

**VULCAN MINERALS INC.**

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

**For the Year Ended December 31, 2018**

*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 mineral exploration on properties in Newfoundland and Labrador. The Company is an exploration venture company and has no proven reserves. The Company holds 66.4% (2017-66.6%) interest in Red Moon Resources Inc. (Red Moon), a publicly traded company at December 31, 2018. Red Moon is engaged in industrial mineral exploration development and production on properties in Newfoundland and Labrador.

This MDA should be read in conjunction with the audited interim condensed consolidated financial statements for the twelve months ended December 31, 2018 and accompanying notes. The consolidated financial statements include the accounts of the Company and 66.4% (2017-66.6%) held subsidiary, Red Moon Resources Inc.

### DATE

The date of this MDA is April 26th, 2019.

### OVERALL PERFORMANCE

The Company reported a net loss in the amount of \$1,719,480 for the year ended December 31, 2018 (\$1,712,031- year ended December 31, 2017).

The Company recorded an impairment its exploration and evaluation assets in the amount of \$851,800 (2017-\$1,013,771) for the year ended December 31, 2018. The Company regrouped certain of its mineral licenses 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 proportion to the land surrendered as compared to the total area covered by the geological and geophysical data.

The Company recorded stock-based compensation expense in the amount of \$217,206 for the year ended December 31, 2018 (2017-\$21,377). In the year ended December 31, 2018 the Company granted 3,250,000 (2017 – 250,000) stock options to directors, 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. 1,475,000 options vested on the date of the grant and the remaining 1,775,000 options vest December 31, 2019. In the year ended December 31, 2018 the Company’s subsidiary, Red Moon Resources Inc. granted 2,400,000 (2017 – nil) stock options to directors, 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. 1,200,000 options vested on the date of the grant and the remaining 1,200,000 options vest December 31, 2019.

The following table outlines the significant components of consolidated general and administrative expenses for each of the years ended December 31, 2018 and December 31, 2017.

	2018	2017
	\$	\$
Office and administrative	117,012	126,872
Management, salaries and contract fees and benefits	350,126	371,623
Directors' fees	20,000	20,000
Transfer agent and professional fees	100,495	94,781
Travel and accommodation	34,985	62,303
	<b>622,618</b>	<b>675,579</b>
Expenses attributable to subsidiary, Red Moon Resources Inc.	84,399	81,656
Expenses attributable to parent, Vulcan Minerals Inc.	538,219	593,923
<b>Total</b>	<b>622,618</b>	<b>675,579</b>

## 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 (%)
<b>COL-30</b>	7.01	27.43	2.3
<b>COL-48</b>	24.38	262.13	1.02
<b>COL-3</b>	5.49	48.77	2.6
<b>COL-16</b>	4.57	12.19	1.13
<b>COL-16</b>	5.18	32.00	1.7

<b>COL-16</b>	21.03	112.78	0.95
<b>COL-21</b>	28.96	35.05	1.2
<b>COL-49</b>	33.53	152.40	0.8
<b>COL-35</b>	13.11	62.48	1.06
<b>COL-37</b>	7.32	39.62	1.3
<b>COL-41</b>	31.39	102.11	1.05
<b>COL-51</b>	12.19	68.58	1.44
<b>COL-51</b>	19.81	146.30	1.04

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. Based on the evaluation certain lower perspective claims were reduced from the project. No field work was carried out in 2018 and the main property is in good standing.

#### *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 the Lizard Pond South showing 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. The property is considered to be in a mineralized trend along the west side of the Mt. Peyton pluton that contains a recent high grade gold intersection by Sokoman Iron Corp (11.9 meters of 44.9 grams/tonne gold as per their July 24, 2018 news release). This gold intersection has sparked recent staking and drilling activity near the Lizard Pond property. The Company carried out prospecting and mapping work in 2018. Based on this evaluation certain lower prospective claims were reduced from the property. Future work will depend on the availability of financing and the level of exploration occurring in the area.

### *Red Cross Lake Nickel/Copper/Cobalt/Gold Project*

The Company completed a review of the Red Cross Lake property in central Newfoundland for its nickel, copper and cobalt potential in 2018. The property contains the Red Cross Lake intrusive suite, a layered mafic-ultramafic intrusion that received a preliminary evaluation of its nickel potential by Falconbridge in 2005. The property is favourably situated in a structural setting considered favourable for the formation of magmatic nickel-copper-cobalt mineralization. The property structurally offsets the Marathon gold deposit to the west, which is currently being delineated by Marathon Gold Corp. As such, gold was the initial focus of attention on this property and will remain a target of interest based on the positive results of the 2017 soil geochemical survey. However, the nickel potential of the project warrants evaluation. There are several factors that highlight the potential for nickel sulphide development, including evidence of nickel depletion in certain units of the intrusion. This may indicate that an immiscible sulphide melt could have preferentially extracted this nickel, which is a critical process for forming nickel sulphide mineralization. The continuing review has included inspection and sampling of drill core from historical exploration, as well as a compilation and analysis of historical geophysical data. The geophysical data indicates the potential for electrical conductors on the property which may represent drill targets. A modern time-domain deep penetrating electro magnetic survey is proposed for the property subject to the availability of survey equipment in 2019.

### *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 targets that Fjordland Exploration Inc. (Fjordland) and Commander Resources Ltd. (Commander) drilled in October 2017. The Project comprises four licences containing a total of 72 claims.

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.

On March 21, 2018 a binding Letter of Intent was signed with Fjordland granting it 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 on surrounding contiguous lands or a minimum expenditure of \$7 million on those lands. During the summer of 2018 Fjordland carried out a drilling program (approx. 1300 meters) at the South Voisey's Bay project. Some of the drill locations are on or near Vulcan's claims but did not encounter significant mineralization. Subsequent to year-end Fjordland advised that they are terminating this option agreement. The lands are in good standing based on the exploration assessment work carried out.

### *Red Moon Resources*

Red Moon Resources Inc., a subsidiary in which Vulcan holds a 66.4% (2017-66.6%) ownership interest, owns a 100% interest in mineral licences covering a portion of the Bay St. George Basin in Western Newfoundland. 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 development of the Captain Cook salt deposit, the Ace gypsum development and production and the nepheline syenite project. A National Instrument 43-101 compliant mineral resource report with respect to the Captain Cook salt deposit was completed in 2016 by APEX Geoconsultants Ltd.. 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 commenced production at its Ace gypsum deposit in western Newfoundland. The deposit is part of the historic Flat Bay gypsum mines that have been dormant since 1990. Red Moon has identified potential markets that warrant the permitting and revitalization of the mine commensurate with market demand for gypsum. Production activities commenced in late July and two sales of gypsum have occurred to date. Markets for 2019 have been identified and production will be ramped up.

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 was analyzed and processed at the laboratory to better gauge the beneficiation characteristics of the raw nepheline syenite. Results indicate favourable characteristics and Red Moon is planning further sampling work and is also soliciting partners to advance the project.

