

VULCAN MINERALS INC.

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

For the Year Ended December 31, 2015

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

General Business

The Company is engaged in exploration on mineral properties in Newfoundland and Labrador. The Company is an exploration venture company and has no proven reserves. The Company holds a 66.6 % interest (65% in 2014) in Red Moon Potash Inc. (Red Moon), a publicly traded company. Red Moon is engaged in mineral exploration on properties in Western Newfoundland.

The MDA should be read in conjunction with the consolidated financial statements for the year ended December 31, 2015 and accompanying notes. The consolidated financial statements include the accounts of the Company and 66.6 % held subsidiary, Red Moon Potash Inc.

DATE

The date of this MDA is April 20, 2016.

OVERALL PERFORMANCE

The Company reported a net loss in the amount of \$1,761,296 for the year ended December 31, 2015, as compared to a net loss of \$1,185,710 for the year ended December 31, 2014 (increase of \$575,586).

The major reason for the increase in the net loss for 2015 as compared to 2014 relates to the provision for write down of exploration and evaluation assets. The Company recorded a provision for the write down of its geological and geophysical data and its mineral exploration assets in the amount of \$1,015,854 for the year ended December 31, 2015 as compared to \$318,579 in the year ended December 31, 2014 (increase of \$697,275). The Company regrouped certain of its mineral licenses and in that process surrendered some of the lands associated with the licences. The Company recorded a provision for write-down to its geological and geophysical data in the amount of \$996,731 (year ended December 31, 2014 - \$318,579), which was in proportion to the land surrendered as compared to the total area covered by the geological and geophysical data. In the year ended December 31, 2015, the Company wrote off costs in the amount of \$19,123 associated with the metallic and industrial mineral permits in Alberta, with no corresponding amount in 2014. The necessary work to keep the permits in good standing was not performed and the permits were cancelled. The Company also recorded a write down of its inventory of steel casing in the amount of \$33,000 in 2015 with no comparable amount in 2014.

In 2015 the Company transferred unrealized losses on investments which were classified as available for sale, in the amount of \$49,409, from the “statement of other comprehensive income” to the “statement of loss”. In 2014 the Company transferred unrealized losses in the amount of \$118,933 on investments which were classified as available for sale, from the “statement of other comprehensive income” to the “statement of loss”. The result was a decrease in unrealized losses on investments in the statement of income in the amount of \$69,524 in 2015 as compared to 2014. When a decline in the value of an investment constitutes objective evidence of impairment, all accumulated losses on the investment are reallocated from “other comprehensive loss” to “statement of loss”.

General and administrative expenses decreased from \$723,537 for the year ended December 31, 2014 to \$651,325 for the year ended December 31, 2015 (decrease of \$72,212).

The following table outlines the significant components of consolidated general and administrative expenses for each of the years ended December 31, 2015 and 2014:

	Year Ended December	
	2015	2014
	\$	\$
Management, salaries, subcontract fees and benefits	316,118	376,310
Transfer agent , regulatory and professional fees	167,252	139,528
Office and administrative	114,937	122,358
Conferences, travel and accomodation	20,518	52,841
Directors' fees	32,500	32,500
Total	651,325	723,537
Expenses attributable to subsidiary, Red Moon Potash Inc.	168,327	180,601
Expenses attributable to Vulcan Minerals Inc., parent	482,998	542,936
Total	651,325	723,537

SELECTED ANNUAL INFORMATION

Year Ended December 31	2015	2014	2013
	\$	\$	\$
Total revenue- interest	17,897	37,449	50,682
Net loss	(1,761,296)	(1,185,710)	(1,725,580)
Net loss per share - basic & diluted	(0.03)	(0.02)	(0.03)
Total assets	5,960,321	7,734,559	8,711,647
Total long-term financial liabilities	-	-	-
Cash dividends	Nil	Nil	Nil

Revenue in each of 2015, 2014 and 2013 is represented by interest income. The 2015 net loss included a write down of geological and geophysical data and mineral exploration properties in the amount of \$1,015,854. Accumulated losses on available for sale investments in the amount of \$49,409 were transferred from the “statement of other comprehensive income” to the “statement of

loss". The net loss for 2014 included a write down of the geological and geophysical data in the amount of \$318,579. Accumulated losses on available for sale investments in the amount of \$118,933 were transferred from the "statement of other comprehensive income" to the "statement of loss". The 2013 net loss included a write down of the geological and geophysical data in the amount of \$443,938. In addition, accumulated losses on available for sale investments in the amount of \$443,330 were transferred from the "statement of other comprehensive income" to the "statement of loss".

