on sale of mineral property (Note 8)	1,051,400	-
Income from receipt of shares (Note 7)	367,498	-
Income from option payments	210,392	750,110
Interest income	94,352	27,611
Gain on loss of control of subsidiary	-	38,943,667
Dilution loss	(2,749,853)	(397,192)
Share-based compensation (Note 13)	(843,927)	(1,121,252)
General and administrative (Note 14)	(578,979)	(1,554,986)
Loss from equity accounted investments	(231,605)	(3,193)
Director's fees	(20,000)	(45,000)
Depreciation	(5,834)	(5,756)
Government assistance (Note 10)	(1,457)	(1,393)
(Loss) income before income taxes	(2,708,013)	36,592,616
Deferred income tax expense (Note 11)	(47,239)	(4,138,633)
Net (loss) income	(2,755,252)	32,453,983
Net (loss) income attributable to:		
Common shareholders	(2,755,252)	34,044,076
Non-controlling interest	-	(1,590,093)
	(2,755,252)	32,453,983
Net (loss) income per share - basic	(0.024)	0.343
Net (loss) income per share - diluted	(0.024)	0.279
Weighted-average number of common shares outstanding - basic	113,261,050	94,716,381
Weighted-average number of common shares outstanding - diluted	113,261,050	116,294,876

See accompanying notes to the consolidated financial statements

VULCAN MINERALS INC.
Consolidated Statements of Comprehensive (Loss) Income
Years Ended December 31

(in Canadian dollars)	2022	2021
	\$	\$
Net (loss) income	(2,755,252)	32,453,983
Other comprehensive loss:		
Items that may subsequently be reclassified to profit or loss		
Change in fair value on investments classified as FVOCI, net of taxes	(931,789)	(96,519)
	(931,789)	(96,519)
Comprehensive (loss) income	(3,687,041)	32,357,464
Comprehensive (loss) income attributable to:		
Common shareholders	(3,687,041)	33,947,557
Non-controlling interest	-	(1,590,093)
	(3,687,041)	32,357,464

See accompanying notes to the consolidated financial statements

VULCAN MINERALS INC.
Consolidated Statements of Changes in Equity

(in Canadian dollars)	Share Capital	Warrants	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Deficit	Total Shareholders' Equity	Non-Controlling Interest	Total Equity
	\$	\$	\$	\$	\$	\$	\$	\$
	(Note 12)	(Note 12)	(Note 12)					
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
Net loss and comprehensive income (loss)								
January 1, 2021 - December 31, 2021	-	-	-	(96,519)	34,044,076	33,947,557	(1,590,093)	32,357,464
Adjustment for change in ownership in subsidiary	-	-	-	-	(712,084)	(712,084)	712,084	-
Loss of control of subsidiary	-	-	-	-	-	-	(5,891,907)	(5,891,907)
Issuance of shares and warrants pursuant to private placements	2,326,428	2,173,572	-	-	-	4,500,000	-	4,500,000
Issuance of brokers warrants pursuant to private placements	-	73,968	-	-	-	73,968	-	73,968
Exercise of options - parent	43,505	-	(13,505)	-	-	30,000	-	30,000
Exercise of warrants - parent	1,172,922	(489,422)	-	-	-	683,500	-	683,500
Share issuance costs - parent	(130,705)	-	-	-	-	(130,705)	-	(130,705)
Issuance of shares, options and warrants - subsidiary	-	-	-	-	3,167,419	3,167,419	5,292,568	8,459,987
Sale of shares of subsidiary - parent	-	-	-	-	360,000	360,000	-	360,000
Share issuance costs - subsidiary	-	-	-	-	(219,952)	(219,952)	(367,525)	(587,477)
Exercise of warrants - subsidiary	-	-	-	-	525,584	525,584	878,219	1,403,803
Share-based compensation capitalized to exploration and evaluation assets in parent	-	-	12,637	-	-	12,637	-	12,637
Share-based compensation capitalized to exploration and evaluation assets in subsidiary	-	-	-	-	12,086	12,086	20,196	32,282
Share-based compensation in parent	-	-	321,648	-	-	321,648	-	321,648
Share-based compensation in subsidiary	-	-	-	-	299,372	299,372	500,232	799,604
Balance, December 31, 2021	23,149,820	2,234,614	3,237,906	(61,258)	16,545,883	45,106,965	-	45,106,965
Net loss and comprehensive loss								
January 1, 2022 - December 31, 2022	-	-	-	(931,789)	(2,755,252)	(3,687,041)	-	(3,687,041)
Adjustment for change in ownership in subsidiary	-	-	-	-	15,538	15,538	-	15,538
Exercise of options	232,555	-	(150,055)	-	-	82,500	-	82,500
Exercise of warrants	1,258,310	(47,361)	-	-	-	1,210,949	-	1,210,949
Issuance of shares for purchase of mineral exploration and evaluation assets	30,000	-	-	-	-	30,000	-	30,000
Share issuance costs, net of taxes	(10,872)	-	-	-	-	(10,872)	-	(10,872)
Share-based compensation capitalized to exploration and evaluation assets in parent	-	-	17,434	-	-	17,434	-	17,434
Share-based compensation in parent	-	-	843,927	-	-	843,927	-	843,927
Balance, December 31, 2022	24,659,813	2,187,253	3,949,212	(993,047)	13,806,169	43,609,400	-	43,609,400

