



**Interim Condensed Consolidated Financial Statements**  
For the Three & Nine Months Ended September 30, 2019 and 2018  
(Unaudited)

**VULCAN MINERALS INC.**  
September 30, 2019 and 2018

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

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

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

| <b>As at</b>                               | <b>September 30</b> | <b>December 31</b> |
|--|---------------------|--------------------|
| (in Canadian dollars)                      | <b>2019</b>         | <b>2018</b>        |
|  | \$                  | \$                 |
| <b>Assets</b>                              |                     |                    |
| Current assets                             |                     |                    |
| Cash                                       | 308,488             | 34,678             |
| Accounts receivable                        | 110,756             | 7,956              |
| Prepaid expenses                           | -                   | 12,692             |
| Inventory                                  | 30,000              | 30,000             |
|  | <b>449,244</b>      | <b>85,326</b>      |
| Due from related company (Note 4)          | 42,000              | 94,490             |
| Investments (Note 4)                       | 192,967             | 19,923             |
| Exploration and evaluation assets (Note 5) | 1,705,005           | 1,905,468          |
| Capital assets                             | 22,764              | 29,428             |
|  | <b>2,411,980</b>    | <b>2,134,635</b>   |
| <b>Liabilities</b>                         |                     |                    |
| Current liabilities                        |                     |                    |
| Accounts payable and accrued liabilities   | 66,029              | 91,627             |
| Deferred option payments                   | -                   | 10,000             |
| Flow through premium liability (Note 6d)   | 8,666               | 8,666              |
| Subscriptions received in advance          | -                   | 10,000             |
|  | <b>74,695</b>       | <b>120,293</b>     |
| Asset retirement obligation                | 78,400              | 35,777             |
|  | <b>153,095</b>      | <b>156,070</b>     |
| <b>Equity (Note 6)</b>                     |                     |                    |
| Shareholders' equity                       | 1,670,708           | 1,369,026          |
| Non-controlling interest                   | 588,177             | 609,539            |
|  | <b>2,258,885</b>    | <b>1,978,565</b>   |
| <b>Total Liabilities and Equity</b>        | <b>2,411,980</b>    | <b>2,134,635</b>   |

Nature of operations and going concern (Note 1)

Contingencies (Note 10)

Approved on Behalf of the Board of Directors

Patrick J. Laracy \_\_\_\_\_ **Director**

William Koenig \_\_\_\_\_ **Director**

See accompanying notes to the consolidated financial statements

**VULCAN MINERALS INC.**  
**Condensed Consolidated Statements of Loss**  
**(Unaudited)**

| (in Canadian dollars)  | Three Months Ended |                  | Nine Months Ended |                    |
|--|--------------------|------------------|-------------------|--------------------|
|  | September 30,      |                  | September 30,     |                    |
|  | 2019               | 2018             | 2019              | 2018               |
|  | \$                 |                  | \$                |                    |
| <b>Income (Expenses)</b>   |                    |                  |                   |                    |
| Income from equity accounted investments                                 | 198,455            | -                | 173,202           | -                  |
| Interest income  | -                  | -                | -                 | 743                |
| Impairment of exploration and evaluation assets                          | -                  | (316,409)        | -                 | (733,277)          |
| General and administrative (Note 8)                                      | (51,871)           | (121,748)        | (238,157)         | (454,705)          |
| Share-based compensation (Note 7)  | (28,224)           | (23,206)         | (78,867)          | (189,363)          |
| Bad debt expense   | -                  | (3,500)          | -                 | (3,500)            |
| Depreciation   | (2,221)            | (3,379)          | (6,664)           | (8,825)            |
| <b>Net loss</b>  | <b>116,139</b>     | <b>(468,242)</b> | <b>(150,486)</b>  | <b>(1,388,927)</b> |
| Net income (loss) attributable to:                                       |                    |                  |                   |                    |
| Common shareholders  | 127,207            | (451,437)        | (114,548)         | (1,330,411)        |
| Non-controlling interest   | (11,068)           | (16,805)         | (35,938)          | (58,516)           |
|  | <b>116,139</b>     | <b>(468,242)</b> | <b>(150,486)</b>  | <b>(1,388,927)</b> |
| Net loss per share - basic and diluted                                   | 0.002              | (0.008)          | (0.002)           | (0.023)            |
| Weighted-average number of common shares outstanding - basic and diluted | 61,352,765         | 58,526,129       | 61,352,765        | 58,526,129         |