OPERATIONS

Bay St. George Salt/Potash

Red Moon Potash Inc., a subsidiary in which Vulcan holds a 66.6% ownership interest, owns a 100% interest in mineral licenses covering a portion of the Bay St. George Basin. The Company holds a 3% net production royalty on these mineral licenses. The Bay St. George area is part of the larger Maritimes Basin which is a significant producer of salt and potash.

On July 25, 2012, the shareholders of the Company approved a corporate re-organization whereby the Company spun-out the mineral exploration assets in the Bay St. George basin into a separate publicly traded subsidiary company, Red Moon Potash Inc. ("Red Moon"). Red Moon was listed for trading on the TSX Venture Exchange on August 17, 2012.

The Company designed and managed a drilling program on behalf of Red Moon in 2013 and 2014 in the Captain Cook area. Analysis of the core indicated thick sections of high grade salt but lower grades of potash. In 2015 Red Moon contracted APEX Geoconsultants Ltd. to prepare a National Instrument 43-101 compliant mineral resource report with respect to the Captain Cook salt deposit, the highlights of which are as follows:

Salt Resource Estimate Highlights

- 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 (Table 1);
- Additional analytical work was conducted as part of the estimation, the results of which help to define a thick section of high purity halite. For example, the best halite intersection, from drillhole CC-4, contains 96.8% NaCl over 335.3 m, which includes two large segments of high purity halite of 98.0% NaCl over 125.3 m and 97.5% NaCl over 177.3 m;
- The Technical Report summarizes: positive physical and chemical characteristics; salt composition and quality; market applicability; and infrastructure/transportation readiness, all of which support the conclusion that the Captain Cook halite deposit is a deposit of merit and warrants further delineation/evaluation work;
- The Captain Cook project area has access to important infrastructure including: two nearby deep water ports; airports at Stephenville and Deer Lake; the Trans-Canada highway; high voltage power grid; and an extensive road network including a well-maintained, all-weather gravel road connecting the deposit with the Turf Point Port, approximately 5.5 km from the deposit.

Table 1

NaCl lower cut-off (%)	Volume (m³)	Tonnes (million)	Density (kg/m³)	NaCl (%)	Tonnes <i>in-situ</i> (million)
88	682,000,000	1,473	2.16	95.3	1,405
89	677,000,000	1,462	2.16	95.4	1,395
90	672,000,000	1,451	2.16	95.4	1,385
91	653,000,000	1,410	2.16	95.6	1,348
92	602,000,000	1,301	2.16	95.9	1,248
93	557,000,000	1,203	2.16	96.2	1,157
94	499,000,000	1,078	2.16	96.5	1,040
95	420,000,000	908	2.16	96.9	880
96	304,000,000	657	2.16	97.4	640
97	190,000,000	410	2.16	97.9	401
98	71,000,000	154	2.16	98.6	152
99	17,000,000	37	2.16	99.3	37

Note 1: Mineral resources are not mineral reserves and do not have demonstrated economic viability. There is no guarantee that all or any part of the mineral resource will be converted into a mineral reserve.

Note 2: The quantity of reported inferred resource in these estimations are uncertain in nature and there has been insufficient exploration to define these inferred resources as an indicated or measured mineral resource, and it is uncertain if further exploration will result in upgrading them to an indicated or measured resource category.

Note 3: The estimate of mineral resources may be materially affected by geology, environment, permitting, legal, title, taxation, socio-political, marketing or other relevant issues.

Note 4: Tonnes have been rounded to the nearest 1,000,000 (numbers may not add up due to rounding).

Resource Estimate Overview

The Captain Cook deposit is classified as an *Inferred Resource* based on geological confidence, data quality and grade continuity. The most relevant factors used in the classification process were: drillhole number and spacing density; level of confidence in the geological interpretation; estimation parameters (i.e. continuity of halite); and number and nature of the existing sampling. The resource area is 3.73 km².

Mineral resource modeling and estimation utilized a three-dimensional block model based on geostatistical applications and used inverse distance squared (ID2) estimation algorithms. Five drillholes, together with seismic data, were used to guide the geological interpretation of the resource area. Within the model, the thickness of the halite zone ranges from 68 m to 343 m, has an average thickness of 200 m to 250 m, and occurs at depths of between 183 m and 394 m.

To demonstrate that the halite 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 halite test work results show that the Captain Cook halite deposit has good prospects of economic viability for an industrial mineral deposit.

