

VULCAN MINERALS INC.

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

For the Year Ended December 31, 2017

This discussion includes certain statements that may be deemed “forward-looking statements”. All statements in this discussion, other than statements of historical facts, that address exploration, drilling, exploration activities and events or developments that Vulcan Minerals Inc. (the “Company”) expects are forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in the forward-looking statements include market prices, exploration and exploration successes, continued availability of capital and financing and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and those actual results or developments may differ materially from those projected in the forward-looking statements.

General Business

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

This MDA should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2017 and accompanying notes. The consolidated financial statements include the accounts of the Company and 66.6% held subsidiary, Red Moon Resources Inc.

DATE

The date of this MDA is April 26, 2018.

OVERALL PERFORMANCE

The Company reported a net loss in the amount of \$1,712,031 for the year ended December 31, 2017, as compared to a net loss of \$809,182 for the year ended December 31, 2016 (an increase of \$902,849).

The Company recorded a write down of its exploration and evaluation assets in the amount of \$1,013,771 for the year ended December 31, 2017 as compared to a write down of exploration and evaluation assets in the amount of \$127,460 in the year ended December 31, 2016 (increase of \$886, 311) .The Company regrouped certain of its mineral licenses in 2017 and 2016 and in that process surrendered some of the land associated with the licences. The Company recorded a write-down to its geological and geophysical data in the amount of \$1,006,931 (year ended December 31, 2016 - \$127,460), which was in proportion to the land surrendered as compared to the total area covered by the geological and geophysical data. In the year ended December 31, 2017, the Company wrote down an amount of \$6,840 associated with the land claims lapsed and cancelled, with no corresponding amount in 2016. The Company also recorded a write down of its inventory of steel casing in the amount of \$16,000 in 2017 with no comparable amount in 2016.

In 2017 the Company transferred unrealized losses on investments which were classified as available for sale, in the amount of \$8,982, from the “statement of other comprehensive income” to the “statement of loss”, with no comparable amount in 2016. Due to the sale of an investment of shares in a public company all accumulated losses on the investment are reallocated from “other comprehensive loss” to “statement of loss”.

The Company granted stock options in 2017 to four individuals (50% of these options vested immediately) and recorded share-based compensation expense in the amount of \$21,377. In the first quarter of 2016 the Company granted stock options to five individuals (and 50% of the options vested

immediately) and recorded share-based compensation expense of \$48,186 in the year ended December 31, 2016. The Company recognized \$42,207 in income from the sale of shares in a public company.

The following table outlines the significant components of consolidated general and administrative expenses for each of the year ended December 31, 2017 and 2016.

	Year Ended	
	2017	2016
	\$	\$
Management, salaries, subcontract fees and benefits	371,623	314,614
Transfer Agent, regulatory and professional fees	94,781	137,270
Office and administrative	126,872	122,337
Conferences, travel and accomodation	62,303	17,106
Directors' fees	20,000	32,500
Total	675,579	623,827
Expenses attributable to subsidiary, Red Moon Resources Inc.	81,656	115,401
Expenses attributable to subsidiary, Vulcan Minerals Inc., parent	593,923	508,426
Total	675,579	623,827

SELECTED ANNUAL INFORMATION

	Year Ended		
	2017	2016	2015
	\$	\$	\$
Total revenue	46,196	12,626	17,897
Net loss	(1,712,031)	(809,182)	(1,761,296)
Net loss per share-basic & diluted	(0.03)	(0.01)	(0.03)
Total assets	3,495,131	5,182,710	5,960,321
Total long-term financial liabilities	-	-	-
Cash dividends	Nil	Nil	Nil

Income in 2017 is represented by interest income of \$4,169 and a gain on sale of available for sale investment of \$42,027. Revenue in 2016 and 2015 is represented by interest income and \$2,500 in 2016 for a flow through premium. The 2017 net loss included a write down of exploration and evaluation assets of \$1,013,771-geological and geophysical data of \$1,006,931 and \$6,840 related to mineral properties. The 2016 net loss included a write down of geological and geophysical data in the amount of \$127,460. The 2015 net loss included a write down of geological and geophysical data and mineral exploration properties in the amount of \$1,015,854.

OPERATIONS

Mineral Properties

Colchester Copper Gold Project

The Company announced in May 2016 the acquisition, by staking, of the Colchester copper-gold property in north-central Newfoundland. The property is accessible by paved road approximately 25 kilometres off the Trans Canada Highway. The area is serviced by an airport at Deer Lake 110 kilometres to the southwest. The property contains four past producing historic mines which operated in the late 1800's, namely the Colchester, West Colchester, McNeilly and Old English.

In 1967, Colchester Mines Ltd. evaluated the previous work on the property and provided a resource calculation based on diamond drilling, that the known workings contained 1,000,000 tons (including 20% dilution) of copper grading 1.3%. This is an historic reference that is not compliant with National instrument 43-101. As such the Company is not treating the historical estimate as a current resource or reserve. Rather, it is used to demonstrate the potential for the property to contain significant copper mineralization.

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

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

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

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

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

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

Based on the regional compilation work carried out on the original Colchester property, additional claims were staked including the Little Bay copper mine (dormant) and adjacent gold showings which are now collectively referred to as the Springdale project. A program of prospecting was carried out on a portion of this project in 2016. Further mapping, prospecting and geological surveying were carried out on the Colchester and Little Bay properties in the summer of 2017 confirming historic sampling and identifying areas for future trenching and geophysics.

Lizard Pond Gold Property

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

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

The information pertaining to the property is taken from historic assessment reports filed by past explorers with the Government of Newfoundland and Labrador- Department of Natural Resources. As well the Company has examined core at government facilities and has completed a prospecting program in 2017 which confirms the style of mineralization described above. The Company has compiled and digitized all available Information pertaining to the property and plans to carry out field follow-up work on areas of interest.

TL Nickel-Copper-PGM

The TL Nickel-Copper-Platinum group element property in Labrador is situated approximately 50 km northwest of the Voisey's Bay world-class nickel-copper-cobalt mine. In 2008, significant drill intersections of mineralization were encountered including 14 metres of 1.02% Nickel, 0.51% Copper, and 0.03% Cobalt. The Company currently holds a 100% working interest in the property, subject to a 1% royalty with certain buyback provisions. The Company has conducted a full review, integration and interpretation of all previous work towards formulating a strategic exploration program. The work has identified several prospects on the property in addition to potential extensions of the known mineralized zones. The property consists of 120 mineral claims (3000 hectares). The Company is soliciting partners to advance further drilling and evaluation.