See accompanying notes to the consolidated financial statements

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

(in Canadian dollars)	2022	2021
		\$
Operating Activities		
Net (loss) income	(2,755,252)	32,453,983
Adjustment for non cash items:		
Gain resulting from loss of control of a subsidiary	-	(38,546,475)
Dilution loss	2,749,853	-
Income from equity accounted investments	231,605	3,193
Deferred option payments and investment in unrelated companies	(1,110,391)	(625,108)
Shares received on distribution of spin out	(367,498)	-
Shares issued in exchange for exploration and evaluation assets	30,000	-
Interest accretion on loan	1,457	1,393
Deferred income tax liability	47,239	4,095,659
Share-based compensation	843,927	1,121,252
Depreciation	5,834	5,756
	(323,226)	(1,490,347)
Changes in non-cash working capital		
Accounts receivable	(30,824)	(184,711)
Prepaid expenses	(1,033)	(7,160)
Accounts payable and accrued liabilities	36,824	204,906
	(318,259)	(1,477,312)
Financing Activities		
Share issuance costs, net of tax - parent	-	(56,737)
Cash received upon exercise of options	82,500	30,000
Cash received upon exercise of warrants	1,210,950	683,500
Cash received upon exercise of options and warrants in subsidiary	-	1,413,803
Sale of shares of subsidiary	-	360,000
Private placement - parent	-	4,500,000
Private placements - subsidiary	-	8,583,321
Share issuance costs - subsidiary	-	(587,477)
	1,293,450	14,926,410
Investing Activities		
Cash disposed of through the loss of control of a subsidiary	-	(8,561,117)
Exploration and evaluation expenditures	(366,587)	(810,696)
Refunds on exploration and evaluation assets	9,050	31,650
Deposits on exploration and evaluation assets	(62,331)	(193,297)
Sale of mineral property	158,600	-
Purchase of capital assets	(14,322)	(12,077)
Proceeds from gypsum revenues	-	354,885
	(275,590)	(9,190,652)
Net change in cash and cash equivalents for the year	699,601	4,258,446
Cash and cash equivalents, beginning of year	5,449,161	1,190,715
Cash and cash equivalents, end of year	6,148,762	5,449,161

See accompanying notes to the consolidated financial statements

VULCAN MINERALS INC.
Notes to the Consolidated Financial Statements
December 31, 2022

1. NATURE OF OPERATIONS

Vulcan Minerals Inc. is engaged in the evaluation, acquisition and exploration of mineral 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 is in the exploration stage on most of its projects. 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. DECONSOLIDATION OF A SUBSIDIARY

As of December 31, 2020, the Company had 63.03% ownership interest in Atlas Salt Inc. ("Atlas Salt" or "Atlas") and determined that it had control over Atlas. The Company assessed its investment in Atlas and judged that it had maintained control over Atlas as defined by IFRS 10 and continued to consolidate Atlas from January 1, 2021 to October 31, 2021. Pursuant to four private placements in Atlas during 2021, as well as additional warrants and options exercised during the year, Vulcan's ownership interest in Atlas was reduced to 37.44%. On October 31, 2021, management determined that Atlas no longer required to be consolidated and now accounts for the retained investment in Atlas as an investment using the equity method. A gain resulting from loss of control of a subsidiary of \$38,943,667 and an equity investment in Atlas of \$42,469,770 was recognized on that date.