Potash Prospectivity

As a result of Red Moon's ongoing evaluation of the Bay St. George Basin, historical drilling results were compiled to evaluate the potash potential outside the immediate Captain Cook area. In 1972, Hooker Chemical Corp. drilled the Hooker Robinson's hole approximately 25 kilometres southwest of the Captain Cook area in search of potash. They encountered a 483m salt interval from 212m to 695m depth which contained a gross interval of 159m of potash/salt/mudstone. Potash concentrations were encouraging as indicated in the interval 522.73 - 523.10m where individual samples of potash were reported with relatively high grades exceeding 20% potassium chloride. These were the only samples for which assays were provided over narrow intervals. Potash results over the gross interval were of lower grade but detailed analysis is not available. These results are as reported by Hooker Chemical in an assessment report filed with the Government of Newfoundland, Dept of Natural Resources in 1973, specifically Stormon, D.B.(1973) "Analysis of Robinson's Salt Deposit , private report to Hooker Chemical" NFLD 12B (151). Though it is historical in nature and not verifiable by a Qualified Person pursuant to National Instrument 43-101, the report and its contents appear to have been prepared under standard best practices of the time and there appears to be no reason to doubt its validity. The Hooker Robinson's hole was located on a gravity low anomaly and appears to have been drilled on a salt swell where significant amounts of potash were preserved in mudstone and salt beds. Further research of historic drilling in the area has lead Red Moon to acquire, by staking, an additional 161 mineral claims (4,025 hectares) in the Robinsons/St. Fintan's area which Red Moon is evaluating for a future drilling program.

Western Newfoundland-Petroleum (Onshore)

Bay St. George

The Company holds 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. The Company previously operated and explored these properties under a joint venture agreement with Investcan Energy Corporation (Investcan) and accumulated a database of geophysical and geological data on the area. There have been two gas discoveries as well as a shallow oil discovery (Flat Bay) on the permits. These discoveries are unconventional due to tight reservoir conditions, requiring significant expenditures to evaluate their commerciality. In 2012 the Company elected to convert its 50% working interest in the permits to a royalty position. As a result, the Company received a cash payment of \$2,500,000 from Investcan and a 2% gross overriding royalty.

Investcan carried out some evaluation work in 2012-2013 but no field work has occurred since that time. Investcan is awaiting the results of a regulatory review of fracking in Western Newfoundland

by an independent panel retained by the provincial government. The panel's recommendations are expected in the 2nd quarter of this year.

Mineral Properties

TL Nickel-Copper-PGM

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

Athabasca Uranium

In October 2013, the Company acquired ten metallic and industrial mineral permits in the western Athabasca area of Alberta, approximately 50 km east of Fort McMurray, covering 91,648 hectares. The primary target of the permits is western Athabasca Basin style uranium deposits. The Company compiled relevant information regarding the potential for uranium deposits and retained APEX Geoscience to carry out a property evaluation. This report was received and filed on SEDAR in March 2014. Efforts to attract a joint venture partner were not successful and the permits were cancelled effective November 10, 2015.

Activity in 2015

The Company continued to provide project management, technical and field operation management, and administration in support of Red Moon's salt/potash exploration program in western Newfoundland. Specifically the Company solicited, negotiated and contracted for the preparation of a NI 43-101 compliant mineral resource report for the Captain Cook salt deposit. The report is a milestone for the project and the culmination of several rounds of exploratory drilling. As well, the Company continued to manage the evaluation of the Robinson's / St. Fintan's area, a new target for Red Moon's potash strategy in the Bay St. George basin.

The Company has completed a full review and integration of all geologic, geophysical and drilling data on the TL Nickel- Copper property towards formulating a new exploration program. The review focused on interpreting the various geophysical data sets. As a result, several new areas of interest have been identified. The Company is soliciting partners to assist with the next round of field work.

The Company continued to review potential mineral project acquisitions as well as generate new mineral exploration projects, in anticipation of an eventual recovery in the equity markets for exploration companies.

Plans for 2016

The Company will continue to manage the Captain Cook salt project on behalf of Red Moon. Specifically, the Company is soliciting a partner to advance the salt project to a feasibility stage. As well, evaluation of the Robinsons/St. Fintans area for potash will continue.

The Company has been reviewing various mineral opportunities where it can generate viable exploration projects. The Company expects to acquire and conduct preliminary exploration on these projects in 2016.

SUMMARY OF QUARTERLY RESULTS

Quarter	Total Revenue	Net (Loss)	Net (Loss) per share
	\$	\$	\$
December 31, 2015	3,250	(273,964)	(0.004)
September 30, 2015	3,705	(116,329)	(0.002)
June 30, 2015	5,096	(1,147,221)	(0.019)
March 31, 2015	5,846	(223,782)	(0.003)
December 31, 2014	7,503	(338,835)	(0.006)
September 30, 2014	8,425	(160,804)	(0.002)
June 30, 2014	10,370	(187,761)	(0.003)
March 31, 2014	11,151	(498,310)	(0.008)

Revenue for each quarter is represented by interest income. Net loss for the quarter ended December 31, 2015 included a reallocation of accumulated unrealized losses on investments of \$49,409 from other comprehensive loss to net loss, and a write down of inventory in the amount of \$33,000. Net loss for the quarter ended June 30, 2015 included a provision for the write-down of exploration and evaluation assets in the amount of \$996,731. Net loss for the quarter ended December 31, 2014 included a write-down of exploration and evaluation assets in the amount of \$40,113 and a reallocation of accumulated unrealized losses on investments of \$118,933 from other comprehensive loss to net loss. Net loss for the quarter ended March 31, 2014 included a write down of exploration and evaluation assets in the amount of \$278,466.