#### Western Newfoundland-Petroleum (Onshore)

##### *Bay St. George*

The Company held a 2.0% gross overriding royalty on three petroleum permits (permits 03-106, 03-107, and 96-105) covering approximately 250,000 acres in the onshore Bay St. George area in western Newfoundland, operated by Investcan Energy Corporation (Investcan). Investcan 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 posted as reclamation bonds, were refunded to the Company in April 2018.

##### Investment-Other

On May 12, 2017, the Company acquired an interest in a newly formed private company, Vinland Materials Inc. 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 2019

The Company is soliciting partners to advance each of its projects. The Company will also continue to advance, through Red Moon, the Captain Cook salt project towards feasibility and assist with production activities at the Ace gypsum mine.

## SUMMARY OF QUARTERLY RESULTS

Quarter	Total Income	Net Loss	Net Loss per share
	\$	\$	\$
December 31, 2018	17,771	(331,918)	(0.010)
September 30, 2018	nil	(468,242)	(0.008)
June 30, 2018	286	(691,804)	(0.011)
March 31, 2018	302	(227,516)	(0.004)
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)

Revenue for each quarter is represented by interest income except for Q4 2018 & Q4 2017. In Q4 2018 revenue is from an equity accounted investment while Q4 2017 is \$42,027 income on available for sale investment sold in the quarter. Due to the change from IAS 39 to IFRS 9 previously accounted for available for sale investments are now recognized in OCI and therefore no further income from available for sale investments will be recorded in the income statement. Net loss for the quarter ended September 30, 2018 includes a provision for write down of exploration and evaluation assets in the amount of \$316,409. Net loss for the quarter ended June 30, 2018 included a provision for write-down of exploration and evaluation assets in the amount \$365,584 and stock-based compensation of \$163,083. 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.

## LIQUIDITY

At December 31, 2018 the Company had current assets of \$85,326 which include cash of \$34,678 including cash of \$1,755 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. Subsequent to year-end the Company completed a private placement for \$150,000 while Red Moon completed a private placement of \$255,000.

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 established revenue from mineral properties. The Company's ability to continue in the long term will be dependent on equity financing or obtaining joint venture partners.

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. 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.

## CAPITAL RESOURCES

The Company holds 19 mineral licences and subsidiary company, Red Moon, has 14 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 \$260,905 for the year ended December 31, 2018 (\$274,112- for the year ended December 31, 2017). The Company also recognized \$198,494 in share-based compensation (\$19,843 in 2017).

The Company paid directors' fees totalling \$20,000 for the year ended December 31, 2018 (\$20,000- year ended December 31, 2017). 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 Vulcan Minerals and Red Moon have resolved to pay no directors' fees in 2019.

The Company and its subsidiary, Red Moon, expensed premises rent aggregating \$36,000 (2017- \$36,000) for the year ended December 31, 2018 to a private company owned and controlled by the President of the Company. Included in this amount is \$10,000 accrued as a payable by Red Moon Resources Inc. for the months March to December 2018.

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.

## STOCK OPTIONS

### *Vulcan Minerals Inc.*

In the year ended December 31, 2018 the Company granted 3,250,000 (2017 – 250,000) stock options to directors, 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. 1,475,000 options vested on the date of the grant and the remaining 1,775,000 options vest December 31, 2019.

### *Red Moon Resources Inc.*

In the year ended December 31, 2018 the Company's subsidiary, Red Moon Resources Inc. granted 2,400,000 (2017 – nil) stock options to directors, 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. 1,200,000 options vested on the date of the grant and the remaining 1,200,000 options vest December 31, 2019.

On a consolidated basis, the Company recognized share-based compensation costs in the amount of \$219,291 in the year ended December 31, 2018 (\$27,801- year ended December 31, 2017). Share-based compensation in the amount of \$217,207 was expensed for the year ended December 31, 2018 (\$21,377- year ended December 31, 2017) and \$2,085 (December 31, 2017- \$6,424) was capitalized to mineral exploration and evaluation assets.

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

On January 1, 2018, the Company adopted IFRS 9, which replaced IAS 39 “Financial Instruments: Recognition and Measurement” (“IAS 39”). IFRS 9 provides a revised model for the classification and measurement of financial assets that eliminates the previous categories of financial assets under IAS 39 of “available for sale”, “held-to-maturity”, or “loans and receivables”. Under IFRS 9, on initial recognition, a financial asset is classified as and measured at: amortized cost, fair value through profit and loss (“FVPL”), or fair value other comprehensive income (“FVOCI”). The revised model for classifying financial assets results in classification according to their contractual cash flow characteristics and the business models under which they are held. This standard incorporates a new hedging model, which increases the scope of hedged items eligible for hedge accounting and aligns hedge accounting more closely with risk management. IFRS 9 replaces the “incurred” loss model in IAS 39 with “an expected credit loss” (“ECL”) model for calculating impairment. This new standard also increases required disclosure about an entity’s risk management strategy, cash flows from hedging activities, and the impact of hedge accounting on the financial statements. IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

The following table summarizes the classification and measurement changes for the Corporation’s financial assets and financial liabilities as a result of the adoption of IFRS 9.

	<b>IFRS 9</b>		<b>IAS 39</b>	
	<b>Measurement category</b>	<b>Carrying amount</b>	<b>Measurement category</b>	<b>Carrying amount</b>
<b>Financial Assets</b>				
Cash	Amortized cost	34,678	Amortized cost (Loans and receivables)	355,726
Accounts receivable	Amortized cost	7,956	Amortized cost (Loans and receivables)	11,157
Due from related company	Amortized cost	94,490	Amortized cost (Loans and receivables)	62,990
Investments	FVOCI	2,632	Amortized cost (Loans and receivables)	23,843
<b>Financial Liabilities</b>				
Accounts payable and accrued liabilities	Amortized cost	91,627	Other financial liabilities	80,442

As a result of the new classification model and measurement requirements under IFRS 9, the Company has elected to classify the available-for-sale investments as fair value through other comprehensive income investments. Under this classification, there is no recycling of gains or losses from

accumulated other comprehensive income to profit or loss. Due to the adoption of IFRS 9, a gain of approximately \$15,863 on the disposal of investments classified as fair value through other comprehensive income was recorded in other comprehensive income rather than profit or loss during the period. The measurement for these instruments and the line item in which they are included in the financial statements were unaffected by the adoption of IFRS 9. In accordance with the transitional provisions, the comparative information for prior periods have not been restated.

### **Standards and amendments not yet effective and not yet applied**

IFRS 16, "Leases" ("IFRS 16") is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted. 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.

IFRIC 23, "Uncertainty over income tax treatments" ("IFRIC 23") is effective for annual periods on or after January 1, 2019 and clarifies how the recognition and measurement requirements of IAS 12, "Income taxes" ("IAS 12"), are applied where there is uncertainty over income tax treatments.