The carrying value of Atlas Salt's net assets deconsolidated and the gain resulting from loss of control of a subsidiary are as follows:

	October 31, 2021
	\$
Cash and cash equivalents	8,561,117
Accounts receivable	149,365
Prepaid expenses	11,250
Capital assets	8,007
Mineral exploration and evaluation assets	1,213,831
Accounts payable and accrued liabilities	(251,829)
Flow through share premium	(133,334)
Asset retirement obligation	(140,397)
	9,418,010
Non-controlling interest	(5,891,907)
	3,526,103
Fair value of the investment in Atlas Salt Inc.	42,469,770
	38,943,667

VULCAN MINERALS INC.
Notes to the Consolidated Financial Statements
December 31, 2022

3. 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 5.

These consolidated financial statements have been prepared on an historical cost basis, except for investments which are measured at fair value and investment in associate which is measured using the equity method.

In addition to the Company, the consolidated financial statements include all subsidiaries. Subsidiaries are all corporations, over which the Company is able, directly or indirectly, to control financial and operating policies, which is the authority usually connected with holding majority voting rights. Subsidiaries are fully consolidated from the date on which control is acquired by the Company. Intercompany transactions and balances are eliminated upon consolidation. They are deconsolidated from the date that control by the Company ceases. Any retained interest is measured to its fair value with the change in carrying amount recognized in income or loss. The fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or joint venture.

As of December 31, 2022 and 2021, the subsidiaries of the Company are as follows:

Subsidiaries	2022	2021
Devonian Resources Inc.	100%	100%
London Resources Inc.	100%	100%

These consolidated financial statements were approved and authorized for issuance by the Board of Directors on April 25, 2023.

4. NEW OR AMENDMENTS TO ACCOUNTING STANDARDS NOT YET ADOPTED

For the year ended December 31, 2022, there have been no accounting pronouncements by the IASB that would have a material impact on the Company’s financial results or position.

Amendments to IAS 16 Property, Plant and Equipment was implemented during 2022. The amendments discuss the proceeds before intended use. There was no material impact on the Company’s financial results or position.

VULCAN MINERALS INC.
Notes to the Consolidated Financial Statements
December 31, 2022

Amendments to IAS 1, Presentation of Financial Statements, will be effective for years beginning with January 1, 2023. The amendments clarify how an entity classifies debt and other financial liabilities as current or non-current in particular circumstances.

The Company is assessing whether there could be a material impact on its consolidated financial statements in the year of application.

5. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements include the accounts of the Company and the entities controlled by the Company (its 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 intercompany transactions and balances have been eliminated.

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.

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

VULCAN MINERALS INC.
Notes to the Consolidated Financial Statements
December 31, 2022

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.

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 earnings (loss) per share is calculated by adjusting the weighted average number of shares outstanding for dilutive potential common shares. The Company's potentially dilutive common shares are comprised of stock options and warrants. The number of common shares included uses the treasury stock method unless they are anti-dilutive. Under this method, the proceeds from the exercise of such instruments are assumed to be used to purchase common shares at the average market price for the period and the difference between the number of common shares issued upon exercise and the number of common shares assumed to be purchased is included in the calculation.

Cash and cash equivalents

Cash and cash equivalents consist of cash and short-term deposits.

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.

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

VULCAN MINERALS INC.
Notes to the Consolidated Financial Statements
December 31, 2022

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.

Exploration and evaluation

All costs directly associated with the exploration and evaluation of mineral 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).

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.

Investments

Investments in equity instruments are subsequently measured at fair value with changes recorded in net income or loss. Equity instruments that are not held for trading can be irrevocably designated at fair value through other comprehensive income or loss on initial recognition without subsequent reclassification to net income or loss. Cumulative gains and losses are transferred from accumulated other comprehensive income (loss) to retained earnings upon derecognition of the investment. Dividend income on equity instruments measured at fair value through other comprehensive income or loss is recognized in the statement of income (loss) on the ex-dividend date.

VULCAN MINERALS INC.
Notes to the Consolidated Financial Statements
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Investment in associate

An associate is an entity over which the Company has significant influence, and which is neither a subsidiary or a joint venture.

Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Significant influence is presumed to exist when the Company holds between 20% and 50% of the voting power of another entity, but can also arise where the Company holds less than 20% if it has the power to be actively involved and influential in policy decisions affecting the entity.

An investment in associate is accounted for using the equity method. Under this method, investments in associates are carried in the consolidated statement of financial position at cost adjusted for post-acquisition changes in the Company's share of net assets of the associate, less any impairment losses. Losses in an associate in excess of the Company's interest in that associate are recognized only to the extent that the Company has incurred a legal or constructive obligation to make payments on behalf of the associate. Unrealized profits or losses on transactions between the Company and an associate are eliminated to the extent of the Company's interest therein.

Asset retirement obligations

The Company recognizes a liability for retirement obligations associated with long-lived assets, which includes the abandonment and remediation 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 income (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.