LIQUIDITY

At December 31, 2015, the Company had current assets of \$2,339,864, of which \$2,183,306 consisted of cash and cash equivalents, including \$245,276 held by the Company's consolidated subsidiary, Red Moon Potash Inc. The cash is readily available and is not subject to subprime debt issues nor asset backed commercial debt.

The Company has no long-term debt and as such is not sensitive to interest rate fluctuation on debt instruments. The Company has no unpaid liabilities that could materially affect its financial position. The Company's cash and cash equivalents are held in bank accounts with no exposure to equity market fluctuations.

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

The Company's subsidiary, Red Moon Potash Inc., had current assets of \$269,936 at December 31, 2015 (including cash of \$245,276) and current liabilities of \$82,487, resulting in working capital of \$187,449. The subsidiary company's ability to continue as a going concern will be dependent upon obtaining equity financing, and there is no assurance that equity financing will be obtained.

The cash balances of the Vulcan are sufficient to meet its current and medium term requirements.

CAPITAL RESOURCES

The Company has a mineral license in Tasisuak, Labrador, and subsidiary company, Red Moon, has 12 mineral licenses 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 2% gross overriding royalty on three petroleum and natural gas permits in Western Newfoundland. It also holds a 3% net production royalty on the mineral licenses 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 \$248,582 for the year ended December 31, 2015 (\$256,907- 2014).

The Company and its subsidiary, Red Moon, paid directors' fees of \$32,500 for the year ended December 31, 2015 (2014 - \$32,500). Each director of Vulcan is paid an annual director's fee of \$5,000 (\$2,500 in January and June of each year) and each director of Red Moon is paid an annual director's fee of \$2,500 (\$1,250 in January and June of each year).

The Company and its subsidiary, Red Moon, paid premises rent aggregating \$45,000 (2014-\$45,000) to a private company owned and controlled by the President of the Company.

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.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

New and amended standard adopted by the Company

The following standard has been adopted by the Company in 2015:

IAS 24, "*Related Party Transactions*" was amended to revise the definition of related party to include an entity that provides key management personnel services to the reporting entity or its parent and to clarify the related party disclosure requirements. This amendment is effective for fiscal years beginning on or after July 1, 2014.

Standards and amendments not yet effective and not yet applied

IAS 16, "*Property, plant and equipment*" and IAS 38 "*Intangible assets*" were amended to clarify acceptable methods of depreciation and amortization. The amendments are effective for fiscal years beginning on or after January 1, 2016.

IFRS 11, "*Joint arrangements*" was amended to provide additional guidance on accounting for the acquisition of an interest in a joint operation. The amendment is effective for fiscal years beginning on or after January 1, 2016.

IFRS 9, "*Financial instruments*" was issued to replace IAS 39, providing guidance on the classification, measurement and disclosure of financial instruments and introducing a new hedge accounting model. The standard is effective for fiscal years beginning on or after January 1, 2018.

IFRS 16, "*Leases*" ("IFRS 16") is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted for entities that have also adopted IFRS 15. 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.

IAS 12, "*Income Taxes*" ("IAS 12") was amended to provide guidance on the recognition of deferred tax assets for unrealized losses, effective for annual periods beginning on or after January 1, 2017. The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value.

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

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

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

The Company also holds financial instruments in the form of available for sale investments. These investments had a carrying value of \$16,500 at December 31, 2015.

Business Risks

The Company is a junior exploration company principally involved in mineral exploration which is an inherently high-risk activity. 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 and the Company has no sources of funding other than equity financing and joint venture financing arrangements. Only the skills of management and staff in mineral exploration and financing exploration activities 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. The Company believes it has sufficient liquidity to meet its obligations in the near to medium term. Liquidity risk is significant to subsidiary company, Red Moon Potash Inc. It has a limited amount of cash and there is no assurance that it can obtain financing.

Commodity price risk

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

Interest rate risk

The Company's cash balances are held in bank accounts or invested in short-term deposit certificates. The Company has no debt. The Company believes its interest rate risk is not significant.