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

### **FINANCIAL INSTRUMENTS AND OTHER RISKS**

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 fair value through other comprehensive income. The investments had a carrying value of \$2,632 at December 31, 2018.

### **Business Risks**

The Company is a junior exploration company principally involved in mineral exploration which are inherently high-risk activities. The business of exploring for, developing, and acquiring, mineral 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, 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 though Red Moon has initiated production at its Ace gypsum mine, this operation is at an early stage as it establishes its presence in the marketplace and secures a reliable cash flow. The Company has traditional sources of funding available including equity and joint venture financing arrangements. Only the skills of management and staff in mineral 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, 2018, the Company had a cash balance of \$34,678 and negative working capital of \$34,967. The Company has no established current source of operating cash flow other than revenues from the Ace gypsum mine. The Company has completed two private placements of \$150,000 and \$255,000 in Red Moon Resources however 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 however subsequent to year end closed a private placement for \$255,000.

### ***Commodity price risk***

The recoverability of the costs of exploration and evaluation properties is partially related to the market price of minerals. 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**

- 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 61,352,765 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 have 9,400,000 stock options outstanding at April 26, 2019 (of which 3,800,000 relate to subsidiary, Red Moon) summarized in the table below. There were 6,425,000 options vested and exercisable at April 26, 2019 (of which 2,600,000 relate to subsidiary, Red Moon).

Vulcan Minerals has 1,413,318 share purchase warrants outstanding at April 26, 2019. The subsidiary company has 3,800,000 share purchase warrants outstanding at April 26, 2019 summarized in the table below, of which 2,000,000 are held by Vulcan.

<b>Date Issued</b>	<b>Number</b>	<b>Exercise Price</b>	<b>Details</b>
<b>Vulcan as follows:</b>			<b>Stock Options</b>
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 Committee & Employee, Expiry September 27, 2022
April 27, 2018	2,750,000	\$0.10	Directors', Advisory Committee & Employees, Expiry April 27, 2023
October 10, 2018	500,000	\$0.10	Advisory Committee, Expiry October 10, 2023
			<b>Warrants</b>
Dec 14, 2018	433,318	\$0.12	Share Purchase Warrants, Expiry December 14, 2021
Jan 31, 2019	980,000	\$0.12	Share Purchase Warrants, Expiry January 31, 2021
<b>Red Moon as follows:</b>			<b>Stock Options</b>
March 16, 2016	1,400,000	\$0.10	Directors' Options, Expiry March 16, 2021
April 27, 2018	2,400,000	\$0.10	Directors' Options, Expiry April 27, 2023
			<b>Warrants</b>
April 9, 2019	1,275,000	\$0.25	Share Purchase Warrants, Expiry April 9, 2021
Dec 1, 2015	2,525,000	\$0.10	Share Purchase Warrants, Expiry November 6, 2020

#### ADDITIONAL INFORMATION

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



**Consolidated Financial Statements**  
For the Years Ended December 31, 2018 and 2017

**VULCAN MINERALS INC.**  
December 31, 2018 and 2017

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## *Independent auditor's report*

To the Shareholders of Vulcan Minerals Inc.

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### *Our opinion*

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Vulcan Minerals Inc. and its subsidiaries (together, the Company) as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

#### **What we have audited**

The Company's consolidated financial statements comprise:

- the consolidated balance sheets as at December 31, 2018 and 2017;
- the consolidated statements of loss for the years then ended;
- the consolidated statements of comprehensive loss for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

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### *Basis for opinion*

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

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

#### **Independence**

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

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### *Material uncertainty related to going concern*

We draw attention to Note 1 in the consolidated financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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*PricewaterhouseCoopers LLP*  
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T: +1 709 722 3883, F: +1 709 722 5874

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



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### *Other information*

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis of Financial Conditions and Results of Operations.

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

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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



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

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

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

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

(signed) *"PricewaterhouseCoopers LLP"*

Chartered Professional Accountants  
St. John's, Newfoundland and Labrador  
April 29, 2019

**VULCAN MINERALS INC.**  
**Consolidated Balance Sheets**  
**As at December 31**

(in Canadian dollars)	2018	2017
	\$	\$
<b>Assets</b>		
Current assets		
Cash	34,678	355,726
Accounts receivable	7,956	11,157
Government grants receivable (Note 5)	-	18,000
Prepaid expenses	12,692	14,250
Deposits	-	330,650
Inventory	30,000	60,224
	<b>85,326</b>	<b>790,007</b>
Due from related company (Note 6)	94,490	62,990
Investments (Note 6)	19,923	23,843
Exploration and evaluation assets (Note 7)	1,905,468	2,581,553
Capital assets (Note 8)	29,428	36,738
	<b>2,134,635</b>	<b>3,495,131</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	91,627	80,442
Deferred option payments (Note 9)	10,000	-
Flow through premium liability (Note 12d)	8,666	-
Subscriptions received in advance (Note 19)	10,000	-
	<b>120,293</b>	<b>80,442</b>
Asset retirement obligation (Note 10)	35,777	-
	<b>156,070</b>	<b>80,442</b>
<b>Equity (notes 12 and 20)</b>		
Shareholders' equity	1,369,026	2,782,485
Non-controlling interest	609,539	632,204
	<b>1,978,565</b>	<b>3,414,689</b>
	<b>2,134,635</b>	<b>3,495,131</b>
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. Lacey	<b>Director</b>	
William Koenig	<b>Director</b>	

See accompanying notes to the consolidated financial statements

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

(in Canadian dollars)	2018	2017
	\$	\$
<b>Income (Expenses)</b>		
Income from equity accounted investments	17,551	-
Interest income	748	4,169
Gain on sale of investment	-	42,027
Impairment of exploration and evaluation assets	(851,800)	(1,013,771)
Write down of inventory	(30,224)	(16,000)
Bad debt expense	(3,500)	(7,000)
General and administrative (Note 15)	(622,618)	(675,579)
Share-based compensation (Note 13)	(217,206)	(21,377)
Depreciation (Note 8)	(12,431)	(15,518)
Unrealized gain/loss on investments	-	(8,982)
<b>Net loss</b>	<b>(1,719,480)</b>	<b>(1,712,031)</b>
Net loss attributable to:		
Common shareholders	(1,653,502)	(1,680,501)
Non-controlling interest	(65,978)	(31,530)
	<b>(1,719,480)</b>	<b>(1,712,031)</b>
Net loss per share - basic and diluted	<b>(0.03)</b>	<b>(0.03)</b>
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)	2018	2017
	\$	\$
<b>Net loss</b>	<b>(1,719,480)</b>	<b>(1,712,031)</b>
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
Change in fair value on investments classified as FVOCI	15,863	-
Unrealized gain/loss on available for sale financial assets reallocated to statement of loss	-	8,982
	<b>15,863</b>	<b>18,744</b>
<b>Comprehensive loss</b>	<b>(1,703,617)</b>	<b>(1,693,287)</b>
Comprehensive loss attributable to:		
Common shareholders	(1,637,639)	(1,661,757)
Non-controlling interest	(65,978)	(31,530)
	<b>(1,703,617)</b>	<b>(1,693,287)</b>