Impairment of non-financial assets

The carrying amount of the Company's mineral 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

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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.

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;
- FVOCI 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

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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.

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.

Significant management accounting estimates and judgments

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:

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Determination of control of associates: At the end of each reporting period, the Company assesses whether control exists over its investment in associate. Judgment is required in determining whether control exists, including such factors as, the percentage of outstanding shares owned by Vulcan, evidence of power over the investee (e.g., common board of directors, and management) and exposure, or rights, to variable returns from its involvement with the investee.

In the event the Company determines that there is a change in the control of an investment, management must assess the date in which the status has changed. The date in which the Company gains or losses control is a key judgment.

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 investments of the Company are recorded at fair value through other comprehensive income. The fair value is estimated using the market value of the related shares.

Impairment in Investment in Associates: At the end of each reporting period, the Company considers whether there is any evidence of impairment in an associate. When

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there is evidence that an investment in an associate is impaired, the carrying amount of such investment is compared to its recoverable amount. If the recoverable amount of an investment in associate is less than its carrying amount, the carrying amount is reduced to its recoverable amount and an impairment loss, being the excess of carrying amount over the recoverable amount, is recognized in the period of impairment. When an impairment loss reverses in a subsequent period, the carrying amount of the investment in associate is increased to the revised estimate of recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had an impairment loss not been previously recognized. A reversal of an impairment loss is recognized in the statement of income (loss) and comprehensive income (loss) in the period the reversal occurs.

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.

6. INVESTMENTS

	December 31 2022	December 31 2021
	\$	\$
Investments	650,893	636,723

Investments classified as fair value through other comprehensive income consist of: shares in public companies received as consideration for option payments on mineral claims with an initial value of \$1,001,904 (December 31, 2021 – \$851,512). Shares were also received as consideration for the sale of mineral claims with an initial value of \$960,000 (December

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31, 2021 - \$nil). At December 31, 2022, the market value of the shares is \$650,893 (December 31, 2021 – \$636,723).

7. INVESTMENT IN ASSOCIATES

	December 31 2022	December 31 2021
	\$	\$
Investment in Atlas Salt Inc.	38,988,798	42,069,385
Investment In Triple Point Resources Ltd.	466,627	-
	39,455,425	42,069,385

Atlas Salt Inc.

On October 31, 2021, as a result of the deconsolidation of Atlas Salt (Note 2), an equity investment of \$42,469,770 was recorded based on the fair value of the shares held on that date. At that date the Company's ownership in Atlas Salt was 37.44%. Management has determined that its investment in the common shares of Atlas Salt gives it significant influence over Atlas Salt. As a result, the Company applied the equity method of accounting for its investment in Atlas Salt. Subsequent to the deconsolidation of Atlas Salt, the Company's ownership decreased to 32.97% as of December 31, 2022 (December 31, 2021 – 36.80%), resulting in a dilution loss of \$2,866,718 (December 31, 2021 - \$397,192).

The continuity of the Company's investment in Atlas Salt common shares is as follows:

	December 31 2022	December 31 2021
	\$	\$
Balance, beginning of year	42,069,385	-
Balance as of October 31, 2021	-	42,469,770
Share of income and comprehensive income	(213,869)	(3,193)
Dilution loss	(2,866,718)	(397,192)
Investment in Atlas Salt	38,988,798	42,069,385

The fair value of the Company's investment in Atlas Salt as at December 31, 2022 was \$58,070,910 (December 31, 2021 - \$49,403,610).

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The following summarized financial information of Atlas Salt as at December 31, 2022 and December 31, 2021 and for the year ended December 31, 2022 and December 31, 2021, including fair value adjustments made at the time of recognition of the interest, is as follows:

	December 31 2022	December 31 2021
	\$	\$
Balance Sheet		
Current assets	9,777,270	9,059,247
Non-current assets	45,213,191	41,137,622
Current liabilities	1,090,439	283,292
Non-current liabilities	144,720	140,665
Equity	53,755,302	49,772,912
Net loss and comprehensive loss		
Year ended December 31, 2022 (November 1 – December 31, 2021)		
Income	1,628,863	60,222
Net loss and comprehensive loss	2,453,060	274,905

Triple Point Resources Ltd. (“Triple Point”)

On September 22, 2022, Atlas Salt closed the Triple Point spin-out through a Plan of Arrangement. As part of the Arrangement, Atlas Salt distributed 23,747,026 common shares of Triple Point that it received under the Arrangement to holders of common shares of Atlas Salt on a pro rata basis, such that Atlas Salt shareholders as of 12:01 a.m. on the Record Date received one share of Triple Point for every 3.68 shares owned of Atlas.