Market price risk

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

CONTINGENCIES

The Company has two contingencies as of December 31, 2015 as follows:

a) In 2011, the Company was served with a statement of claim by Geophysical Service Incorporated 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 is of the opinion that this claim is 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 interests.

b) The Court in Alberta has granted leave to Geophysical Service Incorporated (GSI) to add the Company as a co-defendant in the ongoing action GSI has with NWest Energy Corp. 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. 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

The Company has 58,526,129 voting common shares outstanding as of April 20, 2016. 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 had stock options outstanding at April 20, 2016 as outlined below:

Date Issued	Number	Exercise Price	Details
February 1, 2013	1,700,000	\$0.10	Directors' Options, Expiry February 1, 2018
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
Red Moon as follows:			
February 1, 2013	1,750,000	\$0.10	Directors' Options, Expiry February 1, 2018
March 16, 2016	1,600,000	\$0.10	Directors' Options, Expiry March 16, 2021

ADDITIONAL INFORMATION

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



Consolidated Financial Statements
For the Years Ended December 31, 2015 and 2014

*...exploring for petroleum and minerals in Canada...
searching new areas for large deposits...*

VULCAN MINERALS INC.
December 31, 2015 and 2014

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April 21, 2016

Independent Auditor's Report

To the Shareholders of Vulcan Minerals Inc.

We have audited the accompanying consolidated financial statements of Vulcan Minerals Inc. and its subsidiaries, which comprise the consolidated balance sheets as at December 31, 2015 and December 31, 2014 and the consolidated statements of loss, comprehensive loss, changes in equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Vulcan Minerals Inc. and its subsidiaries as at December 31, 2015 and December 31, 2014 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

(signed) "*PricewaterhouseCoopers LLP*"

Chartered Accountants

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VULCAN MINERALS INC.
Consolidated Balance Sheets
As at December 31

(in Canadian dollars)	2015	2014
	\$	\$
Assets		
Current assets		
Cash	2,183,306	2,747,212
Accounts receivable	17,890	16,753
Government grant receivable (Note 5)	-	85,000
Prepaid expenses	20,444	16,866
Deposits	9,000	9,000
Inventory	76,224	109,224
	2,306,864	2,984,055
Deposits	286,000	286,000
Investments (Note 6)	16,650	169,347
Exploration and evaluation assets (Note 7)	3,289,521	4,213,864
Equipment (Note 8)	61,286	81,293
Total Assets	5,960,321	7,734,559
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	117,752	85,149
Flow through premium liability	2,500	-
	120,252	85,149
Equity		
Shareholders' equity	5,365,754	7,181,849
Non-controlling interest	474,315	467,561
	5,840,069	7,649,410
Total Liabilities and Equity	5,960,321	7,734,559
Nature of operations (Note 1)		
Contingencies (Note 17)		
Approved on Behalf of the Board of Directors		
Patrick J. Laracy	Director	
Rex Gibbons	Director	

See accompanying notes to the consolidated financial statements

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

(in Canadian dollars)	2015	2014
	\$	\$
Income (Expenses)		
Interest income	17,897	37,449
Write-off/loss of exploration and evaluation assets	(1,015,854)	(318,579)
Write down of inventory	(33,000)	-
General and administrative (Notes 13 & 14)	(651,325)	(723,537)
Share-based compensation (Note 11)	(4,964)	(27,646)
Depreciation (Note 8)	(24,641)	(34,464)
Unrealized loss on investments	(49,409)	(118,933)
Net loss	(1,761,296)	(1,185,710)
Net loss attributable to:		
Common shareholders	(1,702,468)	(1,115,741)
Non-controlling interest	(58,828)	(69,969)
	(1,761,296)	(1,185,710)
Net loss per share - basic and diluted	(0.03)	(0.02)
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)	2015	2014
	\$	\$
Net loss	(1,761,296)	(1,185,710)
Other comprehensive loss:		
Items that may subsequently be reclassified to profit or loss		
Change in unrealized gain (loss) on available-for-sale financial assets	(152,697)	51,953
Item reclassified in the year to profit or loss		
Unrealized loss on available for sale financial assets reallocated to statement of loss	49,409	118,933
	(103,288)	170,886
Comprehensive loss	(1,864,584)	(1,014,824)
Comprehensive loss attributable to:		
Common shareholders	(1,805,756)	(944,855)
Non-controlling interest	(58,828)	(69,969)
	(1,864,584)	(1,014,824)

See accompanying notes to the consolidated financial statements

VULCAN MINERALS INC.
Consolidated Statements of Changes in Equity

(in Canadian dollars)