See accompanying notes to the consolidated financial statements

**VULCAN MINERALS INC.**  
**Consolidated Statements of Changes in Equity**

(in Canadian dollars)

	Share Capital	Share Capital and Warrants to be Issued	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Deficit	Total Shareholders' Equity	Non-Controlling Interest	Total Equity
	\$		\$	\$	\$	\$	\$	\$
	<i>Notes 12 (a) and (b)</i>	<i>Notes 12 (d)</i>	<i>Notes 12 (c),17</i>					
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
<b>Balance, December 31, 2017</b>	<b>19,101,419</b>	<b>-</b>	<b>2,693,847</b>	<b>16,298</b>	<b>(19,029,079)</b>	<b>2,782,485</b>	<b>632,204</b>	<b>3,414,689</b>
Net loss and comprehensive loss								
January 1, 2018 - December 31, 2018	-	-	-	15,863	(1,653,502)	(1,637,639)	(65,978)	(1,703,617)
Issuance of shares and warrants pursuant								
to private placements	-	43,332	-	-	-	43,332	-	43,332
Share issuance costs	-	(1,125)	-	-	-	(1,125)	-	(1,125)
Share-based compensation in parent	-	-	107,365	-	-	107,365	-	107,365
Gain/loss on Red Moon Shares	-	-	-	-	322	322	5,673	5,995
Equity transactions of subsidiary	-	-	-	-	-	-	-	-
Share-based compensation in subsidiary	-	-	-	-	74,286	74,286	37,640	111,926
<b>Balance, December 31, 2018</b>	<b>19,101,419</b>	<b>42,207</b>	<b>2,801,212</b>	<b>32,161</b>	<b>(20,607,973)</b>	<b>1,369,026</b>	<b>609,539</b>	<b>1,978,565</b>

See accompanying notes to the consolidated financial statements

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

(in Canadian dollars)	2018	2017
	\$	\$
<b>Operating Activities</b>		
Net loss	(1,719,480)	(1,712,031)
Adjustment for non cash items :		
Gain on sale of investment	-	(42,027)
Impairment of exploration and evaluation assets	851,800	1,013,771
Write down of inventory	30,224	16,000
Allowance for bad debt expense	3,500	7,000
Income from equity accounted investments	(17,551)	-
Share-based compensation	217,206	21,377
Unrealized loss on investments	-	8,982
Depreciation	12,431	15,518
	<b>(621,870)</b>	<b>(671,410)</b>
Changes in non-cash working capital		
Accounts receivable	3,201	(14,514)
Prepaid expenses	1,558	1,832
Accounts payable and accrued liabilities	3,905	(23,824)
	<b>(613,206)</b>	<b>(707,916)</b>
<b>Financing Activities</b>		
Share issuance costs	(1,125)	(750)
Private placement of shares and warrents	51,998	-
Deferred option payments	10,000	-
Subscriptions received in advance	10,000	-
	<b>70,873</b>	<b>(750)</b>
<b>Investing Activities</b>		
Exploration and evaluation assets	(221,601)	(229,309)
Deposits refunded	366,150	(2,400)
Change in accounts payable -exploration and evaluation assets	7,280	2,481
Change in accounts receivable- exploration and evaluation assets	-	20,345
Government grant	18,000	53,387
Proceeds from gypsum revenues	48,248	-
Proceeds from investments	43,329	42,027
Advances to related company	(35,000)	(69,990)
Acquisition of capital assets	(5,121)	(6,631)
Acquisition of investments	-	(10)
	<b>221,285</b>	<b>(190,100)</b>
Net change in cash for the year	<b>(321,048)</b>	<b>(898,766)</b>
Cash, beginning of year	<b>355,726</b>	<b>1,254,492</b>
<b>Cash, end of year</b>	<b>34,678</b>	<b>355,726</b>

See accompanying notes to the consolidated financial statements

**VULCAN MINERALS INC.**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2018 and 2017**

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**1. NATURE OF OPERATIONS AND GOING CONCERN**

Vulcan Minerals Inc. is engaged in the evaluation, acquisition and exploration of mineral in Newfoundland and Labrador. The Company plans to ultimately develop the properties as joint ventures, bring them into production, option or lease properties to third parties, or sell the properties outright. The Company is considered to be in the exploration stage on most of its projects except through its subsidiary Red Moon Resources Inc. which is in the pre-production phase for gypsum.

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

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 \$1,719,480 for the year ended December 31, 2018 (2017-\$1,712,031) and had an accumulated deficit of \$20,607,973 (2017 - \$19,029,079). The Company had income of \$748 from interest (2017- \$4,169) and \$17,155 income from equity accounted investments for the year ended December 31, 2018. The Company had a negative working capital of \$34,967 at December 31, 2018 (2017- positive \$709,565).

The Company has entered the pre-production stage with respect to its Ace Gypsum mining project and has proceeds from pre-production income of \$48,248 (2017 – nil) during the year. While this has provided the Company with a source of cash inflows, the Company must secure sufficient funding to further develop this project and 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 4.

**VULCAN MINERALS INC.**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2018 and 2017**

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**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, 2019.

**3. NEW AND AMENDED ACCOUNTING STANDARDS**

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

On January 1, 2018, the Company adopted IFRS 9, which replaced IAS 39 “Financial Instruments: Recognition and Measurement” (“IAS 39”). IFRS 9 provides a revised model for the classification and measurement of financial assets that eliminates the previous categories of financial assets under IAS 39 of “available for sale”, “held-to-maturity”, or “loans and receivables”.

Under IFRS 9, on initial recognition, a financial asset is classified as and measured at: amortized cost, fair value through profit and loss (“FVPL”), or fair value other comprehensive income (“FVOCI”). The revised model for classifying financial assets results in classification according to their contractual cash flow characteristics and the business models under which they are held. This standard incorporates a new hedging model, which increases the scope of hedged items eligible for hedge accounting and aligns hedge accounting more closely with risk management. IFRS 9 replaces the “incurred” loss model in IAS 39 with “an expected credit loss” (“ECL”) model for calculating impairment. This new standard also increases required disclosure about an entity’s risk management strategy, cash flows from hedging activities, and the impact of hedge accounting on the financial statements. IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

The following table summarizes the classification and measurement changes for the Corporation’s financial assets and financial liabilities as a result of the adoption of IFRS 9.