Vulcan received 7,832,350 shares of Triple Point as a result of this spin-out at a deemed price of \$0.05 per share. An equity investment of \$367,498 was recorded based on the fair value of the shares held on that date. At that date the Company’s ownership in Triple Point was 10.27% (December 31, 2022 – 8.23%). Management has determined that its investment in the common shares of Triple Point along with some common directors, gives it significant influence over Triple Point. As a result, the Company applied the equity method of accounting for its investment in Triple Point.

The continuity of the Company’s investment in Triple Point common shares is as follows:

	December 31 2022	December 31 2021
	\$	\$
Balance as of September 22, 2022	367,498	-
Share of income and comprehensive income	(17,736)	-
Dilution gain	116,865	-
Investment in Triple Point	466,627	-

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The following summarized financial information of Triple Point as at December 31, 2022 and December 31, 2021 and for the year ended December 31, 2022 and December 31, 2021, including fair value adjustments made at the time of recognition of the interest, is as follows:

	December 31 2022	December 31 2021
	\$	\$
Balance Sheet		
Current assets	5,054,782	-
Non-current assets	703,993	-
Current liabilities	86,231	-
Equity	5,672,544	-
Net loss and comprehensive loss		
Period from September 22 - 30, 2022 (January 1 – December 31, 2021)		
Income	-	-
Net loss and comprehensive loss	215,606	-

8. EXPLORATION AND EVALUATION ASSETS

The Company has 34 mineral licences (December 31, 2021 - 44) which consist of 2,129 claims (December 31, 2021 – 4,323), 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. As of December 31, 2022, 12 of these licences consisting of 624 claims are optioned to Sassy Resources Corporation (these have since been assigned to Gander Gold Corporation) and 3 licences consisting of 30 claims are optioned to Fjordland Exploration Inc.

A summary of the exploration and evaluation assets is as follows:

	December 31, 2022			
	Balance, Beginning of Year	Additions	Disposals	Balance, End of Year
	\$	\$	\$	\$
Mineral properties property acquisition costs	245,267	53,282	(158,600)	139,949
Exploration costs	889,114	399,557	-	1,288,671
Deferred option payments	(134,892)	-	-	(134,892)
	999,489	452,839	(158,600)	1,293,728

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	December 31, 2021			
	Balance, Beginning of Year	Additions	Incidental Revenue	Balance, End of Year
	\$	\$	\$	\$
Mineral properties property acquisition costs	136,625	247,204	-	383,829
Feasibility study	-	160,785	-	160,785
Exploration costs	1,538,243	620,240	(354,885)	1,803,598
Deferred option payments	-	(134,892)	-	(134,892)
Deconsolidation due to loss of control of Atlas Salt (Note 2)	-	-	-	(1,213,831)
	1,674,868	893,337	(354,885)	999,489

Current year additions to mineral exploration costs include share-based compensation of \$17,434 (December 31, 2021 – \$12,637). During the first ten months of 2021, the Company recorded \$354,885 in incidental revenue from sales of gypsum from the Ace Gypsum mine (December 31, 2022 - \$nil).

In February 2021, the Company entered into an option agreement with Sassy Gold Corp. (previously Sassy Resources Corporation) (“Sassy”) in relation to the Company's Gander Belt Gold mineral property (624 claims). Sassy has an option to earn a 100% interest in the property over a four-year period by incurring exploration expenditures of \$2,000,000 (\$200,000 in year 2021) and by making option payments of 2,500,000 common shares, and \$400,000 cash (\$100,000 upon signing). As at December 31, 2022, 1,000,000 common shares of Sassy and 300,000 common shares of Gander Gold (December 31, 2021 - 1,000,000 common shares of Sassy) having a market value of \$842,892 (December 31, 2021 - \$700,000) at the time of their issuance and \$150,000 cash (December 31, 2021 - \$100,000) have been received. Security deposits of \$28,950 paid on the 624 claims have been reimbursed to the Company. \$122,626 as of December 31, 2022 (December 31, 2021 - \$122,626) has been recorded as cost recoveries to the Gander properties and \$192,892 (December 31, 2021 - \$677,375) recorded as income during period. After Sassy earns its 100% interest, the Company can 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. Subsequent to the date of this agreement, Sassy assigned the option to Gander Gold Corporation (“Gander Gold”). The first anniversary and subsequent option payments will now be paid by Gander Gold including the issuance of Gander Gold shares.