	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Deficit	Total Shareholders' Equity	Non-Controlling Interest	Total Equity
	\$	\$	\$	\$	\$	\$	\$
	<i>Notes 10 (a) and (b)</i>	<i>Note 10 (c)</i>					
Balance, December 31, 2013	19,106,940	2,901,147	(67,598)	(13,711,770)	8,228,719	411,169	8,639,888
Net loss and comprehensive loss, January 1, 2014 - December 31, 2014	-	-	170,886	(1,115,741)	(944,855)	(69,969)	(1,014,824)
Share issuance costs	(3,300)	-	-	-	(3,300)	-	(3,300)
Share-based compensation	-	27,646	-	-	27,646	-	27,646
Transfer to non-controlling interest on acquisition of shares in subsidiary	-	(126,361)	-	-	(126,361)	126,361	-
Balance, December 31, 2014	19,103,640	2,802,432	103,288	(14,827,511)	7,181,849	467,561	7,649,410
Net loss and comprehensive loss January 1, 2015 - December 31, 2015	-	-	(103,288)	(1,702,468)	(1,805,756)	(58,828)	(1,864,584)
Share issuance costs	(2,221)	-	-	-	(2,221)	-	(2,221)
Share-based compensation	-	4,964	-	-	4,964	-	4,964
Transfer to non-controlling interest on acquisition of shares in subsidiary	-	(13,082)	-	-	(13,082)	13,082	-
Issuance of shares by subsidiary to non-controlling interest	-	-	-	-	-	52,500	52,500
Balance, December 31, 2015	19,101,419	2,794,314	-	(16,529,979)	5,365,754	474,315	5,840,069

See accompanying notes to the consolidated financial statements

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

(in Canadian dollars)	2015	2014
	\$	\$
Operating Activities		
Interest receipts	17,897	37,449
Operating payments	(628,451)	(712,333)
	(610,554)	(674,884)
Financing Activities		
Issuance of shares to non-controlling interest	52,500	-
Flow through premium liability	2,500	-
Share issuance costs	(2,221)	(3,300)
	52,779	(3,300)
Investing Activities		
Exploration and evaluation assets	(106,511)	(542,760)
Refund of deposits	-	15,000
Change in accounts payable -exploration and evaluation assets	13,624	-
Change in accounts receivable- exploration and evaluation assets	(8,610)	-
Government grant	100,000	100,000
Acquisition of equipment	(4,634)	-
	(6,131)	(427,760)
Cash (outflow)	(563,906)	(1,105,944)
Cash, beginning of year	2,747,212	3,853,156
Cash, end of year	2,183,306	2,747,212

Supplemental cash flow information (Note 12)

See accompanying notes to the consolidated financial statements

VULCAN MINERALS INC.

Notes to the Consolidated Financial Statements

December 31, 2015 and 2014

1. NATURE OF OPERATIONS AND CORPORATE INFORMATION

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

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

2. BASIS OF PRESENTATION

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

A summary of the Company's significant accounting policies under IFRS is presented in Note 3.

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 20, 2016.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of consolidation

The consolidated financial statements include the accounts of the Company and the entities controlled by the Company (its subsidiaries). The Company's subsidiaries include Red Moon Potash Inc. in which the Company has a 66.6% interest (2014 – 65%) 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 that control commences until the date that control ceases. All significant intercompany transactions and balances have been eliminated.

Non-controlling interest in the net assets of Red Moon Potash Inc. are 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).

VULCAN MINERALS INC.
Notes to the Consolidated Financial Statements
December 31, 2015 and 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 "Business Combinations" are recognized at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5, Non-current Assets Held for Sale and Discontinued Operations, which are recognized and measured at fair value less costs to sell. All transaction costs are expensed.

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. If, after reassessment, the Company's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognized immediately in profit or loss.

The interest of non-controlling shareholders in the acquiree is initially measured at the non-controlling shareholders' proportion of the net fair value of the assets, liabilities and contingent liabilities recognized.

c) Significant management accounting estimates and judgements

The preparation of the consolidated financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions regarding the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from the estimates. Significant estimates and judgments made by management in the preparation of these consolidated financial statements are outlined below:

Mineral exploration and evaluation assets: At the end of each reporting period, the Company assesses each of its mineral resource properties to determine whether any indication of impairment exists. Judgment is required in determining whether indicators of impairment exist, including factors such as, the period for which the Company has the right to explore, expected renewals of exploration rights, whether substantive expenditures on further exploration and evaluation of resource properties are budgeted and results of exploration and evaluation activities on the exploration and evaluation assets.

Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. The impairment analysis requires the use of estimates and assumptions, such as long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance. Fair value of mineral assets is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account.

VULCAN MINERALS INC.
Notes to the Consolidated Financial Statements
December 31, 2015 and 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Significant management accounting estimates and judgements (continued)

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

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

d) Revenue recognition

Revenue from the sale of petroleum and natural gas and minerals will be recognized when title passes from the Company to its customer, the product is delivered and there is reasonable assurance of collection.

e) Share-based compensation

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

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

VULCAN MINERALS INC.
Notes to the Consolidated Financial Statements
December 31, 2015 and 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) 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.

g) 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.

h) Cash and cash equivalents

Cash consists of cash on hand and deposits in banks.