**VULCAN MINERALS INC.**  
**Notes to the Consolidated Financial Statements**  
December 31, 2018 and 2017

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

	IFRS 9		IAS 39	
	Measurement category	Carrying amount	Measurement category	Carrying amount
<b>Financial Assets</b>				
Cash	Amortized cost	34,678	Amortized cost (Loans and receivables)	355,726
Accounts receivable	Amortized cost	7,956	Amortized cost (Loans and receivables)	11,157
Due from related company	Amortized cost	94,490	Amortized cost (Loans and receivables)	62,990
Investments	FVOCI	2,632	Amortized cost (Loans and receivables)	23,843
<b>Financial Liabilities</b>				
Accounts payable and accrued liabilities	Amortized cost	91,627	Other financial liabilities	80,442

As a result of the new classification model and measurement requirements under IFRS 9, the Company has elected to classify the available-for-sale investments as fair value through other comprehensive income investments. Under this classification, there is no recycling of gains or losses from accumulated other comprehensive income to profit or loss. Due to the adoption of IFRS 9, a gain of approximately \$15,863 on the disposal of investments classified as fair value through other comprehensive income was recorded in other comprehensive income rather than profit or loss during the period. The measurement for these instruments and the line item in which they are included in the financial statements were unaffected by the adoption of IFRS 9. In accordance with the transitional provisions, the comparative information for prior periods have not been restated.

**Standards and amendments not yet effective and not yet applied**

IFRS 16, "Leases" ("IFRS 16") is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted. 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.

# VULCAN MINERALS INC.

## Notes to the Consolidated Financial Statements

December 31, 2018 and 2017

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### 3. NEW AND AMENDED ACCOUNTING STANDARDS (continued)

IFRIC 23, "*Uncertainty over income tax treatments*" ("IFRIC 23") is effective for annual periods on or after January 1, 2019 and clarifies how the recognition and measurement requirements of IAS 12, "*Income taxes*" ("IAS 12"), are applied where there is uncertainty over income tax treatments.

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

### 4. SIGNIFICANT ACCOUNTING POLICIES

#### *a) Basis of consolidation*

The consolidated financial statements include the accounts of the Company and the entities controlled by the Company (its subsidiaries). The Company's subsidiaries include Red Moon Resources Inc. (formerly Red Moon Potash Inc.) in which the Company has a 66.4% interest (2017 – 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. 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

# VULCAN MINERALS INC.

## Notes to the Consolidated Financial Statements

December 31, 2018 and 2017

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### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

*Fair value of investments:* The Company follows the guidance of IFRS 9 “Financial Instruments-Recognition and Measurement” to determine when an available-for-sale equity investment is impaired. This determination requires significant judgment. The Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the financial health and short-term business outlook for the investee, including factors such as industry and sector performance, and operational and financing cash flows.

*Asset retirement obligation:* The Company’s exploration activities are subject to various laws and regulations governing the protection of the environment. The Company recognizes management’s best estimate for asset retirement obligations in the period in which they are incurred. Actual costs incurred in future periods could differ materially from the estimates. Additionally, future changes to environmental laws and regulations, timing of estimated cash flows and discount rates could affect the carrying amount of this provision.

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

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

#### *c) Share-based compensation*

The Company has equity settled share-based payment plans. The Company uses the fair value method to measure compensation expense at the date of grant of stock options to directors, officers and employees. The fair value of options is determined using the Black-Scholes option pricing model and is amortized to earnings or loss over the vesting period with a corresponding increase to contributed surplus. When options are exercised, the corresponding contributed surplus and the proceeds received by the Company are credited to share capital.

**VULCAN MINERALS INC.**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2018 and 2017**

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**4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

Forfeiture of stock options is estimated on issuance and the number of stock options expected to vest is reviewed at least annually with any adjustment being recognized immediately.

*d) Income taxes*

Income tax expense is comprised of current and deferred income tax. Current tax and deferred income tax are recognized in earnings or loss except to the extent that they relate to items recognized directly in shareholders' equity or in other comprehensive income.

Current tax expense comprises the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to apply when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on either the same taxable entity, or on different taxable entities, which intend to settle tax liabilities and assets on a net basis or realize their tax assets and liabilities simultaneously.

A deferred tax asset is recognized for unused tax losses, unused tax credits and deductible temporary differences, to the extent that it is probable that future taxable income will be available against which the unused tax losses, unused tax credits and temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that all or part of the related tax benefit will be realized.

*e) Earnings (loss) per share*

Basic net earnings (loss) per share is calculated by dividing net earnings (loss) by the weighted-average number of common shares outstanding during the period. Diluted net loss per share is equivalent to basic loss per share as the inclusion of outstanding options is anti-dilutive.

*f) Cash and cash equivalents*

Cash consists of cash on hand and deposits in banks.

*g) Deposits*

The Company makes deposits on mineral licences which are refundable when and if the Company incurs sufficient exploration expenditures within a specified time frame and files a related report with the appropriate government authorities. Should the Company not incur the applicable exploration

**VULCAN MINERALS INC.**  
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**4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

expenditures, post a bond in lieu thereof or fail to submit the related exploration report within the applicable timeframe, the deposit becomes non-refundable and is added to mineral properties.

*h) Inventory*

The Company has inventory of casing purchased for previous drilling which was not utilized. The Company may sell or use this inventory in a future period. Inventory is valued at the lower of cost and net realizable value.

*i) Government 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).

*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.

# VULCAN MINERALS INC.

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### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *l) Investments*

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

#### *m) Asset retirement obligations*

The Company recognizes a liability for retirement obligations associated with long-lived assets, which includes the abandonment of exploration and evaluation and costs required to return the property to its original condition.

The Company recognizes the fair value of the liability for an asset retirement obligation in the period in which it is incurred and records a corresponding increase in the carrying value of the related long-lived asset. Fair value is determined through a review of engineering studies, industry guidelines, and management estimates. Fair value is estimated using the present value of the estimated future cash outflows to abandon the asset at the asset's risk-free discount rate. The liability is subsequently adjusted for the passage of time, and is recognized as an accretion expense in the consolidated statements of loss. The liability is also adjusted due to revisions in either the timing or the amount of the original estimated cash flows associated with the liability. If the retirement obligation relates to an area still in the exploration and evaluation stage the retirement obligation is capitalized to the exploration and evaluation asset. Subsequent to original measurement, accretion expense is also capitalized to the exploration and evaluation asset.

#### *n) Impairment of non-financial assets*

The carrying amount of the Company's mineral exploration and evaluation assets, petroleum and natural gas exploration and evaluation assets, and equipment is assessed at each reporting period to determine whether there is any indication of impairment. If an indication of impairment exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Assets are grouped at the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets (cash generating unit "CGU"). A CGU may include certain aggregated mineral exploration and evaluation assets and equipment. A CGU's recoverable amount is the higher of its fair value less costs to sell and its value in use. When the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount, with the impairment loss recognized in net loss for the reporting period. Where an impairment subsequently reverses, the carrying amount of the asset is increased to the revised estimate of the recoverable amount, but only to the extent that this amount does not exceed the carrying amount that would have been recognized, net of depletion, depreciation and amortization, had an impairment loss not been recognized in previous periods.