South Voisey's Bay Nickel/Copper/Cobalt

The Company owns a strategic land position in the South Voisey's Bay nickel-copper-cobalt project in Labrador. The Company's claims are directly adjacent to the Sandy and Sandy North targets that Fjordland Exploration Inc. and Commander Resources Ltd. (Fjordland/Commander) drilled in October 2017. The Project comprises four licences containing a total of 72 claims including 20 claims that are underlain by portions of the Worm Gabbro, a prospective part of the larger Pants Lake Intrusion. The southwestern boundary of these claims are within 200 m of the surface expression of the Sandy Target, which is an electromagnetic anomaly identified by previous Fjordland/Commander geophysical surveys. These claims were acquired to cover the possible downdip extension of the Sandy Targets. The Company also owns 2 claims that are underlain by the Sarah Hill-South Intrusion, which hosts the highest grade over width averages for nickel from previous drilling in the South Voisey's Bay project. Drill holes encountering low-grade nickel-copper occur within 500 m of these claims, but no holes are reported within the claims. Additional licences include 8 claims on the Mineral Hill intrusion and 42 claims on the northern intrusion.

The South Voisey's Bay project area contains the Pant's Lake mafic intrusive complex which was first explored for nickel following the 1993 discovery of the Voisey's Bay nickel-copper-cobalt mine, approximately 80 kilometers north. Several rounds of drilling and geophysics have established the intrusion's potential for significant accumulations of massive magmatic sulphides. The Company is compiling and evaluating this data in light of the renewed interest in the nickel potential of this area. On March 21, 2018 a binding Letter of Intent was signed with Fjordland Exploration Inc. ("Fjordland") granting Fjordland the option to acquire a 65% working interest in 30 mineral claims located in the South Voisey's area, Labrador. Under the terms of the agreement, Fjordland has the option to pay Vulcan \$45,000 and incur \$150,000 in exploration expenditures over a period of three years. If the option is exercised a joint venture will be formed whereby Vulcan will be carried for 100% of its joint venture expenditures on the claims until Fjordland earns its full interest from Commander Resources Ltd. ("Commander") on surrounding contiguous lands or a minimum expenditure of \$7 million on those lands.

Red Moon Resources

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

The Company manages Red Moon's exploration work including its delineation of the Captain Cook salt deposit, the Ace gypsum development and the nepheline syenite project. In 2015 Red Moon contracted APEX Geoconsultants Ltd. to prepare a National Instrument 43-101 compliant mineral resource report with respect to the Captain Cook salt deposit which was completed in January 2016. The resource estimate concluded that using a 95.0% lower base cut-off for sodium chloride, the Captain Cook Halite Resource Estimate is classified as "Inferred" and demonstrates that there is 908 million tonnes of high purity halite (96.9% salt) for 880 million in-situ tonnes of salt. To demonstrate that the salt has reasonable prospects of economic extraction, the mineral resource is reported at a lower base case cut-off of 95.0% NaCl. This is the general standard used in the purchase of road salt and follows the specification outlined in American Society for Testing and Materials (ASTM) Designation D632-12 (2012), which is applicable for sodium chloride intended for use as a de-icer and for road construction or maintenance purposes. Accordingly, with respect to reporting a resource estimate that abides by the General Guidelines of NI 43-101, the Red Moon salt test work results show that the Captain Cook halite deposit has good prospects of economic viability for an industrial mineral deposit. Red Moon is soliciting funding to complete a feasibility study on the project.

Red Moon has received a mining lease on its Ace gypsum deposit in western Newfoundland with the intent of bringing the deposit into production as an open pit mine. The deposit is part of the historic Flat Bay gypsum mines that have been dormant since 1990. Red Moon has identified potential markets that warrants the permitting and revitalization of the mine commensurate with market demand for gypsum. Red Moon has recently filed a development plan with the provincial Department of Natural Resources to initiate production.

In 2017, Red Moon acquired a bulk sample from its Black Bay nepheline deposit in southern Labrador where the company conducted a mapping and sampling program in late 2016. That program confirmed that the potential tonnage of the deposit warrants further work and that the chemical composition of the material is within commercial specifications subject to certain beneficiation processes. The bulk sample of the deposit is now being analyzed and processed at the laboratory to better gauge the beneficiation characteristics of the raw nepheline syenite.

Western Newfoundland-Petroleum (Onshore)

Bay St. George

The Company hold a 2.0% gross overriding royalty on three petroleum permits (permits 03-106, 03-107, and 96-105) covering approximately 250,000 acres in the onshore Bay St. George area in western Newfoundland, operated by Investcan Energy Corporation (Investcan). The Company is advised that Investcan has relinquished the permits back to the provincial government as such the royalty interests have terminated.

Investcan abandoned and reclaimed the various well sites on the permits pursuant to environmental regulatory requirements in advance of the relinquishment. Deposits of \$286,000 are refundable to Investcan as operator and payable from Investcan to the Company as its share of these deposits.

Investment-Other

On May 12, 2017, the Company acquired a minority non-controlling interest in a newly formed private company, incorporated under the laws of the Province of Newfoundland and Labrador. This new company was formed to pursue the development of various industrial commodities in the Province of Newfoundland and Labrador.

Plans for 2018

The Company is soliciting partners to advance each of its projects. The Colchester property is the most advanced of these and will be the primary focus of further evaluation. Each of the company's properties received prospecting and / or geologic mapping in 2017. The evaluation of the results of the 2017 exploration programs are ongoing. Specific field programs for 2018 will rely on the results of this evaluation. The Company will also continue to advance, through Red Moon, the Captain Cook salt project towards feasibility and assist with the development of the Ace gypsum mine and the evaluation of the Black Bay Nepheline project.

SUMMARY OF QUARTERLY RESULTS

Quarter	Total Income	Net Loss	Net Loss per share
	\$	\$	\$
December 31, 2017	42,736	(205,717)	(0.003)
September 30, 2017	992	(139,783)	(0.002)
June 30, 2017	922	(1,181,751)	(0.020)
March 31, 2017	1,546	(184,780)	(0.003)
December 31, 2016	2,106	(179,969)	(0.003)
September 30, 2016	2,438	(149,300)	(0.002)
June 30, 2016	2,663	(285,592)	(0.005)
March 31, 2016	2,919	(194,321)	(0.003)

Revenue for each quarter is represented by interest income except for Q4 2017 with \$42,027 income on available for sale investment sold in the quarter. Net loss for the quarter ended June 30, 2017 included a provision for write-down of exploration and evaluation assets in the amount of \$1,000,635. Net loss for the quarter ended June 30, 2016 included a write down of exploration and evaluation assets in the amount of \$127,460. Net loss for the quarter ended December 31, 2015 included a reallocation of accumulated unrealized losses on investments of \$49,409 from other comprehensive loss to net loss and a write down of inventory in the amount of \$33,000. Net loss for the quarter ended June 30, 2015 included a provision for write-down of exploration and evaluation assets in the amount of \$996,731.

LIQUIDITY

At December 31, 2017 the Company had current assets of \$790,007, which include cash of \$355,726 including cash of \$28,609 held by the Company's consolidated subsidiary, Red Moon Resources Inc. The cash is readily available and is not subject to subprime debt issues nor asset backed commercial debt.