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On September 20, 2021, the Company entered into an option agreement with Fjordland Exploration Inc. (“Fjordland”) in relation to the Company's South Voisey’s Bay mineral licenses (30 claims). Fjordland has an option to earn a 100% interest in the property over a three-year period by incurring work commitment of \$250,000 (\$250,000 in year 2024) and by making option payments of 1,350,000 common shares, and \$70,000 cash (\$25,000 upon signing). As at December 31, 2022, 850,000 common shares (December 31, 2021 – 600,000) having a market value of \$67,500 (December 31, 2021 - \$60,000) at the time of their issuance and \$35,000 (December 31, 2021 - \$25,000) has been received. \$12,266 as of December 31, 2022 (December 31, 2021 - \$12,266) has been recorded as cost recoveries to the South Voisey’s Bay properties and \$17,500 (December 31, 2021 - \$72,735) recorded as income during the year. After Fjordland earns its 100% interest, the Company can retain a 2% net smelter returns royalty (NSR) covering the 30 claims. Fjordland has the right to buy down 50% of the NSR (1%) at any time within one year following the start of commercial production on the Property in consideration for the payment of \$2,000,000 in cash payable to the Company.

On May 9, 2022 the Company entered into a Purchase and Sale Agreement whereby the Company sold 12 mineral licences (2,440 claims) to Rocky Island Gold Corp (“Rocky Island”). Rocky Island paid \$250,000 cash and issued 3,000,000 common shares in the capital of Sassy Gold Corp. (“Sassy”). The Company received a one percent (1%) net smelter royalty covering the claims. As at December 31, 2022, 3,000,000 common shares (December 31, 2021 – \$nil) having a market value of \$960,000 (December 31, 2021 - \$nil) at the time of their issuance and \$250,000 (December 31, 2021 - \$nil) has been received. A gain on the sale of mineral property of \$1,051,400 has been recorded as income during the year (December 31, 2021 - \$nil).

9. CAPITAL ASSETS

	December 31, 2022			
	Drilling Rig	Furniture and Fixtures	Computer Equipment	Total
	\$	\$	\$	\$
Opening Balance	798,368	12,296	89,645	900,309
Additions	-	-	14,322	14,322
Sub-total	798,368	12,296	103,967	914,631
Opening Depreciation	(792,699)	(11,776)	(83,375)	(887,850)
Depreciation	(1,700)	(105)	(4,029)	(5,834)
Closing Balance	3,969	415	16,563	20,947

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	December 31, 2021			
	Drilling Rig	Furniture and Fixtures	Computer Equipment	Total
	\$	\$	\$	\$
Opening Balance	798,368	12,296	77,568	888,232
Additions	-	-	12,077	12,077
Sub-total	798,368	12,296	89,645	900,309
Opening Depreciation	(790,270)	(11,646)	(72,171)	(874,087)
Depreciation	(2,429)	(130)	(3,197)	(5,756)
Deconsolidation due to loss of control of Atlas Salt (Note 2)	-	-	(8,007)	(8,007)
Closing Balance	5,669	520	6,270	12,459

10. LOAN

	December 31 2022	December 31 2021
	\$	\$
Balance, beginning of year	28,543	27,150
Fair value adjustment	1,457	1,393
Balance, end of year	30,000	28,543

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%. Interest accretion on the loan as of December 31, 2022 is \$1,457 (December 31, 2021 – \$1,393). In January 2022, the Government of Canada amended the CEBA program which delayed the required repayment date to December 31, 2023.

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11. INCOME TAXES

Deferred Income Taxes

	2022	2021
	\$	\$
Temporary differences related to exploration and evaluation assets	(750,272)	(1,239,425)
Temporary differences related to inventory	-	(32,767)
Tax effect on investments classified as FVOCI	(196,652)	(32,220)
Share issuance costs	(32,102)	(42,974)
Non-capital loss carryforwards	(707,677)	(747,744)
Investment in associate	5,723,400	6,115,493
Deposits	-	50,580
Capital assets	(3,910)	(7,503)
Capital loss carryforwards	(75,668)	-
(Unrecognized deferred tax asset)	(3,957,119)	(4,063,440)

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% (2021 – 30%) to loss before income taxes as follows:

	2022	2021
	\$	\$
Expected income tax	(812,404)	10,977,785
Permanent differences	709,420	722,720
Share acquisition	47,580	-
Taxable capital gain on loss of control of subsidiary	38,349	(5,567,607)
Recognition of previously unrecognized deferred tax assets	-	(1,993,713)
Other	64,294	(552)
	47,239	4,138,633

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Non-Capital Losses

The Company has non-capital losses at December 31, 2022 amounting to \$2,358,923 (December 31, 2021 - \$1,798,843) which are available to reduce future taxable income. These non-capital losses expire as follows:

	\$
2034	330,657
2035	296,526
2036	300,424
2037	339,852
2038	303,487
2039	136,263
2040	91,634
2041	-
2042	560,080
	2,358,923

The Company also has Canadian exploration expenses of \$3,794,633 which may be deducted in determining taxable income of future years.