#### *o) Financial instruments - 2018*

From January 1, 2018, the Company has applied IFRS 9 and classifies its financial instruments in the following measurement categories: fair value through profit and loss (FVTPL); fair value through other

# VULCAN MINERALS INC.

## Notes to the Consolidated Financial Statements

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#### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

comprehensive income (FVOCI); or amortized cost. Management determines the classification of its financial instruments at initial recognition.

The accounting policies from January 1, 2018 related to these financial assets and liabilities are as follows:

##### *Amortized cost and effective interest rate*

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

##### *Initial recognition and measurement*

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

##### *Classification and subsequent measurement*

A financial asset is subsequently measured at:

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

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

- FVOCI; or
- Amortized cost

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

##### *Impairment of financial assets*

Financial assets which are measured subsequent to initial recognition at amortized cost are assessed for indicators of impairment at the end of each reporting period. The amount of the impairment loss, if any, is the difference between the asset's carrying amount and the present value of estimated future cash

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**4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

flows, discounted at the financial asset's original effective interest rate. The Company's financial assets carried at amortized cost consist only of cash, accounts receivable and due from related company.

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

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

*p) Financial instruments - 2017*

Under IAS 39 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 cost 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 statement of net and comprehensive loss. The Company currently has no financial instruments recorded in this category.

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 statement of loss. The Company currently has no financial instruments recorded 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 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

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**4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

comprehensive loss and recognized in the statement of loss. The Company currently has no financial instruments recorded in this category.

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 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.

*q) Flow-through shares*

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

**5. GOVERNMENT GRANTS RECEIVABLE**

In the prior year the company 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 is recorded as an adjustment to the related mineral exploration and evaluation asset.

# VULCAN MINERALS INC.

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### 6. INVESTMENTS

Investments	2018- IFRS 9	2017- IAS 39
	\$ 19,923	\$ 23,843

Investments, classified as fair value through other comprehensive income (2017 - available for sale), consist of shares in a public company with a cost of \$91,522 and a fair value of \$2,632. The Company has shares in an equity accounted investment with a value of \$17,561. The Company also non-interest bearing loan to the equity accounted investment in the amount \$104,990 (2017-\$69,990).

### 7. EXPLORATION AND EVALUATION ASSETS

The Company has 33 mineral licences (2017 - 36) which consist of 800 claims (2017 - 1,623), which are active and in good standing with the Department of Natural Resources in the Province of Newfoundland and Labrador. These licences are in the exploration and evaluation stage. A summary of the exploration and evaluation assets is as follows:

	December 31, 2018				December 31, 2017				
	Balance, Beginning of Year	Additions	Impairment	Incidental Revenue	Balance, End of Year	Balance, Beginning of Year	Additions	Impairment	Balance, End of Year
	\$	\$	\$		\$	\$	\$		\$
<b>Mineral properties</b>									
<b>Property acquisition</b>	131,995	20,248	(72,500)	-	79,743	133,930	4,905	(6,840)	131,995
<b>Exploration costs</b>	1,744,230	203,715	(73,972)	(48,248)	1,825,725	1,533,746	210,484	-	1,744,230
<b>Geological and geophysical data</b>	705,328	-	(705,328)	-	-	1,712,259	-	(1,006,931)	705,328
	<b>2,581,553</b>	<b>223,963</b>	<b>(851,800)</b>	<b>(48,248)</b>	<b>1,905,468</b>	<b>3,379,935</b>	<b>215,389</b>	<b>(1,013,771)</b>	<b>2,581,553</b>

Current year additions to mineral exploration and evaluation assets have been reduced by a government grant of \$nil (2017 - \$38,757). Current year additions to mineral exploration costs include share based compensation of \$2,085 (2017 - \$6,424).

The Company held a database of geological and geophysical data. In 2018 and 2017, 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

**VULCAN MINERALS INC.**  
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**7. EXPLORATION AND EVALUATION ASSETS (continued)**

geophysical data in 2018 in the amount of \$705,328 (2017 - \$1,006,931), which was in proportion to the land surrendered as compared to the total area covered by the geological and geophysical data. The Company recorded \$146,472 (2017 - \$6,840) in write-downs to property acquisition and exploration costs for licenses that expired for a total write down of \$851,800 (2017 - \$1,013,771).

The Company recorded \$48,248 in incidental revenue from sales of gypsum from the Ace Gypsum mine. (2017 - \$nil).

**8. CAPITAL ASSETS**

	2018				2017			
	Drilling Rig	Furniture & Fixtures	Computer Equipment	TOTAL	Drilling Rig	Furniture & Fixtures	Computer Equipment	TOTAL
	\$	\$	\$	\$	\$	\$	\$	\$
Opening balance	798,368	12,296	72,447	883,111	798,368	12,296	65,816	876,480
Additions	-	-	5,121	5,121	-	-	6,631	6,631
Subtotal	798,368	12,296	77,568	888,232	798,368	12,296	72,447	883,111
Opening depreciation	(774,759)	(11,022)	(60,592)	(846,373)	(764,639)	(10,704)	(55,512)	(830,855)
Adjustments to depreciation	(7,082)	(255)	(5,094)	(12,431)	(10,120)	(318)	(5,080)	(15,518)
Closing balance	16,527	1,019	11,882	29,428	23,609	1,274	11,855	36,738

**9. DEFERRED OPTION PAYMENTS**

	31-Dec-18	31-Dec-17
	\$	\$
South Voisey's Bay	10,000	-
	10,000	-

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. Fjordland has an option to earn a 65% interest in the property over a three year period by incurring exploration expenditures of \$150,000 and by making option payments of \$45,000 cash. As at December 31, 2018, \$10,000 cash has been received. In the event that Fjordland earns a 65% interest, the Company will retain their 35% interest and enter into a joint venture whereby Vulcan will be carried for 100% of its joint venture expenditures on the claims until Fjordland earns

# VULCAN MINERALS INC.

## Notes to the Consolidated Financial Statements

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### 9. DEFERRED OPTION PAYMENTS (continued)

its full interest from Commander Resources Ltd. on surrounding contiguous lands or a minimum expenditure of \$7 million on those lands.

### 10. ASSET RETIREMENT OBLIGATIONS

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

The total discounted cash flows estimated to settle its asset retirement obligations at December 31, 2018 was \$35,777. The estimated future cash flows have been discounted using a risk-free rate of 1.90% and an inflation rate of 1.79%. As at December 31, 2018, the Company had entered an agreement with an insurance company to provide a surety bond to the Newfoundland and Labrador government in compliance with its requirements under the approved site development plan, as submitted and reviewed by the government of Newfoundland and Labrador. As additional work and reclamation is completed on the property, the Company will increase or decrease this bond as required by the Newfoundland and Labrador government.