**Consolidated Statements of Comprehensive Loss**  
**Periods Ended September 30, 2019**

| (in Canadian dollars)  | Three Months Ended |                  | Nine Months Ended |                    |
|--|--------------------|------------------|-------------------|--------------------|
|  | September 30,      |                  | September 30,     |                    |
|  | 2019               | 2018             | 2019              | 2018               |
|  | \$                 |                  | \$                |                    |
| <b>Net loss</b>  | <b>116,139</b>     | <b>(468,242)</b> | <b>(150,486)</b>  | <b>(1,388,927)</b> |
| Other comprehensive loss:  |                    |                  |                   |                    |
| Items that may subsequently be reclassified to profit or loss                                |                    |                  |                   |                    |
| Change in unrealized (loss) on available-for-sale financial assets                           | -                  | -                | -                 | -                  |
| Change in fair value on investments classified as FVOCI                                      | 443                | (1,035)          | (148)             | 17,486             |
| Unrealized gain/loss on available for sale financial assets reallocated to statement of loss | -                  | -                | -                 | -                  |
|  | <b>443</b>         | <b>(1,035)</b>   | <b>(148)</b>      | <b>17,486</b>      |
| <b>Comprehensive loss</b>  | <b>116,582</b>     | <b>(469,277)</b> | <b>(150,634)</b>  | <b>(1,371,441)</b> |
| Comprehensive loss attributable to:  |                    |                  |                   |                    |
| Common shareholders  | 125,524            | (452,472)        | (117,222)         | (1,312,925)        |
| Non-controlling interest   | (8,942)            | (16,805)         | (33,412)          | (58,516)           |
|  | <b>116,582</b>     | <b>(469,277)</b> | <b>(150,634)</b>  | <b>(1,371,441)</b> |

See accompanying notes to the consolidated financial statements

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

(in Canadian dollars)

|  | Share Capital              | 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 6 (a) and (b)</i> |   |                     |   |                     |                            |                          |                  |
|  | <i>Notes 6 (c)</i>         |   |                     |   |                     |                            |                          |                  |
| <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 - September 30, 2018                           | -                          | -                                       | -                   | 17,486  | (1,330,411)         | (1,312,925)                | (58,516)                 | (1,371,441)      |
| Share-based compensation in parent                             | -                          | -                                       | 95,935              | -   | -                   | 95,935                     | -                        | 95,935           |
| Share-based compensation in subsidiary                         | -                          | -                                       | -                   | -   | 63,560              | 63,560                     | 31,306                   | 94,866           |
| <b>Balance, September 30, 2018</b>                             | <b>19,101,419</b>          | <b>-</b>                                | <b>2,789,782</b>    | <b>33,784</b>                                 | <b>(20,295,930)</b> | <b>1,629,055</b>           | <b>604,994</b>           | <b>2,234,049</b> |
| Net loss and comprehensive loss                                |                            |   |                     |   |                     |                            |                          |                  |
| October 1, 2018 - December 31, 2018                            | -                          | -                                       | -                   | (1,623)                                       | (323,091)           | (324,714)                  | (7,462)                  | (332,176)        |
| 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                             | -                          | -                                       | 11,430              | -   | -                   | 11,430                     | -                        | 11,430           |
| Gain/loss on Red Moon Shares                                   | -                          | -                                       | -                   | -   | 322                 | 322                        | 5,673                    | 5,995            |
| Share-based compensation in subsidiary                         | -                          | -                                       | -                   | -   | 10,726              | 10,726                     | 6,334                    | 17,060           |
| <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> |
| Net loss and comprehensive loss                                |                            |   |                     |   |                     |                            |                          |                  |
| January 1, 2019 - September 30, 2019                           | -                          | -                                       | -                   | (149)   | (114,548)           | (114,697)                  | (35,938)                 | (150,635)        |
| Issuance of shares and warrants pursuant to private placements | 396,332                    | (43,332)                                | -                   | -   | -                   | 353,000                    | -                        | 353,000          |
| Share issuance costs   | (4,197)                    | 1,125                                   | -                   | -   | -                   | (3,072)                    | -                        | (3,072)          |
| Share-based compensation in parent                             | -                          | -                                       | 41,611              | -   | -                   | 41,611                     | -                        | 41,611           |
| Equity transactions of subsidiary                              | -                          | -                                       | -                   | -   | -                   | -                          | -                        | -                |
| Share-based compensation in subsidiary                         | -                          | -                                       | -                   | -   | 24,840              | 24,840                     | 14,576                   | 39,416           |
| <b>Balance, September 30, 2019</b>                             | <b>19,493,554</b>          | <b>-</b>                                | <b>2,842,823</b>    | <b>32,012</b>                                 | <b>(20,697,681)</b> | <b>1,670,708</b>           | <b>588,177</b>           | <b>2,258,885</b> |