12. SHARE CAPITAL

Authorized:

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

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Issued and outstanding:

	December 31, 2022		December 31, 2021	
	Number	Share Capital	Number	Share Capital
		\$		\$
Balance, beginning of year	110,967,765	23,149,820	81,352,765	19,737,670
Issued pursuant to private placements (Note 12)	-	-	22,500,000	2,326,428
Exercise of share warrants	4,736,500	1,210,949	6,815,000	683,500
Transfer to share capital on exercise of warrants	-	47,361	-	489,422
Exercise of options	450,000	82,500	300,000	30,000
Transfer to share capital on exercise of options	-	150,055	-	13,505
Issued pursuant to purchase of mineral licence	100,000	30,000		
Share issuance cost, net of taxes	-	(10,872)	-	(130,705)
Balance, end of year	116,254,265	24,659,813	110,967,765	23,149,820

Contributed surplus:

A summary of contributed surplus is as follows:

	December 31 2022	December 31 2021
	\$	\$
Balance, beginning of year	3,237,906	2,917,126
Share-based compensation (Note 13)	861,361	334,285
Fair value of options exercised	(150,055)	(13,505)
Balance, end of year	3,949,212	3,237,906

Private placements:

Pursuant to a private placement dated June 22, 2021 the Company closed 22,500,000 units at \$0.20 per unit for total cash consideration of \$4,500,000. 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 \$0.30 per share until December 23, 2023. An amount of \$2,326,428 has been allocated to share capital and \$2,173,572 to the fair value of the warrants (Note 12).

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Warrants:

A summary of warrants issued and exercisable and changes during the years then ended is as follows:

	December 31, 2022		December 31, 2021	
	Number of Warrants	Weighted-Average Exercise Price	Number of Warrants	Weighted-Average Exercise Price
		\$		\$
Balance, beginning of year	36,969,500	0.22	20,980,000	0.10
Exercised	(4,736,500)	0.26	(6,815,000)	0.10
Issued to shareholders	-	-	22,500,000	0.30
Issued to brokers	-	-	304,500	0.30
Balance, end of year	32,233,000	0.22	36,969,500	0.22

	December 31 2022	December 31 2021
	\$	\$
Balance, beginning of year	2,234,614	476,496
Transferred to share capital on exercise of warrants	(47,361)	(489,422)
Fair value of warrants issued	-	2,173,572
Fair value of brokers warrants issued	-	73,968
Balance, end of year	2,187,253	2,234,614

The weighted average fair value of the warrants was estimated on the date of issuance to be \$nil (December 31, 2021 – \$0.24) using the Black-Scholes fair value option pricing model and the following weighted average assumptions:

	December 31 2022	December 31 2021
Expected volatility (%)	-	237
Risk free interest rate (%)	-	0.41
Weighted-average expected life (years)	-	2.5
Dividend yield (%)	-	-

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13. SHARE-BASED COMPENSATION

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 ten 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, 2022		December 31, 2021	
	Number of Options	Weighted- Average Exercise Price	Number of Options	Weighted- Average Exercise Price
		\$		\$
Outstanding, beginning of year	7,375,000	0.12	5,425,000	0.10
Granted	2,150,000	0.30	2,950,000	0.16
Exercised	(450,000)	0.18	(300,000)	0.11
Expired	(40,035)	0.30	(700,000)	0.10
Forfeited	(34,965)	0.30	-	-
Outstanding, end of year	9,000,000	0.16	7,375,000	0.12
Exercisable, end of year	9,000,000	0.16	5,837,500	0.11

The weighted average remaining contractual life of outstanding options is 3.73 years (December 31, 2021 – 3.16 years). The weighted average remaining contractual life of exercisable options is 3.73 years (December 31, 2021 – 3.02 years).

The Company granted 1,800,000 stock options to directors with each option entitling the holder to purchase one common share at \$0.30 per share for a period of ten years. 900,000 options vested on the date of the grant January 10, 2022 and the remaining 900,000 options vested December 31, 2022. In addition, the Company granted 300,000 stock options to employees and advisory board members with each option entitling the holder to purchase one common share at \$0.30 per share for a period of five years. 150,000 options vested on the date of the grant January 10, 2022 and the remaining 150,000 options vested December 31, 2022. 40,035 of these options expired and 34,965 forfeited on May 5, 2022.