A reconciliation of the asset retirement obligation is provided below:

	<b>31-Dec-18</b>
	\$
Balance, beginning of year	-
Provision incurred	<b>35,777</b>
<b>Balance, end of year</b>	<b>35,777</b>

**VULCAN MINERALS INC.**  
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**11. INCOME TAXES**

*a) Deferred income taxes*

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

	<b>2018</b>	2017
	\$	\$
Temporary differences related to exploration and evaluation assets	<b>(1,295,355)</b>	(930,353)
Temporary differences related to inventory	<b>(23,767)</b>	(14,700)
Tax effect of unrealized losses on available-for-sale financial assets	-	(28,690)
Tax effect on investments classified as FVOCI	<b>(13,371)</b>	-
Tax effect on equity investment	<b>2,633</b>	-
Share issuance costs	<b>(338)</b>	(218)
Non-capital loss carryforwards	<b>(927,139)</b>	(770,519)
Capital loss carryforwards	<b>(184,939)</b>	(68,279)
<b>(Unrecognized deferred tax asset)</b>	<b>(2,442,276)</b>	(1,812,759)

*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% (2017 – 30%) to loss before income taxes as follows:

	<b>2018</b>	2017
	\$	\$
Expected income tax recovery	<b>(515,844)</b>	(513,609)
Share-based compensation costs	<b>65,162</b>	6,413
Non deductible portion-unrealized investment losses	-	1,347
Permanent differences	<b>(4,932)</b>	-
Deferred income tax asset not recognized	<b>197,308</b>	203,180
Timing difference on deferred tax asset not recognized	<b>258,306</b>	302,669
<b>Deferred income tax</b>	<b>-</b>	-

**VULCAN MINERALS INC.**  
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**11. INCOME TAXES (continued)**

*c) Non-capital losses*

The Company has non-capital losses at December 31, 2018 amounting to \$3,090,463 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	\$446,890
2036	\$396,659
2037	\$423,520
2038	\$387,387

The Company also has Canadian exploration expenses of \$6,171,857 which may be deducted in determining taxable income of future years.

**12. SHARE CAPITAL**

*a) Authorized*

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

*b) Issued and outstanding*

	2018		2017	
	Number	Share Capital \$	Number	Share Capital \$
Balance, beginning of year	58,526,129	19,101,419	58,526,129	19,101,419
<b>Balance, end of year</b>	<b>58,526,129</b>	<b>19,101,419</b>	<b>58,526,129</b>	<b>19,101,419</b>

*(c) Contributed surplus*

**VULCAN MINERALS INC.**  
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**12. SHARE CAPITAL (continued)**

A summary of contributed surplus is as follows:

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Balance, beginning of year	<b>2,693,847</b>	<b>2,675,830</b>
Share-based compensation (Note 13)	<b>107,365</b>	<b>18,017</b>
<b>Balance, end of year</b>	<b>2,801,212</b>	<b>2,693,847</b>

d) *Shares to be issued*

Pursuant to a private placement dated December 14, 2018, the Company closed 866,636 flow through units at \$0.06 per unit for total cash consideration of \$51,998. Each flow-through unit consist of one flow-through common share and one-half of a common share purchase warrant. Each whole warrant entitles the holder to purchase one common share of the Company at a price of \$0.12 per share until December 14, 2020. An amount of \$37,299 has been allocated to shares to be issued, \$6,033 to the fair value of the warrants (note 12 (e)) and \$8,666 to flow-through premium liability representing the obligation to deliver the tax deduction to the subscriber.

e) *Warrants*

As part of the private placement noted above (Note 12 (d)) the Company will issue 433,318 warrants at a weighted-average exercise price of \$0.12. No warrants were issued in the prior year.

The weighted average fair value of the warrants was estimated on the date of issuance to be \$0.0139 (2017- \$nil) using the Black-Scholes fair value option pricing model and the following weighted average assumptions:

	<b>2018</b>
Expected volatility (%)	<b>102</b>
Risk free interest rate (%)	<b>2.04</b>
Weighted-average expected life (years)	<b>2.0</b>
Dividend yield (%)	<b>0</b>

An amount of \$6,033 was recorded as the fair value of warrants in the current year (2017 - \$nil).

**VULCAN MINERALS INC.**  
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**13. SHARE-BASED COMPENSATION**

*a) Vulcan Minerals Inc. stock options*

The Company has a stock option plan under which directors, officers, management, consultants and employees of the Company and its subsidiary are eligible to receive stock options. The aggregate number of shares to be issued upon exercise of all options granted under the plan shall not exceed 10% of the issued shares of the Company at the time of granting the options. The maximum number of common shares optioned to any one optionee shall not exceed 5% of outstanding common shares of the Company. Options granted under the plan generally have a term of five years but may not exceed five years and vest at terms to be determined by the directors at the time of grant. The exercise price of each option is determined by the directors at the time of grant but shall not be less than the price permitted by the policy or policies of the stock exchange(s) on which the Company's common shares are then listed.

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

	<b>December 31, 2018</b>		December 31 2017	
	<b>Number of Options</b>	<b>Weighted- Average Exercise Price</b>	Number of Options	Weighted- Average Exercise Price
		\$		\$
Outstanding, beginning of period	<b>4,050,000</b>	<b>0.10</b>	3,800,000	0.10
Granted	<b>3,250,000</b>	<b>0.10</b>	250,000	0.10
Expired	<b>(1,700,000)</b>	<b>0.10</b>	-	-
Outstanding, end of period	<b>5,600,000</b>	<b>0.10</b>	4,050,000	0.10
<b>Exercisable, end of period</b>	<b>3,825,000</b>	<b>0.10</b>	3,925,000	0.10

The weighted average remaining contractual life of outstanding options is 3.52 years (2017 – 1.96 years). The weighted average remaining contractual life of exercisable options is 3.10 years (2017 – 1.92 years).

On February 1, 2018, 1,700,000 stock options issued to Directors expired pursuant to their five-year term. Prior to December 31, 2018 the Company granted 3,250,000 stock options to directors, 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. 1,475,000 options vested on the date of the grant and the remaining 1,775,000 options vest December 31, 2019.

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.

**VULCAN MINERALS INC.**  
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**13. SHARE-BASED COMPENSATION (continued)**

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.

*b) Fair Value assumptions*

The weighted average fair value of stock options granted in the year ended December 31, 2018 was estimated to be \$ 0.05 (2017- \$0.054) using the Black- Scholes fair value option pricing model and the following weighted average assumptions:

	<b>2018</b>	2017
Expected volatility (%)	<b>153</b>	154
Risk free interest rate (%)	<b>2.27</b>	1.55
Weighted-average expected life (years)	<b>5.0</b>	5.0
Dividend yield (%)	<b>0</b>	0

*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.