The Company has no long-term debt and as such is not sensitive to interest rate fluctuation on debt instruments. The Company's cash and cash equivalents are held in bank accounts with no exposure to equity market fluctuations.

The Company has no revenue from minerals properties. The Company's ability to continue in the long term will be dependent on equity financing or obtaining a joint venture partner.

The Company's financial statements have been prepared using generally accepted accounting principles in Canada applicable to a going concern. Management is evaluating alternatives to secure additional financing so that the Company can continue to operate as a going concern. Management continues to seek out partners for various projects and in the process of development on the Flat Bay Gypsum mine. Nonetheless, there is no assurance that these initiatives will be successful. The Company's financial statements and management's discussion and analysis do not reflect adjustments to the carrying value of assets and liabilities that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

The Company's subsidiary, Red Moon Resources Inc., had current assets of \$56,063 at December 31, 2017 and current liabilities of \$199,412, resulting in a negative working capital of \$143,349. The subsidiary company's ability to continue as a going concern will be dependent upon obtaining further equity financing, and there is no assurance that equity financing will be obtained.

CAPITAL RESOURCES

The Company holds 19 mineral licences and subsidiary company, Red Moon, has 17 mineral licences in Newfoundland and Labrador. These tenure instruments require annual work obligations in order to maintain ownership. Failure to fulfill work obligations would result in loss of ownership interest. The Company holds a 3% net production royalty on certain of the mineral licences currently held by subsidiary, Red Moon.

TRANSACTIONS WITH RELATED PARTIES

The Company and its subsidiary paid key management personnel, which includes the President and Chief Executive Officer, and the Chief Financial Officer, management fees, salaries and benefits in the amount of \$274,112 for the year ended December 31, 2017 (\$246,205- 2016). The 2016 figures include management fees of \$1,250 per month paid by subsidiary Red Moon to the President and CEO and this management fee has been eliminated effective October 1, 2016. The 2017 amount also includes a fulltime CFO versus a part-time CFO in 2016.

The Company and its subsidiary, Red Moon, paid directors' fees of \$20,000 for the year ended December 31, 2017 (2016 - \$32,500). Each director of Vulcan is paid an annual director's fee of \$5,000 (\$2,500 in January and June of each year). The directors of Red Moon have resolved to pay no directors' fees in 2017.

The Company and its subsidiary, Red Moon, paid premises rent aggregating \$36,000 (2016- \$42,750) to a private company owned and controlled by the President of the Company. Effective October 1, 2016 the premises rent paid by subsidiary, Red Moon, was reduced from \$1,750 per month to \$1,000 per month.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Management is of the opinion that these transactions were undertaken under the same terms and conditions as transactions with non-related parties.

Prior to December 31, 2017, Vulcan Minerals granted 250,000 stock options to employees and advisory board members, with each option entitling the holder to purchase one common share at \$0.10 per share for a period of five years. 125,000 options vested on the date of the grant and the remaining 125,000 options vest December 31, 2018. Red Moon Resources did not issue any stock options in the 2017 year. The Company recorded stock-based compensation expense in the year ended December 31, 2017 in the amount of \$27,801 (2016-\$52,843), of which \$21,377 (2016-\$48,186) was reflected

as share-based compensation expense and \$6,424 (2016-\$4,657) was capitalized to mineral exploration and evaluation assets.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

Refer to note 4 of the December 31, 2017 Financial Statements

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company's financial instruments include cash and cash equivalents, and accounts payable and accrued liabilities. The carrying amount of each approximates fair value due to their short-term nature.

The Company also holds financial instruments in the form of available for sale investments. The investments had a carrying value of \$23,843 at December 31, 2017.

Business Risks

The Company is a junior exploration company principally involved in mineral and oil and gas exploration which are inherently high-risk activities. The business of exploring for, developing, and acquiring, minerals and oil and natural gas projects is subject to many risks and uncertainties, several of which are beyond the control of the Company. These risks are operational, financial, legal and regulatory in nature.

Operational risks include unsuccessful exploration and development drilling activity, reservoir performance, safety and environmental concerns, access to cost effective contract services, escalating industry costs for contracted services and equipment, product marketing and hiring and retaining qualified employees. The Company is subject to financial risk as exploration is capital intensive and the Company has no sources of funding other than equity financing and joint venture financing arrangements. Only the skills of management and staff in mineral and oil and gas exploration and exploration financing serve to mitigate these risks. The Company is subject to a variety of regulatory risks that it does not control. Government and Securities regulations are monitored to ensure the Company continues to be in compliance.

The Company also mitigates many of the above risks by having diversified exploration projects capable of financing by joint venture partners.

Financial Risk Factors

Other financial risk factors to which the Company is exposed are outlined below:

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company is exposed to credit risk on its cash and accounts receivable. The credit risk on cash is limited because the counterparty is a chartered bank with a high credit rating. The Company assesses its credit risk on cash and accounts receivable as not significant.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they come due. As of December 31, 2017, the Company had a cash balance of \$355,726 and positive working capital of \$709,565. The Company has no source of operating cash flow. There is no assurance that additional funding will be available to allow the Company to fund administrative expenses and exploration programs. Liquidity risk is significant to the Company. The Company's ability to continue as a going concern is dependent upon its ability to fund working capital and future acquisition costs and exploration requirements and eventually to generate positive cash flows, either from operations or proceeds from disposition of exploration assets. Management is evaluating alternatives to secure additional financing so that the Company can continue to operate as a going concern

Liquidity risk is also significant to subsidiary company, Red Moon Resources Inc. It has a limited amount of cash and there is no assurance that it can obtain financing.

Commodity price risk

The recoverability of the costs of exploration and evaluation properties is partially related to the market price of oil and gas and base metals. The Company does not hedge this exposure to fluctuations in commodity prices. The Company's ability to continue with exploration programs is also indirectly subject to commodity prices.

Interest rate risk

The Company's cash balances are held in Canadian chartered bank accounts. The Company has no debt. The Company believes its interest rate risk is not significant.

Market price risk

The value of the Company's investments is exposed to fluctuations in value depending on a number of factors, including the quoted market price and the market value of the commodities that the companies may focus on. The Company does not utilize any derivative contracts to reduce this exposure.

CONTINGENCIES

The Company has two contingencies as of December 31, 2017, as follows:

- a) In 2011, the Company was served with a statement of claim by Geophysical Service Incorporated (GSI) wherein it is claimed that the Company, as a co-defendant with Investcan Energy Corporation, has committed a copyright infringement. The claim relates to an allegation that accessing offshore Labrador seismic data, which is released to the public by the Canada Newfoundland and Labrador Offshore Petroleum Board (CNLOPB) after the relevant statutory privilege-confidentiality period, is a breach of copyright. The Company has 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 have 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. Thus the common issues have been fully answered and no further appeals are available. The Company is of the opinion that GSI’s claim against the Company has been fully answered in the Company’s favor as a result of the “common issues” decision and will endeavor to have the claim extinguished in the Supreme Court of Newfoundland and Labrador. No amounts have been recorded in the Company’s accounts related to this claim.