See accompanying notes to the consolidated financial statements

**VULCAN MINERALS INC.**  
**Condensed Consolidated Statements of Cash Flows**  
**Nine Months Ended September 30**  
**(Unaudited)**

| (in Canadian dollars)   | 2019           | 2018          |
|---|----------------|---------------|
|   | \$             | \$            |
| <b>Operating Activities</b>                                   |                |               |
| Net loss  | (150,486)      | (1,719,480)   |
| Adjustment for non cash items :                               |                |               |
| Impairment of exploration and evaluation assets               | -              | 851,800       |
| Write down of inventory                                       | -              | 30,224        |
| Allowance for bad debt expense                                | -              | 3,500         |
| Loss from equity accounted investments                        | (173,202)      | (17,551)      |
| Share-based compensation                                      | 78,867         | 217,206       |
| Depreciation  | 6,664          | 12,431        |
|   | (238,157)      | (621,870)     |
| Changes in non-cash working capital                           |                |               |
| Accounts receivable   | (102,800)      | 3,201         |
| Prepaid expenses  | 12,692         | 1,558         |
| Accounts payable and accrued liabilities                      | (33,439)       | 3,905         |
|   | (361,704)      | (613,206)     |
| <b>Financing Activities</b>                                   |                |               |
| Share issuance costs  | (3,072)        | (1,125)       |
| Private placement of shares and warrents                      | 353,000        | 51,998        |
| Deferred option payments                                      | -              | 10,000        |
| Subscriptions received in advance                             | (10,000)       | 10,000        |
|   | 339,928        | 70,873        |
| <b>Investing Activities</b>                                   |                |               |
| Exploration and evaluation assets                             | (111,315)      | (221,601)     |
| Deposits refunded   | -              | 366,150       |
| Due from related party  | 52,490         | (35,000)      |
| Proceeds from Gypsum revenues                                 | 311,788        | 48,248        |
| Proceeds on disposal of investments                           | -              | 43,329        |
| Change in accounts payable -exploration and evaluation assets | -              | 7,280         |
| Asset Retirement Obligation                                   | 42,623         | -             |
| Government grant  | -              | 18,000        |
| Acquisition of capital assets                                 | -              | (5,121)       |
|   | 295,586        | 221,285       |
| Net change in cash for the period                             | 273,810        | (321,048)     |
| Cash, beginning of period                                     | 34,678         | 355,726       |
| <b>Cash, end of period</b>                                    | <b>308,488</b> | <b>34,678</b> |

See accompanying notes to the consolidated financial statements

**VULCAN MINERALS INC.**  
**Notes to the Condensed Consolidated Financial Statements**  
**(Unaudited)**  
**September 30, 2019 and 2018**

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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 \$150,486 for the nine months ended September 30, 2019 (2018-\$1,388,927) and had an accumulated deficit of \$20,697,681. The Company had a positive working capital of \$374,549 at September 30, 2019 (December 31, 2018-Negative \$34,967).

The Company recorded income from its equity accounted investment of \$198,455 for the three months ended September 30, 2019 (\$nil- three months ended September 30, 2018) and income of \$173,202 for the nine months ended September 30, 2019 (\$nil-nine months ended September 30, 2018).

The Company has entered the pre-production stage with respect to its Ace Gypsum mining project and had proceeds from pre-production income of \$311,788 nine months ending September 30, 2019. In 2018 the Company had pre-production income of \$48,248 for a total of \$360,037 pre-production income since project inception. 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**

These unaudited interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. The accounting policies used in preparing these unaudited interim

# VULCAN MINERALS INC.

## Notes to the Condensed Consolidated Financial Statements

### (Unaudited)

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condensed consolidated financial statements are consistent with those used in the preparation of the Company's annual financial statements, except for the adoption of IFRS 16 "Leases" ("IFRS16") in this interim period. These unaudited interim condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2018.