VULCAN MINERALS INC.

Notes to the Consolidated Financial Statements

December 31, 2015 and 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Deposits

The Company makes deposits on mineral licenses which are refundable when and if the Company incurs sufficient exploration expenditures within a specified time frame and files a related report with the appropriate government authorities. Should the Company not incur the applicable exploration expenditures, post a bond in lieu thereof or fail to submit the related exploration report within the applicable timeframe, the deposit becomes non-refundable and is added to mineral properties. Deposits relating to petroleum and natural gas consist of bond deposits, abandonments and work commitments which are refundable once the work has been completed or the site abandoned. All of the deposits to date relate to petroleum and natural gas exploration and evaluation.

j) 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. The cost recorded is based on the historical cost for the casing and is reviewed periodically for impairment in conjunction with the exploration and evaluation assets.

k) Government Grant

Government grant 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.

l) Exploration and evaluation

All costs directly associated with the exploration and evaluation of mineral and petroleum and natural gas exploration and evaluation assets are initially capitalized. Exploration and evaluation costs are those expenditures for an area where technical feasibility and commercial viability has not yet been determined. These costs include unproved property acquisition costs, geological and geophysical costs, asset retirement costs, exploration and evaluation drilling, sampling and appraisals. Costs incurred prior to acquiring the legal rights to explore an area are charged directly to net earnings or loss as exploration and evaluation expense. The Company holds a database of geological and geophysical data which are reflected at the costs to acquire the data net of provision for loss.

When an area is determined to be technically feasible and commercially viable, the accumulated costs are transferred to property, plant and equipment. When an area is determined not to be technically feasible and commercially viable or the Company decides not to continue with its activity, the unrecoverable costs are charged to net earnings or loss as exploration and evaluation expense.

The Company defines technical feasibility and commercial viability as an economic, commercial discovery wherein cash flows can be demonstrated and achieved.

Incidental revenue and cost recoveries relating to exploration and evaluation are recorded first as a reduction of the specific exploration and evaluation property to which the fees and payments relate, and any excess as other revenue on the consolidated statement of earnings (loss).

VULCAN MINERALS INC.
Notes to the Consolidated Financial Statements
December 31, 2015 and 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Equipment

Equipment 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 equipment assets: drilling rig-depreciated at 30% declining balance; furniture and fixtures -depreciated at 20% declining balance; and computer equipment -depreciated at 30% declining balance.

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, petroleum and natural gas 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) Asset retirement obligations

The Company recognizes a liability for retirement obligations associated with long-lived assets, which includes the abandonment of petroleum and natural gas wells, related facilities, compressors and plants, removal of equipment from leased acreage and returning such land 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-adjusted discount rate. The liability is subsequently adjusted for the passage of time, and is recognized as an accretion expense in the consolidated statement 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. The increase in the carrying value of the asset is amortized using the unit-of-production method based on estimated gross proved reserves as determined by independent engineers.

The Company had no asset retirement obligations at December 31, 2015 and 2014.

VULCAN MINERALS INC.
Notes to the Consolidated Financial Statements
December 31, 2015 and 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

p) Financial instruments

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

Loans and receivables

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

Fair value through profit or loss

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

Held-to-maturity investments

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

Available-for-sale

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

VULCAN MINERALS INC.
Notes to the Consolidated Financial Statements
December 31, 2015 and 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

p) Financial instruments (continued)

Financial liabilities

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

Fair value through profit or loss

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

Other financial liabilities

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

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

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

q) Flow-through shares

The Company finances a portion of its exploration activities through the issuance of flow-through common shares, whereby the related resource expenditure deductions normally available for income tax purposes are renounced to investors, in accordance with flow-through share agreements. At the time of share issuance, the proceeds are allocated between share capital and the obligation to deliver the tax deduction (flow through premium liability).

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 a recovery of deferred income taxes in the consolidated statement of loss.

VULCAN MINERALS INC.

Notes to the Consolidated Financial Statements

December 31, 2015 and 2014

4. NEW AND AMENDED ACCOUNTING STANDARDS

New and amended standards adopted by the Company

The following standard has been adopted by the Company in 2015:

IAS 24, “*Related party transactions*” was amended to revise the definition of related party to include an entity that provides key management personnel services to the reporting entity or its parent and to clarify the related party disclosure requirements. The amendment is effective for fiscal years beginning on or after July 1, 2014.

Standards and amendments not yet effective and not yet applied

IAS 16, “*Property, plant and equipment*” and IAS 38 “*Intangible assets*” were amended to clarify acceptable methods of depreciation and amortization. The amendments are effective for fiscal years beginning on or after January 1, 2016.