- 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.

SHARE CAPITAL

As of the date of this management discussion and analysis the Company has 58,526,129 voting common shares outstanding. The Company’s share capital consists of an unlimited number of voting common shares, and an unlimited number of preferred shares of which there are none outstanding.

The Company and its subsidiary company had 3,750,000 stock options outstanding at April 26, 2018 summarized in the table below. There were 3,625,000 options vested and exercisable at April 26, 2018 (of which 1,400,000 related to subsidiary, Red Moon).

The subsidiary company had 2,525,000 share purchase warrants outstanding at April 26, 2018 summarized in the table below. 2,000,000 are held by the parent Company.

Date Issued	Number	Exercise Price	Details
February 17, 2016	1,800,000	\$0.10	Directors' Options, Expiry February 17, 2021
February 17, 2016	200,000	\$0.10	Employee Options, Expiry February 17, 2021
December 14, 2016	100,000	\$0.10	Advisory Committee, Expiry December 14, 2021
March 21, 2017	100,000	\$0.10	Employee Options, Expiry March 21, 2022
September 27, 2017	150,000	\$0.10	Advisory Board & Employee, Expiry September 27, 2022
Red Moon as follows:			
March 16, 2016	1,400,000	\$0.10	Directors' Options, Expiry March 16, 2021
Dec 1, 2015	2,525,000	\$0.10	Share Purchase Warrants, Expiry November 6, 2020

OFF BALANCE SHEET ITEMS

As of December 31, 2017, the Company has a lease obligation for \$36,000 for rent to a related company, \$12,000 is paid by the Company's subsidiary Red Moon.

ADDITIONAL INFORMATION

All corporate disclosure documents are filed on www.sedar.com. Additional information regarding the Company's projects and activities are available at www.vulcanminerals.ca.



Consolidated Financial Statements
For the Years Ended December 31, 2017 and 2016

VULCAN MINERALS INC.
December 31, 2017 and 2016

Table of Contents

	<u>PAGE</u>
Independent Auditor's Report	1
Consolidated Balance Sheets	2
Consolidated Statements of Loss	3
Consolidated Statements of Comprehensive Loss	3
Consolidated Statements of Changes in Equity	4
Consolidated Statements of Cash Flows	5
Notes to the Consolidated Financial Statements	6 - 26



April 26, 2018

Independent Auditor's Report

To the Shareholders of Vulcan Minerals Inc.

We have audited the accompanying consolidated financial statements of Vulcan Minerals Inc. and its subsidiaries, which comprise the consolidated balance sheets as at December 31, 2017 and December 31, 2016 and the consolidated statements of loss, comprehensive loss, changes in equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Vulcan Minerals Inc. and its subsidiaries as at December 31, 2017 and December 31, 2016 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to note 1 of the consolidated financial statements which describe matters and conditions that indicate the existence of material uncertainties that may cast significant doubt about Vulcan Minerals Inc.'s ability to continue as a going concern.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

PricewaterhouseCoopers LLP
125 Kelsey Drive, Suite 200, St. John's, Newfoundland and Labrador, Canada A1B 0L2
T: +1 709 722 3883, F: +1 709 722 5874

VULCAN MINERALS INC.
Consolidated Balance Sheets
As at December 31

(in Canadian dollars)	2017	2016
	\$	\$
Assets		
Current assets		
Cash	355,726	1,254,492
Accounts receivable	11,157	35,400
Government grants receivable (Note 5)	18,000	32,630
Prepaid expenses	14,250	16,082
Deposits	330,650	42,250
Inventory	60,224	76,224
	790,007	1,457,078
Deposits	-	286,000
Due from related company (Note 6)	62,990	-
Investments (Note 6)	23,843	14,072
Exploration and evaluation assets (Note 7)	2,581,553	3,379,935
Capital assets (Note 8)	36,738	45,625
	3,495,131	5,182,710
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	80,442	101,786
	80,442	101,786
Equity (notes 10 and 17)		
Shareholders' equity	2,782,485	4,420,202
Non-controlling interest	632,204	660,722
	3,414,689	5,080,924
	3,495,131	5,182,710
Nature of operations and going concern (Note 1)		
Contingencies (Note 18)		
Subsequent event (Note 19)		
Approved on Behalf of the Board of Directors		
Patrick J. Laracy	Director	
William Koenig	Director	

See accompanying notes to the consolidated financial statements

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

(in Canadian dollars)	2017	2016
	\$	\$
Income (Expenses)		
Interest income	4,169	10,126
Gain on sale of investment	42,027	2,500
Write-off/loss of exploration and evaluation assets	(1,013,771)	(127,460)
Exploration and evaluation expense	-	(3,918)
Write down of inventory	(16,000)	-
Bad debt expense	(7,000)	-
General and administrative (Notes 13 & 14)	(675,579)	(623,827)
Share-based compensation (Note 11)	(21,377)	(48,186)
Depreciation (Note 8)	(15,518)	(18,417)
Unrealized gain/loss on investments	(8,982)	-
Net loss	(1,712,031)	(809,182)
Net loss attributable to:		
Common shareholders	(1,680,501)	(762,174)
Non-controlling interest	(31,530)	(47,008)
	(1,712,031)	(809,182)
Net loss per share - basic and diluted	(0.03)	(0.01)
Weighted-average number of common shares outstanding - basic and diluted	58,526,129	58,526,129

Consolidated Statements of Comprehensive Loss
Years Ended December 31

(in Canadian dollars)	2017	2016
	\$	\$
Net loss	(1,712,031)	(809,182)
Other comprehensive loss:		
Items that may subsequently be reclassified to profit or loss		
Change in unrealized (loss) on available-for-sale financial assets	9,762	(2,446)
Item reclassified in the year to profit or loss		
Unrealized gain/loss on available for sale financial assets reallocated to statement of loss	8,982	-
	18,744	(2,446)
Comprehensive loss	(1,693,287)	(811,628)
Comprehensive loss attributable to:		
Common shareholders	(1,661,757)	(764,620)
Non-controlling interest	(31,530)	(47,008)
	(1,693,287)	(811,628)

See accompanying notes to the consolidated financial statements

VULCAN MINERALS INC.
Consolidated Statements of Changes in Equity

(in Canadian dollars)