These condensed consolidated interim financial statements have been prepared on an historical cost basis, except for certain investments which are measured at fair value.

These condensed consolidated interim financial statements were approved and authorized for issuance by the Board of Directors on November 21, 2019.

### 3. NEW AND AMENDED ACCOUNTING STANDARDS

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

The unaudited condensed interim consolidated financial statements were prepared using the same accounting policies and methods as those used in the Company's consolidated financial statements for the year ended December 31, 2018, except for the adoption of IFRS 16, "Leases" ("IFRS 16") and IFRIC 23, "Uncertainty over income tax treatments" ("IFRIC 23") that were effective and adopted as of January 1, 2019.

IFRS 16, "Leases" ("IFRS 16") is effective for annual periods beginning on or after January 1, 2019. 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 are recorded on the balance sheet as an asset under property and equipment and have a corresponding liability with both current and long-term portions. The Company assessed this new standard and has determined that there was no impact to the interim condensed consolidated financial statements from this adoption on January 1, 2019 as all lease arrangements are considered short-term and are therefore exempt from the standard.

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. There was no impact to the Company's financial statements as a result of adopting this new standard.

### 4. INVESTMENTS

| Investments | 30-Sep-19  | 31-Dec-18 |
|-------------|------------|-----------|
|             | \$ 192,967 | \$ 19,923 |

# VULCAN MINERALS INC.

## Notes to the Condensed Consolidated Financial Statements

### (Unaudited)

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Investments, classified as fair value through other comprehensive income, consist of shares in a public company with a cost of \$91,522 and a fair value of \$2,214 (December 31, 2018- \$2,632). The Company has shares in an equity accounted investment with a value of \$190,753 (December 31, 2018- \$17,561). The Company also has a non-interest bearing loan to the equity accounted investment in the amount \$42,000 (December 31, 2018-\$104,990).

#### 5. EXPLORATION AND EVALUATION ASSETS

The Company has 39 mineral licences (December 31, 2018 - 33) which consist of 793 claims (December 31, 2018 – 800), 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:

|                                 | September 30, 2019               |           |                       | December 31, 2018            |                                  |           |            |                       |                            |
|---------------------------------|----------------------------------|-----------|-----------------------|------------------------------|----------------------------------|-----------|------------|-----------------------|----------------------------|
|                                 | Balance,<br>Beginning<br>of Year | Additions | Incidental<br>Revenue | Balance,<br>End<br>of Period | Balance,<br>Beginning<br>of Year | Additions | Impairment | Incidental<br>Revenue | Balance,<br>End<br>of Year |
|                                 | \$                               | \$        |                       | \$                           | \$                               | \$        | \$         |                       | \$                         |
| Mineral properties              |                                  |           |                       |                              |                                  |           |            |                       |                            |
| Property acquisition costs      | 79,743                           | 7,510     | -                     | 87,253                       | 131,995                          | 20,248    | (72,500)   | -                     | 79,743                     |
| Exploration costs               | 1,825,725                        | 103,815   | (311,788)             | 1,617,752                    | 1,744,230                        | 203,715   | (73,972)   | (48,248)              | 1,825,725                  |
| Geological and geophysical data | -                                | -         | -                     | -                            | 705,328                          | -         | (705,328)  | -                     | -                          |
|                                 | 1,905,468                        | 111,325   | (311,788)             | 1,705,005                    | 2,581,553                        | 223,963   | (851,800)  | (48,248)              | 1,905,468                  |

In the nine months ending September 30, 2019, the Company recorded \$311,788 (December 31, 2018- \$48,248) in incidental revenue from sales of gypsum from the Ace Gypsum mine. Total incidental revenue from Ace Gypsum mine is \$360,037. Current year additions to mineral exploration costs for the nine months ending September 30, 2019 include share based compensation of \$2,167 (December 31, 2018- \$658).

No impairment to mineral exploration assets was incurred in the nine months ended September 30, 2019. In 2018, the Company recorded impairment to the geological and geophysical data in the amount of \$705,328 and \$146,472 of write-downs to property acquisition and exploration costs for licenses that expired for a total impairment of \$851,800.