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On July 12, 2022, the Company granted 50,000 stock options to an employee with each option entitling the holder to purchase one common share at \$0.35 per share for a period of five years. 50,000 options vested on November 1, 2022.

On March 9, 2021, 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 vested June 1, 2022.

In addition, on September 20, 2021, the company granted 250,000 stock options to a consultant with each option entitling the holder to purchase one common share at \$0.25 per share for a period of one year. The options vested quarterly on December 20, 2021, March 20, 2022, June 20, 2022 and September 20, 2022.

Fair value assumptions:

The weighted average fair value of stock options granted in the period ended December 31, 2022 was estimated to be \$0.3012 (December 31, 2021 – \$0.1585) using the Black-Scholes fair value option pricing model and the following weighted average assumptions:

	December 31 2022	December 31 2021
Expected volatility (%)	155	188
Risk free interest rate (%)	1.11	1.13
Weighted-average expected life (years)	9.19	4.66
Dividend yield (%)	-	-

Share-based compensation expense:

The Company recognized share-based compensation costs in the amount of \$861,361 in the year ended December 31, 2022 (December 31, 2021 - \$1,166,171). Share-based compensation in the amount of \$843,927 was expensed for the year December 31, 2022 (December 31, 2021 – \$1,121,252) and \$17,434 (December 31, 2021 – \$44,919) was capitalized to mineral exploration and evaluation assets.

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14. GENERAL AND ADMINISTRATIVE EXPENSES

	December 31 2022	December 31 2021
	\$	\$
Office and administrative	322,643	539,573
Management, salaries and contract fees and benefits	-	166,146
Marketing and communications	1,000	617,880
Investor relations	78,000	62,000
Transfer agent and professional fees	175,101	165,863
Conferences, travel, and accommodation	2,235	3,524
	578,979	1,554,986
Expenses attributable to subsidiary, Atlas Salt Inc. to October 31, 2021 (Note 2)	-	1,085,531
Expenses attributable to parent, Vulcan Minerals Inc.	578,979	469,455
	578,979	1,554,986

15. RELATED PARTY TRANSACTIONS

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

	December 31 2022	December 31 2021
	\$	\$
Management fees, salaries and benefits for key management personnel:		
General and administrative	310,382	282,846
Capitalized as mineral exploration and evaluation assets	10,822	37,807
Share-based compensation for key management personnel:		
General and administrative	843,927	1,121,252
Capitalized as mineral exploration and evaluation assets	17,434	44,919
	1,182,565	1,486,824
Rent paid to a corporation which is controlled by the President of the Company	24,000	35,000

16. CAPITAL MANAGEMENT

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

To maintain or adjust the capital structure, the Company may issue new equity if available on favorable terms, option its exploration and evaluation assets for cash and/or expenditure commitments from optionees and enter into joint venture arrangements or dispose of its exploration and evaluation assets.

The Company is not subject to externally imposed capital requirements.

17. FINANCIAL INSTRUMENTS

Fair Values:

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

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

Level 2 – valuation techniques based on inputs that are quoted process of similar instruments in active markets; inputs other than quoted process 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 recognized investments (Note 6) and the fair value of the Atlas Salt shares disclosed in Note 7 are Level 1 measurements.

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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 the 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. 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. As of December 31, 2022 the Company had a cash balance of \$6,148,762 and a positive working capital of \$6,175,526.

Accounts payable and accrued liabilities at December 31, 2022 in the amount of \$137,981 (2021 - \$101,157) 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 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.

18. CONTINGENCIES

- a. The legal case initiated by Geophysical Service Incorporated (GSI) in 2011 against the Company has been discontinued (dropped) by GSI in 2021.
- 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

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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.

19. SUBSEQUENT EVENTS

Subsequent to December 31, 2022 warrants exercised, options granted and exercised and the shares outstanding were as follows:

Outstanding Shares as of April 25, 2023:	116,454,265
Warrants Exercised January 1, 2023 to April 25, 2023:	200,000
Options Granted January 1, 2023 to April 25, 2023:	Nil
Options Exercised January 1, 2023 to April 25, 2023:	Nil

CORPORATE INFORMATION

OFFICERS AND MANAGEMENT

Patrick J. Laracy
President and Chairman

Gillian Russell
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
Morton Law, Vancouver, BC
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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