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**13. SHARE-BASED COMPENSATION (continued)**

A summary of the status of the Red Moon Resources Inc. stock option plans is as follows:

	Number of Options	Weighted- Average Exercise Price	Number of Options	Weighted- Average Exercise Price
Outstanding, beginning of period	3,150,000	0.10	3,350,000	0.10
Granted	2,400,000	0.10	-	-
Forfeited	-	-	(100,000)	0.10
Cancelled	-	-	(100,000)	0.10
Expired	(1,750,000)	0.10	-	-
Outstanding, end of period	3,800,000	0.10	3,150,000	0.10
<b>Outstanding and exercisable, end of period</b>	<b>2,600,000</b>	<b>0.10</b>	<b>3,150,000</b>	<b>0.10</b>

The weighted average remaining contractual life of outstanding options is 3.54 years (2017 – 1.47 years). The weighted average remaining contractual life of exercisable options is 3.18 years (2017 - 1.47 years).

On February 1, 2018, 1,750,000 stock options were issued to Directors expired pursuant to their five-year term.

During the year, the Company granted 2,400,000 stock options to directors, 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. 1,200,000 options vested on the date of the grant and the remaining 1,200,000 options vest December 31, 2019.

No Stock options were granted in 2017.

# VULCAN MINERALS INC.

## Notes to the Consolidated Financial Statements

December 31, 2018 and 2017

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### 13. 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, 2018 was estimated on the date of the grant to be \$0.066 using the Black-Scholes fair value option pricing model and the following weighted average assumptions:

	<b>2018</b>	2017
Expected volatility (%)	<b>181</b>	-
Risk free interest rate (%)	<b>2.10</b>	-
Weighted-average expected life (years)	<b>5.0</b>	-
Dividend yield (%)	<b>0</b>	-

#### e) *Consolidated share-based compensation expense*

On a consolidated basis, the Company recognized share-based compensation costs in the amount of \$219,291 in the year ended December 31, 2018 (2017- \$27,801). Share-based compensation in the amount of \$217,206 was expensed for the year ended December 31, 2018 (2017-\$21,377) and \$2,085 (2017- \$6,424) was capitalized to mineral exploration and evaluation assets.

# VULCAN MINERALS INC.

## Notes to the Consolidated Financial Statements

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### 14. GENERAL AND ADMINISTRATIVE EXPENSES

	2018	2017
	\$	\$
Office and administrative	117,012	126,872
Management, salaries and contract fees and benefits	350,126	371,623
Directors' fees	20,000	20,000
Transfer agent and professional fees	100,495	94,781
Travel and accommodation	34,985	62,303
	<b>622,618</b>	<b>675,579</b>
Expenses attributable to subsidiary, Red Moon Resources Inc.	84,399	81,656
Expenses attributable to parent, Vulcan Minerals Inc.	538,219	593,923
Total	<b>622,618</b>	<b>675,579</b>

### 15. RELATED PARTY TRANSACTIONS

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

	2018	2017
	\$	\$
Management fees, salaries and benefits for key management personnel		
General and administrative expense	253,097	263,450
Capitalized as mineral exploration and evaluation assets	7,808	10,662
Share-based compensation for key management personnel		
General and administrative	197,565	15,552
Capitalized as mineral exploration and evaluation assets	929	4,291
Directors' fees	20,000	20,000
	<b>479,399</b>	<b>313,955</b>

**VULCAN MINERALS INC.**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2018 and 2017**

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**15. RELATED PARTY TRANSACTIONS (continued)**

	<b>2018</b>	<b>2017</b>
	\$	\$
Rent paid to a corporation which is controlled by the President of the Company	<b>36,000</b>	36,000

**16. CAPITAL MANAGEMENT**

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

The Company manages its capital structure and 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.

**17. FINANCIAL INSTRUMENTS**

*Fair values*

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

Level 1 – valuation based on quoted prices (unadjusted) observed in active markets for identical assets 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, 2018 and 2017

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**17. FINANCIAL INSTRUMENTS (continued)**

<b>Financial Assets</b>		
<b>Investments</b>	<b>2018</b>	<b>2017</b>
Level 1 (shares in public companies)	\$ 2,362	\$ 23,843
Level 2	\$ -	-
Level 3	\$ -	-
<b>Total financial assets at fair value</b>	<b>\$ 2,362</b>	<b>\$ 23,843</b>

**Financial Risk Management**

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

*Credit risk*

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

*Liquidity risk*

The Company's approach to managing liquidity risk is to ensure 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, 2018 in the amount of \$91,627 (2017 - \$80,442) 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

# VULCAN MINERALS INC.

## Notes to the Consolidated Financial Statements

December 31, 2018 and 2017

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### 17. FINANCIAL INSTRUMENTS (continued)

this exposure to fluctuations in commodity prices. The Company's ability to continue with its exploration programs is also indirectly subject to commodity prices.

### 18. CONTINGENCIES

- a) 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, 2018 and 2017**

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### **19. SUBSEQUENT EVENT**

The Company completed the second tranche of the private placement announced on December 14, 2018 on January 31, 2019. The second tranche included 1,960,000 units at \$0.05 per unit for total cash consideration of \$98,000, of which \$10,000 was received before December 31, 2018. Each unit consist of one common share and one-half of a common share purchase warrant. Each whole warrant entitles the holder to purchase one common share of the Company at a price of \$0.12 per share until January 31, 2021. Total units for private placement was 2,826,636 units with proceeds of \$149,998.

**VULCAN MINERALS INC.**  
**Quarterly Adjustment (Unaudited)**  
December 31, 2018 and 2017

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**QUARTERLY ADJUSTMENT (UNAUDITED)**

The unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2018 reported impairment to exploration and evaluation assets in the amount of \$27,949 associated with recording fees for Red Moon Resources Inc. Upon further review of the facts and circumstances, it was determined that while the claims associated with these recording fees have lapsed the work performed is reflective of the continuing work in the Bay St. George area and therefore no impairment exists.

Adjustment to the unaudited interim consolidated balance sheet:

	<b>Previously Stated</b>	<b>Adjust</b>	<b>Adjusted</b>
Exploration and evaluation assets	1,954,635	27,949	1,982,584
<b>Total Assets</b>	<b>2,305,447</b>	<b>27,949</b>	<b>2,333,396</b>

Adjustment to the unaudited interim condensed consolidated statement of loss:

	<b>For the three months ended</b>			<b>For the nine months ended</b>		
	<b>Previously Stated</b>	<b>Adjust</b>	<b>Adjusted</b>	<b>Previously Stated</b>	<b>Adjust</b>	<b>Adjusted</b>
Income (Expenses )						
Write-off- exploration and	(316,409)	26,599	(289,810)	(733,277)	27,949	(705,328)
Net Loss	(468,242)	26,599	(441,643)	(1,388,927)	27,949	(1,360,978)
Net loss attributable to:						
Common shareholder	(451,437)	26,599	(424,838)	(1,330,411)	27,949	(1,302,462)
Non-controlling interc	(16,805)	-	(16,805)	(58,516)	-	(58,516)
	(468,242)	26,599	(441,643)	(1,388,927)	27,949	(1,360,978)

There were no changes to the unaudited interim consolidated cash flow statements beyond the affected line items above.

# **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

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