	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Deficit	Total Shareholders' Equity	Non-Controlling Interest	Total Equity
	\$	\$	\$	\$	\$	\$	\$
	<i>Notes 10 (a) and (b)</i>	<i>Notes 10(c),17</i>		<i>Note 17</i>		<i>Note 17</i>	
Balance, December 31, 2015	19,101,419	2,652,004	-	(16,611,532)	5,141,891	698,178	5,840,069
Net loss and comprehensive loss							
January 1, 2016 - December 31, 2016	-	-	(2,446)	(762,174)	(764,620)	(47,008)	(811,628)
Share-based compensation in parent	-	23,826	-	-	23,826	-	23,826
Share-based compensation in subsidiary	-	-	-	19,105	19,105	9,552	28,657
Balance, December 31, 2016	19,101,419	2,675,830	(2,446)	(17,354,601)	4,420,202	660,722	5,080,924
Net loss and comprehensive loss							
January 1, 2017 - December 31, 2017	-	-	18,744	(1,680,501)	(1,661,757)	(31,530)	(1,693,287)
Share-based compensation in parent	-	18,017	-	-	18,017	-	18,017
Equity transactions of subsidiary	-	-	-	(500)	(500)	(250)	(750)
Share-based compensation in subsidiary	-	-	-	6,523	6,523	3,262	9,785
Balance, December 31, 2017	19,101,419	2,693,847	16,298	(19,029,079)	2,782,485	632,204	3,414,689

See accompanying notes to the consolidated financial statements

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

(in Canadian dollars)	2017	2016
	\$	\$
Operating Activities		
Net loss	(1,712,031)	(809,182)
Adjustment for non cash items :		
Gain on sale of investment	(42,027)	-
Write off/loss exploration and evaluation assets	1,013,771	127,460
Write down of inventory	16,000	-
Allowance for bad debt expense	7,000	-
Share-based compensation	21,377	48,186
Unrealized loss on investments	8,982	-
Depreciation	15,518	18,417
	(671,410)	(615,119)
Changes in non-cash working capital		
Accounts receivable	(14,514)	(5,775)
Prepaid expenses	1,832	4,362
Accounts payable and accrued liabilities	(23,824)	12,930
	(707,916)	(603,602)
Financing Activities		
Flow through premium liability	-	(2,500)
Share issuance costs in subsidiary	(750)	-
	(750)	(2,500)
Investing Activities		
Exploration and evaluation assets	(229,309)	(253,429)
Net increase in deposits- exploration and evaluation assets	(2,400)	(33,250)
Change in accounts payable -exploration and evaluation assets	2,481	(28,896)
Change in accounts receivable- exploration and evaluation assets	20,345	(11,735)
Government grant	53,387	7,222
Proceeds from disposal of investment	42,027	132
Advances to a related party	(69,990)	-
Acquisition of capital assets	(6,631)	(2,756)
Acquisition of investments	(10)	-
	(190,100)	(322,712)
Net change in cash for the year	(898,766)	(928,814)
Cash, beginning of year	1,254,492	2,183,306
Cash, end of year	355,726	1,254,492

Supplemental cash flow information (Note 12)

See accompanying notes to the consolidated financial statements

VULCAN MINERALS INC.

Notes to the Consolidated Financial Statements

December 31, 2017 and 2016

1. NATURE OF OPERATIONS AND GOING CONCERN

Vulcan Minerals Inc. is engaged in the evaluation, acquisition and exploration of mineral and petroleum and natural gas properties in Newfoundland and Labrador. The Company plans to ultimately develop the properties as joint ventures, bring them into production, option or lease properties to third parties, or sell the properties outright. The Company has not determined whether these properties contain reserves that are economically recoverable and the Company is considered to be in the exploration stage.

The Company is a publicly traded company, incorporated under the laws of the Province of Alberta, Canada. Its registered address is 333 Duckworth Street, St. John's, NL A1C 1G9.

These financial statements have been prepared using accounting principles applicable to a going concern, which contemplate the realization of assets and settlement of liabilities in the normal course of business as they come due. The Company reflected a loss of \$1,712,031 for the year ended December 31, 2017 (\$809,182- year ended December 31, 2016) and had an accumulated deficit of \$19,029,079. The Company had income of \$46,196 from interest and investment income for the year ended December 31, 2017 (\$12,626- year ended December 31, 2016). The Company had a working capital of \$709,565 at December 31, 2017(\$1,355,292- year ended December 31, 2016).

The Company must secure sufficient funding to meet its on-going working capital requirements, as well as to identify, acquire and maintain exploration licenses. Such material uncertainties cast significant doubt as to the ability of the Company to meet its obligations as they come due, and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

Management is evaluating alternatives to secure additional financing so that the Company can continue to operate as a going concern. Nevertheless, there is no assurance that these initiatives will be successful or sufficient.

The Company's ability to continue as a going concern is dependent upon its ability to fund working capital and future acquisition costs and exploration requirements and eventually to generate positive cash flows, either from operations or proceeds from disposition of exploration assets. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

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 3.

VULCAN MINERALS INC.

Notes to the Consolidated Financial Statements

December 31, 2017 and 2016

2. BASIS OF PRESENTATION (continued)

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 26, 2018.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of consolidation

The consolidated financial statements include the accounts of the Company and the entities controlled by the Company (its subsidiaries). The Company's subsidiaries include Red Moon Resources Inc. (formerly Red Moon Potash Inc.) in which the Company has a 66.6% interest (2016 – 66.6%) and a wholly owned inactive subsidiary. Control is achieved by having each of: power over the investee via existing rights that give the company the current ability to direct the relevant activities of the investee; exposure, or rights, to variable returns from involvement with the investee; and the ability 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.

VULCAN MINERALS INC.

Notes to the Consolidated Financial Statements

December 31, 2017 and 2016

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Significant management accounting estimates and judgements (continued)

Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. The impairment analysis requires the use of estimates and assumptions, such as long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance. Fair value of

mineral assets is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account.

Cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. If the Company does not have sufficient information about a particular mineral resource property to meaningfully estimate future cash flows, the fair value is estimated by management through the use of, where available, comparison to similar market assets and, where available, industry benchmarks. Actual results may differ materially from these estimates.

Impairment of investments: The Company follows the guidance of IAS 39 “Financial Instruments-Recognition and Measurement” to determine when an available-for-sale equity investment is impaired. This determination requires significant judgment. The Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the financial health and short-term business outlook for the investee, including factors such as industry and sector performance, and operational and financing cash flows.

Going concern: When preparing financial statements, management is requirement 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.

VULCAN MINERALS INC.
Notes to the Consolidated Financial Statements
December 31, 2017 and 2016

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

VULCAN MINERALS INC.
Notes to the Consolidated Financial Statements
December 31, 2017 and 2016

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Deposits relating to petroleum and natural gas consist of bond deposits, abandonments and work commitments which are refundable once the work has been completed or the site abandoned. All of the non-current deposits relate to petroleum and natural gas exploration and evaluation.

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 grants

Government grants received or receivable in respect of mineral exploration and evaluation assets is reflected as a reduction of the cost of the mineral exploration and evaluation asset.

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).

VULCAN MINERALS INC.

Notes to the Consolidated Financial Statements

December 31, 2017 and 2016

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Capital assets

Capital assets is recorded at cost. Depreciation is based on the estimated useful life using the declining balance method at rates ranging from 20% to 30% per annum. The Company has three classes of 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) 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.

m) Financial instruments

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are carried at amortized costs less any provision for impairment.