**VULCAN MINERALS INC.**  
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**6. SHARE CAPITAL**

*a) Authorized*

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

*b) Issued and outstanding*

|   | Share<br>Capital  | Share<br>Capital  |
|---|-------------------|-------------------|
|   | \$                | \$                |
| Balance, beginning of year  | 19,101,419        | 19,101,419        |
| Shares issued pursuant to private<br>placements (Note 6 (d & e )) | 312,221           | -                 |
| Allocated to warrants (Note 6 (f &g ))                            | 75,445            | -                 |
| Allocated to flow through liability                               | 8,666             | -                 |
| Share issuance cost   | (4,197)           | -                 |
| <b>Balance, end of period</b>                                     | <b>19,493,554</b> | <b>19,101,419</b> |

At September 30, 2019 Vulcan Minerals Inc. share balance is 61,352,765 (58, 526,129- December 31, 2018).

*(c) Contributed surplus*

A summary of contributed surplus is as follows:

|                                   | September<br>30, 2019 | December<br>31, 2018 |
|-----------------------------------|-----------------------|----------------------|
|                                   | \$                    | \$                   |
| Balance, beginning of year        | 2,801,212             | 2,693,847            |
| Share-based compensation (Note 7) | 41,611                | 107,365              |
| <b>Balance, end of period</b>     | <b>2,842,823</b>      | <b>2,801,212</b>     |

*d) Shares issued – Vulcan Minerals*

Pursuant to a private placement dated December 14, 2018, the Company closed 866,636 flow through units at \$0.06 per unit for total cash consideration of \$51,998. Each flow-through unit consisted of one flow-through common share and one-half of a common share purchase warrant.

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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.

The Company completed the second tranche of the private placement announced on December 14, 2018 on January 31, 2019. The second tranche included 1,960,000 units at \$0.05 per unit for total cash consideration of \$98,000. Each unit 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 per share of \$0.12 until January 31, 2021.

An amount of \$121,039 was allocated to the shares issued, \$11,627 to the fair value of the warrants and \$8,666 to the flow-through premium liability representing the obligation to deliver the tax deduction to the subscriber. There were share issuance costs of \$2,222 as a result of this private placement. Total units for private placement was 2,826,636 units with proceeds of \$149,998.

e) *Shares issued – Red Moon Resources Inc.*

The Company completed a private placement dated April 9, 2019 for 2,550,000 units at a price of \$0.10 per unit, total proceeds \$255,000. 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 \$0.25 per unit until April 9, 2021. An amount of \$191,182 was allocated to the shares issued while \$63,818 was allocated to the warrants. There were share issuance costs of \$1,975 as a result of this private placement.

f) *Warrants- Vulcan Minerals Inc.*

As part of the private placement noted above (Note 6 (d)) the Company issued 980,000 warrants at a weighted-average exercise price of \$0.12. In 2018 the Company issued 433,318 warrants at a weighted-average exercise price of \$0.12. An amount of \$5,594 was recorded as the fair value of warrants in the current year (December 31, 2018 -\$6,033).

g) *Warrants- Red Moon Resources Inc.*

As part of the private placement noted above (Note 6 (e)) Red Moon Resources Inc. issued 1,275,000 warrants with a value assigned of \$63,818.

## 7. 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

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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:

|                                  | September 30,<br>2019 |  | December 31,<br>2018 |  |
|----------------------------------|-----------------------|--|----------------------|--|
|                                  | Number of<br>Options  | Weighted-<br>Average<br>Exercise Price | Number of<br>Options | Weighted-<br>Average<br>Exercise Price |
|                                  |                       | \$                                     |                      | \$                                     |
| Outstanding, beginning of period | 5,600,000             | 0.10                                   | 4,050,000            | 0.10                                   |
| Granted                          | -                     |  | 3,250,000            | 0.10                                   |
| Expired                          | -                     |  | (1,700,000)          | 0.10                                   |
| Forfeited                        | (300,000)             | 0.10                                   | -                    | 0.10                                   |
| Outstanding, end of period       | 5,300,000             | 0.10                                   | 5,600,000            | 0.10                                   |
| Exercisable, end of period       | 3,475,000             | 0.10                                   | 3,825,000            | 0.10                                   |

The weighted average remaining contractual life of outstanding options is 2.82 years (December 31, 2018 – 3.52 years). The weighted average remaining contractual life of exercisable options is 2.39 years (December 31, 2018 – 3.10 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.