Fair value through profit or loss

This category includes derivatives and investments acquired for the purpose of selling or repurchasing in the near term. These assets are reflected on the balance sheet at fair value with changes in fair value recognized in the consolidated statement of net loss. The Company currently has no financial instruments recorded in this category.

VULCAN MINERALS INC.

Notes to the Consolidated Financial Statements

December 31, 2017 and 2016

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Financial instruments (continued)

Held-to-maturity investments

These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company intends to hold until maturity. These assets are measured at amortized cost using the effective interest rate method. If there is evidence that the investment is impaired, the financial asset is measured at the present value of estimated future cash flows. Any changes in the carrying amount of the investment are recognized in the consolidated statement of loss. The Company currently has no financial instruments included in this category.

Available-for-sale

Non-derivative financial assets not included in the above categories are classified as available for sale. These assets are carried at fair value with changes in fair value recognized directly in the consolidated statement of other comprehensive loss. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the accumulated loss is removed from other comprehensive loss and recognized in the consolidated statement of loss.

Financial liabilities

The Company classifies its financial liabilities into one of two categories:

Fair value through profit or loss

This category includes derivatives, or liabilities incurred for the purpose of selling or repurchasing in the near term. They are carried on the balance sheet at fair value with changes in fair value recognized in the consolidated statement of comprehensive loss. The Company currently has no financial instruments recorded in this category.

Other financial liabilities

This category includes accounts payable and accrued liabilities which are recognized at amortized cost.

Financial instruments are measured at fair value on initial recognition of the instrument. Measurement in subsequent periods depends on whether the financial instrument has been classified as “fair value through profit or loss”, “loans and receivables”, “available-for-sale”, “held-to-maturity”, or “financial liabilities measured at amortized cost” as defined by the accounting standard.

Transaction costs are included in the initial carrying amount of financial instruments, except transaction costs associated with financial assets classified as available for sale are expensed as incurred.

VULCAN MINERALS INC.

Notes to the Consolidated Financial Statements

December 31, 2017 and 2016

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

n) *Flow-through shares*

Deferred income taxes related to the temporary differences created by the renunciation 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 statement of loss.

4. NEW AND AMENDED ACCOUNTING STANDARDS

New and amended standard adopted by the Company

The following standard has been adopted by the Company for the period beginning on January 1, 2017:

IAS 12, "*Income Taxes*" ("IAS 12") was amended to provide guidance on the recognition of deferred tax assets for unrealized losses, effective for annual periods beginning on or after January 1, 2017. The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value. The adoption of this standard had no impact on the Company's financial statements.

Standards and amendments not yet effective and not yet applied

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

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

VULCAN MINERALS INC.

Notes to the Consolidated Financial Statements

December 31, 2017 and 2016

4. NEW AND AMENDED ACCOUNTING STANDARDS (continued)

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

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

5. GOVERNMENT GRANTS RECEIVABLE

The Company has reflected government grants receivable in the amount of \$18,000 from the Government of Newfoundland and Labrador under the "Junior Exploration Assistance" (JEA) program, with a corresponding amount reflected as a reduction of mineral exploration and evaluation assets. The difference, if any, between the amount recorded and the amount ultimately received will be recorded as an adjustment to the related mineral exploration and evaluation asset. In 2017, the Company received a grant in the amount of \$53,387 from the Government of Newfoundland and Labrador under the JEA program, related to exploration expenditures incurred in 2016. The Company had previously recognized a government grant receivable in the amount of \$32,630 with a corresponding reduction of mineral exploration and evaluation assets in 2016. The difference was recorded as a reduction of mineral exploration and evaluation assets in 2017.

6. INVESTMENTS

	2017	2016
Investments	\$ 23,843	\$ 14,072

Investments, classified as available for sale, consist of:

Shares in a public company received as consideration for option payments on mineral claims with a cost of \$123,600. At December 31, 2017, the market value of the shares is \$18,667 (December 31, 2016 - \$8,168). In years prior to 2015, an unrealized loss of \$118,933 was removed from other comprehensive loss and recorded in the statement of loss. In 2017, an unrealized gain of \$14,000 was removed from other comprehensive income and recorded in the statement of loss.

VULCAN MINERALS INC.

Notes to the Consolidated Financial Statements

December 31, 2017 and 2016

6. INVESTMENTS (continued)

Shares in a public company received as consideration for option payments on mineral claims with a cost of \$91,512. At December 31, 2017, the market value of the shares is \$5,166 (December 31, 2016 – \$5,904). In years prior to 2014, an unrealized loss of \$85,500 was removed from other comprehensive loss and recorded in the statement of loss. In the year ended December 31, 2015, an unrealized loss of \$4,500 was removed from other comprehensive loss and recorded in the statement of loss. In 2017, an unrealized gain of \$2,298 was removed from other comprehensive income and recorded in the statement of loss.

Shares in a public company in which the Company transferred its interest in an offshore exploration licence with a cost of \$497,223. At December 31, 2017, the shares were sold for net proceeds of \$42,027.

Shares in a newly incorporated private company, Vinland Materials Inc. On May 12, 2017, the Company acquired a minority non-controlling interest. This new company was formed to pursue the development of various industrial commodities in the Province of Newfoundland and Labrador.

7. EXPLORATION AND EVALUATION ASSETS

The Company has 36 mineral licences (2016-34) which consist of 1,623 claims (December 31, 2016 – 1,817), 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. The Company holds a database of geological and geophysical data at December 31, 2017 and 2016. A summary of the exploration and evaluation assets is as follows:

	2017			2016			Balance, End of Year \$	
	Balance, Beginning of Year \$	Additions \$	Writedowns \$	Balance, End of Year \$	Balance, Beginning of Year \$	Additions \$		Writedowns \$
Mineral properties								
Property								
acquisition costs	133,930	4,905	(6,840)	131,995	95,615	38,315	-	133,930
Exploration costs	1,533,746	210,484	-	1,744,230	1,354,187	179,559	-	1,533,746
Geological and geophysical data	1,712,259	-	(1,006,931)	705,328	1,839,719	-	(127,460)	1,712,259
	3,379,935	215,389	(1,013,771)	2,581,553	3,289,521	217,874	(127,460)	3,379,935

VULCAN MINERALS INC.

Notes to the Consolidated Financial Statements

December 31, 2017 and 2016

7. EXPLORATION AND EVALUATION ASSETS (continued)

Current year additions to mineral exploration and evaluation assets have been reduced by a government grant of \$38,757 (December 31, 2016- \$39,852) (Note 5). Current year additions to mineral exploration costs include share based compensation of \$6,424 (December 31, 2016- \$4,297).

The Company holds a database of geological and geophysical data. In 2017 and 2016, the Company regrouped certain of its mineral licences at licence renewal dates, and as result, surrendered a portion of the lands associated with the licences. The Company recorded a write-down to the geological and geophysical data in 2017 in the amount of \$1,006,931 (2016-\$127,460), which was in proportion to the land surrendered as compared to the total area covered by the geological and geophysical data. The Company recorded \$6,840 (2016- nil) in write-downs to property acquisition costs for licenses that expired for a total write down of \$1,013,771 year ended December 31, 2017.

8. CAPITAL ASSETS

	2017				2016			
	Drilling Rig	Furniture & Fixtures	Computer Equipment	TOTAL	Drilling Rig	Furniture & Fixtures	Computer Equipment	TOTAL
	\$	\$	\$	\$	\$	\$	\$	\$
Opening balance	798,368	12,296	65,816	876,480	798,368	12,040	63,316	873,724
Additions	-	-	6,631	6,631	-	256	2,500	2,756
Opening depreciation	(764,639)	(10,704)	(55,512)	(830,855)	(750,184)	(10,354)	(51,900)	(812,438)
Adjustments to depreciation	(10,120)	(318)	(5,080)	(15,518)	(14,455)	(350)	(3,612)	(18,417)
Closing balance	23,609	1,274	11,855	36,738	33,729	1,592	10,304	45,625

VULCAN MINERALS INC.
Notes to the Consolidated Financial Statements
December 31, 2017 and 2016

9. INCOME TAXES

a) Deferred income taxes

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

	2017	2016
	\$	\$
Temporary differences related to exploration and evaluation assets	(945,053)	(560,541)
Tax effect of unrealized losses on available-for-sale financial assets	(28,690)	(104,739)
Share issuance costs	(218)	(1,108)
Non-capital loss carryforwards	(770,519)	(660,822)
Capital loss carryforwards	(68,279)	-
(Unrecognized deferred tax asset)	(1,812,759)	(1,327,210)

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% (2016 – 30%) to loss before income taxes as follows:

	2017	2016
	\$	\$
Expected income tax recovery	(513,609)	(242,755)
Share-based compensation costs	6,413	14,456
Non deductible portion-unrealized investment losses	1,347	-
Deferred income tax asset not recognized	203,180	187,312
Effect of rate changes on temporary differences	302,669	40,987
Deferred income tax	-	-

c) Non-capital losses

The Company has non-capital losses at December 31, 2017 amounting to \$2,656,963 which are available to reduce future taxable income. These non-capital losses expire as follows:

2032	\$ 93,451
2033	\$746,435
2034	\$596,121
2035	\$446,904
2036	\$395,786
2037	\$378,266

The Company also has Canadian exploration expenses of \$5,863,954 which may be deducted in determining taxable income of future years.

VULCAN MINERALS INC.
Notes to the Consolidated Financial Statements
December 31, 2017 and 2016

10. SHARE CAPITAL

a) Authorized

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

b) Issued and outstanding

	2017		2016	
	Number	Share Capital \$	Number	Share Capital \$
Common Shares				
Balance, beginning of year	58,526,129	19,101,419	58,526,129	19,101,419
Balance, end of year	58,526,129	19,101,419	58,526,129	19,101,419

(c) Contributed Surplus

A summary of contributed surplus is as follows:

	2017	2016
	\$	\$
Balance, beginning of year	2,675,830	2,652,004
Share-based compensation (Note 11 (b))	18,017	23,826
Balance, end of year	2,693,847	2,675,830

11. 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.

VULCAN MINERALS INC.
Notes to the Consolidated Financial Statements
December 31, 2017 and 2016

11. SHARE-BASED COMPENSATION (continued)

A summary of the status of the Company's stock option plan is as follows:

	December 31 2017		December 31 2016	
	Number of Options	Weighted- Average Exercise Price	Number of Options	Weighted- Average Exercise Price
		\$		\$
Outstanding, beginning of period	3,800,000	0.10	1,700,000	0.10
Granted	250,000	0.10	2,100,000	0.10
Outstanding, end of period	4,050,000	0.10	3,800,000	0.10
Exercisable, end of period	3,925,000	0.10	2,750,000	0.10

The weighted average remaining contractual life of outstanding options is 1.96 years (December 31, 2016 – 2.79 years). The weighted average remaining contractual life of exercisable options is 1.92 years (December 31, 2016 – 2.27 years).

Prior to December 31, 2017, the Company granted 250,000 stock options to employees and advisory board members, with each option entitling the holder to purchase one common share at \$0.10 per share for a period of five years. 125,000 options vested on the date of the grant and the remaining 125,000 options vest December 31, 2018.

Prior to December 31, 2016, the Company granted 2,100,000 stock options to employees, with each option entitling the holder to purchase one common share at \$0.10 per share for a period of five years. 1,050,000 options vested on the date of the grant and the remaining 1,050,000 options vest on December 31, 2017.

b) Fair Value assumptions

The weighted average fair value of stock options granted in the year ended December 31, 2017 was estimated on the date of the grant to be \$ 0.054 (December 31, 2016- \$0.016) using the Black- Scholes fair value option pricing model and the following weighted average assumptions:

	2017	2016
Expected volatility (%)	154	140
Risk free interest rate (%)	1.55	0.67
Weighted-average expected life (years)	5.0	5.0
Dividend yield (%)	0	0

VULCAN MINERALS INC.
Notes to the Consolidated Financial Statements
December 31, 2017 and 2016

11. SHARE-BASED COMPENSATION (continued)

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 Red Moon 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 Red Moon 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 Red Moon and are required to have an exercise price no less than the closing market price of Red Moon'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 the status of the Red Moon Resources Inc. stock option plans is as follows:

	December 31, 2017		December 31, 2016	
	Number of Options	Weighted- Average Exercise Price	Number of Options	Weighted- Average Exercise Price
Outstanding, beginning of period	3,350,000	0.10	1,750,000	0.10
Granted	-	-	1,600,000	0.10
Forfeited	(100,000)	0.10	-	-
Cancelled	(100,000)	0.10	-	-
Outstanding, end of period	3,150,000	0.10	3,350,000	0.10
Outstanding and exercisable, end of period	3,150,000	0.10	2,550,000	0.10

The weighted average remaining contractual life of outstanding options is 1.47 years (December 31, 2016 – 2.57 years). The weighted average remaining contractual life of exercisable options is 1.47 years (December 31, 2016- 2.07 years).

No Stock options were granted in 2017. Prior to December 31, 2016, Red Moon granted 1,600,000 stock options to employees, with each option entitling the holder to purchase one common share at \$0.10 per share for a period of five years. 800,000 options vested on the date of the grant and the remaining 800,000 options vest on December 31, 2017.