#### *b) Fair Value assumptions*

No stock options were granted in the nine months ended September 30, 2019. The weighted average fair value of stock options granted in the year ended December 31, 2018 was estimated to be \$ 0.05 using the Black- Scholes fair value option pricing model and the following weighted average assumptions:

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|  | September<br>30, 2019 | December<br>31, 2018 |
|--|-----------------------|----------------------|
| Expected volatility (%)                | -                     | 153                  |
| Risk free interest rate (%)            | -                     | 2.27                 |
| Weighted-average expected life (years) | -                     | 5.0                  |
| Dividend yield (%)                     | -                     | 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.

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

|   | September<br>30, 2019 |  | December 31,<br>2018 |  |
|---|-----------------------|--|----------------------|--|
|   | Number of<br>Options  | Weighted-<br>Average<br>Exercise Price | Number of<br>Options | Weighted-<br>Average<br>Exercise Price |
| Outstanding, beginning of period              | 3,800,000             | 0.10                                   | 3,150,000            | 0.10                                   |
| Granted                                       | 100,000               | 0.10                                   | 2,400,000            | 0.10                                   |
| Expired                                       | -                     | -                                      | (1,750,000)          | 0.10                                   |
| Outstanding, end of period                    | 3,900,000             | 0.10                                   | 3,800,000            | 0.10                                   |
| Outstanding and exercisable,<br>end of period | 2,650,000             | 0.10                                   | 2,600,000            | 0.10                                   |

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The weighted average remaining contractual life of outstanding options is 2.81 years (December 31, 2018 – 3.56 years). The weighted average remaining contractual life of exercisable options is 2.46 years (December 31, 2018- 3.18 years).

During the year, the Company granted 100,000 (2018-2,400,000) 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. 50,000 (2018- 1,200,000) options vested on the date of the grant and the remaining 50,000 (2018-1,200,000) options vest December 31, 2019. On February 1, 2018, 1,750,000 stock options were issued to Directors expired pursuant to their five-year term

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

The weighted average fair value of stock options was estimated on the date of the grant to be \$0.056 (2018-\$0.066) using the Black-Scholes fair value option pricing model and the following weighted average assumptions:

|  | <b>September<br/>30, 2019</b> | December<br>31, 2018 |
|--|-------------------------------|----------------------|
| Expected volatility (%)                | 176.00                        | 181.00               |
| Risk free interest rate (%)            | 1.59                          | 2.10                 |
| Weighted-average expected life (years) | 5.00                          | 5.00                 |
| Dividend yield (%)                     | -                             | -                    |

e) *Consolidated share-based compensation expense*

On a consolidated basis, the Company recognized share-based compensation costs in the amount of \$81,034 in the nine months ended September 30, 2019 (September 30,2018-\$190,801). Share-based compensation in the amount of \$78,867 was expensed for the nine months ended September 30, 2019 (September 30, 2018 -\$189,363) and \$2,167 (September 30, 2018- \$1,438) was capitalized to mineral exploration and evaluation assets.

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**8. GENERAL AND ADMINISTRATIVE EXPENSES**

|  | <b>Three months<br/>ended<br/>September 30,<br/>2019</b> | Three months<br>ended<br>September 30,<br>2018 | <b>Nine months<br/>ended<br/>September 30,<br/>2019</b> | Nine months<br>Ended<br>September<br>30, 2018 |
|--|--|--|---|---|
|  | \$   | \$   | \$  | \$  |
| Management, salaries, contract fees and benefits             | <b>21,499</b>  | 81,387   | <b>110,176</b>  | 275,983                                       |
| Office and administrative                                    | <b>21,721</b>  | 25,716   | <b>73,082</b>   | 90,165  |
| Directors' fees  | -  | -  | -   | 20,000  |
| Transfer agent and professional fees                         | <b>7,128</b>   | 9,560  | <b>32,927</b>   | 35,220  |
| Conferences, travel and accommodation                        | <b>1,523</b>   | 5,085  | <b>21,972</b>   | 33,337  |
|  | <b>51,871</b>  | 121,748  | <b>238,157</b>  | 454,705                                       |
| Expenses attributable to subsidiary, Red Moon Resources Inc. | <b>18,166</b>  | 12,371   | <b>58,040</b>   | 5,079   |
| Expenses attributable to parent, Vulcan Minerals Inc.        | <b>33,705</b>  | 109,377  | <b>180,117</b>  | 449,626                                       |
| <b>Total</b>   | <b>51,871</b>  | 121,748  | <b>238,157</b>  | 454,705                                       |