VULCAN MINERALS INC.
Notes to the Consolidated Financial Statements
December 31, 2017 and 2016

11. SHARE-BASED COMPENSATION (continued)

d) *Fair value assumptions- Red Moon Resources Inc.*

The weighted average fair value of stock options granted in the year ended December 31, 2016 was estimated on the date of the grant to be \$0.025 using the Black-Scholes fair value option pricing model and the following weighted average assumptions:

	2017	2016
Expected volatility (%)	-	270
Risk free interest rate (%)	-	0.73
Weighted-average expected life (years)	-	5.0
Dividend yield (%)	-	0

e) *Consolidated share-based compensation expense*

On a consolidated basis, the Company recognized share-based compensation costs in the amount of \$27,801 in the year ended December 31, 2017 (\$52,843- year ended December 31, 2016). Share-based compensation in the amount of \$21,377 was expensed for the year ended December 31, 2017 (\$48,186- year ended December 31, 2016) and \$6,424 (December 31, 2016- \$4,657) was capitalized to mineral exploration and evaluation assets.

12. SUPPLEMENTAL CASH FLOW INFORMATION

	2017	2016
	\$	\$
Contributed surplus recognized upon the issuance of stock options recorded as:		
Share-based compensation expense	21,377	48,186
Mineral exploration and evaluation assets	6,424	4,657
Non-cash operating, investing, and financing activities	27,801	52,843

VULCAN MINERALS INC.
Notes to the Consolidated Financial Statements
December 31, 2017 and 2016

13. GENERAL AND ADMINISTRATIVE EXPENSES

	2017	2016
	\$	\$
Office and administrative	126,872	122,337
Management, salaries and contract fees and benefits	371,623	314,614
Directors' fees	20,000	32,500
Transfer agent and professional fees	94,781	137,270
Travel and accommodation	62,303	17,106
	675,579	623,827
Expenses attributable to subsidiary, Red Moon Resources Inc.	81,656	115,401
Expenses attributable to parent, Vulcan Minerals Inc.	593,923	508,426
Total	675,579	623,827

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:

	2017	2016
	\$	\$
Management fees, salaries and benefits for key management personnel		
General and administrative expense	263,450	237,731
Capitalized as mineral exploration and evaluation assets	10,662	8,474
Share-based compensation for key management personnel		
General and administrative	15,552	44,200
Capitalized as mineral exploration and evaluation assets	4,291	4,279
Directors' fees	20,000	32,500
	313,955	327,184

VULCAN MINERALS INC.
Notes to the Consolidated Financial Statements
December 31, 2017 and 2016

14. RELATED PARTY TRANSACTIONS (continued)

	2017	2016
	\$	\$
Rent paid to a corporation which is controlled by the President of the Company	36,000	42,750

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 makes adjustments to it in light of economic conditions. The Company will balance its overall capital structure through new share issuances or by undertaking other activities as deemed appropriate under the specific circumstances.

16. FINANCIAL INSTRUMENTS

Fair values

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

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

Level 2 – valuation techniques based on inputs that are quoted prices of similar instruments in active markets; inputs other than quoted prices used in a valuation model that are observable for that instrument; and inputs that are derived principally from or corroborated by observable market data by correlation or other means;

Level 3 – valuation techniques with significant unobservable market inputs.

The carrying amount of cash and cash equivalents and accounts payable and accrued liabilities, approximate their fair value due to their short-term nature.

The Company's other financial assets (Note 6) would thus be classified as Level 1 as presented below.

VULCAN MINERALS INC.
Notes to the Consolidated Financial Statements
December 31, 2017 and 2016

16. FINANCIAL INSTRUMENTS (continued)

Financial Assets		
Investments	2017	2016
Level 1 (shares in public companies)	\$ 23,843	\$ 14,072
Level 2	-	-
Level 3	-	-
Total financial assets at fair value	\$ 23,843	\$ 14,072

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 that 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. See note 1 for details on going concern.

Accounts payable and accrued liabilities at December 31, 2017 in the amount of \$80,442 (December 31, 2016 - \$101,786) 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.

VULCAN MINERALS INC.

Notes to the Consolidated Financial Statements

December 31, 2017 and 2016

17. COMPARATIVE FIGURES

Certain comparative figures in the notes to the consolidated financial statements have been reclassified in order to conform with the presentation adopted for the current year. Furthermore, a reclassification resulting in a decrease in contributed surplus in the amount of \$142,310, a decrease to deficit of \$81,553 and an increase to non-controlling interest of \$223,863 in the December 31, 2015 statement of changes in equity. In addition a reclassification related to the share based compensation in Red Moon in the year ended December 31, 2016 decreased contributed surplus by \$28,657, decreased the deficit by \$19,105 and increased non-controlling interest by \$9,552. These reclassifications have been made to align the treatment of share based payments in Red Moon with IFRS.

18. CONTINGENCIES

- a) In 2011, the Company was served with a statement of claim by Geophysical Service Incorporated (GSI) wherein it is claimed that the Company, as a co-defendant with Investcan Energy Corporation, has committed a copyright infringement. The claim relates to an allegation that accessing offshore Labrador seismic data, which is released to the public by the Canada Newfoundland and Labrador Offshore Petroleum Board (CNLOPB) after the relevant statutory privilege-confidentiality period, is a breach of copyright. The Company has 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 have 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. Thus the common issues have been fully answered and no further appeals are available. The Company is of the opinion that GSI’s claim against the Company has been fully answered in the Company’s favor as a result of the “common issues” decision and will endeavor to have the claim extinguished in the Supreme Court of Newfoundland and Labrador. No amounts have been recorded in the Company’s accounts related to this claim.
- 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.

VULCAN MINERALS INC.

Notes to the Consolidated Financial Statements

December 31, 2017 and 2016

19. SUBSEQUENT EVENT

On March 21, 2018 a binding Letter of Intent was signed with Fjordland Exploration Inc. (“Fjordland”) granting Fjordland the option to acquire a 65% working interest in 30 mineral claims located in the South Voisey’s area, Labrador. Under the terms of the agreement, Fjordland has the option to pay Vulcan \$45,000 and incur \$150,000 in exploration expenditures over a period of three years. If the option is exercised a joint venture will be formed whereby Vulcan will be carried for 100% of its joint venture expenditures on the claims until Fjordland earns its full interest from Commander Resources Ltd. (“Commander”) on surrounding contiguous lands or a minimum expenditure of \$7 million on those lands.

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

Rex Gibbons

Philip E. Collins

William Koenig

EXCHANGE LISTING

TSX Venture – “VUL”

LEGAL COUNSEL

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

REGISTRAR AND TRANSFER AGENT

Computershare Trust Company of Canada

AUDITORS

PricewaterhouseCoopers LLP

BANKERS

Scotiabank

ADDITIONAL INFORMATION

Please contact, Patrick J. Laracy

Tel: (709) 754-3186

e-mail: info@vulcanminerals.ca

HEAD OFFICE

333 Duckworth Street
St. John’s, NL, A1C 1G9
Tel: (709) 754-3186
Fax: (709) 754-3946
Website: www.vulcanminerals.ca