**9. RELATED PARTY TRANSACTIONS**

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

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|  | <b>Three<br/>months<br/>ended<br/>September<br/>30, 2019</b> | Three<br>months<br>ended<br>September<br>30, 2018 | <b>Nine months<br/>ended<br/>September<br/>30, 2019</b> | Nine months<br>ended<br>September<br>30, 2018 |
|--|--|---|---|---|
|  | \$   | \$  | \$  | \$  |
| Management fees, salaries and benefits for<br>key management personnel |  |   |   |   |
| General and administrative expense                                     | <b>18,833</b>  | 63,875  | <b>60,555</b>   | 219,053                                       |
| Capitalized as mineral exploration and<br>evaluation assets            | <b>11,676</b>  | 167   | <b>22,898</b>   | 557   |
| Share-based compensation for<br>key management personnel               |  |   |   |   |
| General and administrative   | <b>20,177</b>  | 21,269  | <b>64,359</b>   | 178,202                                       |
| Capitalized as mineral exploration and<br>evaluation assets            | <b>824</b>   | 168   | <b>2,091</b>  | 575   |
| <b>Total</b>   | <b>51,510</b>  | <b>85,479</b>                                     | <b>149,903</b>  | <b>398,387</b>                                |

|   | <b>Three<br/>months<br/>ended<br/>September<br/>30, 2019</b> | Three months<br>ended<br>September<br>30, 2018 | <b>Nine<br/>months<br/>ended<br/>September<br/>30, 2019</b> | Nine<br>months<br>ended<br>September<br>30, 2018 |
|---|--|--|---|--|
|   | \$   | \$   | \$  | \$   |
| Rent paid to a corporation which is controlled by the<br>President of the Company | <b>9,000</b>   | <b>9,000</b>                                   | <b>27,000</b>   | <b>27,000</b>                                    |

**10. CONTINGENCIES**

- a) The legal case initiated by Geophysical Service Incorporated (GSI) in 2011 against the Company has been discontinued (dropped) by GSI. The claim related to an allegation that accessing offshore Labrador seismic data, which is released to the public by the Canada Newfoundland and Labrador Offshore Petroleum Board (CNLOPB) after the relevant statutory privilege-confidentiality period, is a breach of copyright. The Company fully defended its interests including participating in an Alberta “common issues” trial with multiple defendants from other cases and jurisdictions which raised the same legal issues with GSI. The common legal issues pertained to whether certain GSI seismic data is subject to copyright law and if so whether the regulatory regime which prescribes for the release of that data by the regulatory bodies, including the CNLOPB, is valid and not an unlawful infringement on any copyright protection. The Alberta Court of Queen’s Bench and the Alberta Court of Appeal both upheld the validity of the regulatory regime as a full answer to any allegation

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of unlawful disclosure and copyright infringement by the multiple defendants. Therefore, the CNLOPB was within its rights to release the seismic data pursuant to its regulatory regime and the Company was within its rights to access the data. GSI had sought permission to appeal the decision of the Alberta Court of Appeal to the Supreme Court of Canada (SCC), however this permission was not granted by the SCC. The notice of discontinuance of this action by GSI was filed in the Supreme Court of Newfoundland and Labrador. Vulcan is seeking legal costs in the matter.

- b)* The Company has been added as a co-defendant in an ongoing legal action Geophysical Service Incorporated (GSI) has with NWest Energy Corp. (now Ceylon Graphite Corp. by way of name change) regarding an alleged breach of an agreement between those parties. GSI has submitted a Statement of Claim and the Company has filed a Statement of Defence. Procedurally the action has moved slowly through the Alberta courts as multiple GSI actions in Alberta involving other parties were awaiting the resolution of the “common issues” trial noted (a) above. The Company believes the claims against it are without basis or merit and no amounts have been recorded in the Company’s accounts related to this claim. The Company is fully defending its interest.

# CORPORATE INFORMATION

## OFFICERS AND MANAGEMENT

Patrick J. Laracy  
President and Chairman

Jennifer Button  
Chief Financial Officer and Corporate  
Secretary

## BOARD OF DIRECTORS

Patrick J. Laracy

Carson Noel

Philip E. Collins

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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