IFRS 11, “*Joint arrangements*” was amended to provide additional guidance on accounting for the acquisition of an interest in a joint operation. The amendment is effective for fiscal years beginning on or after January 1, 2016.

IFRS 9, “*Financial instruments*” (“IFRS 9”) introduces new requirements for the classification and measurement of financial assets. IFRS 9 required all recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be measured at amortized cost or fair value in subsequent accounting periods following initial recognition. Specifically, financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods.

Requirements for classification and measurement of financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, Financial Instruments – Recognition and Measurement, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.

IFRS 9 was amended in November 2013 to: (i) include guidance on hedge accounting; (ii) allow entities to early adopt the requirement to recognize changes in fair value attributable to changes in an entity’s own credit risk, from financial liabilities designated under the fair value option, in other comprehensive loss, without having to adopt the remainder of IFRS 9; and (iii) remove the previous mandatory effective date for adoption of January 1, 2015, although the standard is available for early adoption.

The final version of IFRS 9 was issued in July 2014 and includes: (i) a third measurement category for financial assets – fair value through other comprehensive income; (ii) a single, forward-looking expected loss impairment model; and (iii) a mandatory effective date for IFRS 9 of annual periods

VULCAN MINERALS INC.
Notes to the Consolidated Financial Statements
December 31, 2015 and 2014

4. NEW AND AMENED ACCOUNTING STANDARDS (continued)

beginning on or after January 1, 2018, with early adoption permitted.

IFRS 16, "*Leases*" ("IFRS 16") is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted for entities that have also adopted IFRS 15. 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.

IAS 12, "*Income Taxes*" ("IAS 12") was amended to provide guidance on the recognition of deferred tax assets for unrealized losses, effective for annual periods beginning on or after January 1, 2017. The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value.

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

5. GOVERNMENT GRANT RECEIVABLE

Under the terms of a contribution agreement with the Department of Natural Resources of the Government of Newfoundland and Labrador, signed in August 2014, and a Memorandum of Agreement signed in February 2015 (increasing the eligible amount of the grant under the August 2014 contribution agreement), the Company received \$100,000 in May 2015 as a government contribution in respect of eligible costs of the 2014 exploration program. The Company recorded the estimated amount of the government grant receivable of \$85,000 at December 31, 2014, with a corresponding amount recorded as a reduction of mineral exploration and evaluation assets. The additional contribution amount of \$15,000 has been recorded as a reduction of mineral exploration and evaluation assets in the year ended December 31, 2015.

Under the terms of a contribution agreement with the Department of Natural Resources of the Government of Newfoundland and Labrador, the Company received \$100,000 in April 2014 as a government contribution in respect of eligible costs of the 2013 exploration program. The Company reflected the estimated amount of the government grant receivable of \$85,000 at December 31, 2013, with a corresponding reduction in the related mineral exploration and evaluation asset. The additional contribution amount of \$15,000 was recorded as a reduction of mineral exploration and evaluation assets in the year ended December 31, 2014.

VULCAN MINERALS INC.
Notes to the Consolidated Financial Statements
December 31, 2015 and 2014

6. INVESTMENTS

	2015	2014
	\$	\$
Investments	16,650	169,347

Investments, classified as available for sale, consist of:

Shares in a public company received as consideration for option payments on mineral claims with a cost of \$123,600. At December 31, 2015, the market value of the shares is \$4,667 (December 31, 2014 - \$4,667). During the year ended December 31, 2014, the full amount of the loss of \$118,933 was removed from other comprehensive loss and recorded in the statement of loss.

Shares in a public company in which the Company transferred its interest in an offshore exploration license with a cost of \$497,223. At December 31, 2015, the market value of the shares is \$8,983 (December 31, 2014 - \$161,680). In years prior to 2014, an unrealized loss of \$443,330 was removed from other comprehensive loss and recorded in the statement of loss. In the year ended December 31, 2015, an unrealized loss of \$44,909 was removed from other comprehensive loss and recorded in the statement of loss.

Shares in a public company received as consideration for option payments on mineral claims with a cost of \$93,000. At December 31, 2015, the market value of the shares is \$3,000 (December 31, 2014 - \$3,000). In years prior to 2014, an unrealized loss of \$85,500 was removed from other comprehensive loss and recorded in the statement of loss. In the year ended December 31, 2015, an unrealized loss of \$4,500 was removed from other comprehensive loss and recorded in the statement of loss.

VULCAN MINERALS INC.
Notes to the Consolidated Financial Statements
December 31, 2015 and 2014

7. EXPLORATION AND EVALUATION ASSETS

The Company has 13 mineral licenses (2014-10) which consist of 1042 claims (December 31, 2014 – 1,371), which are active and in good standing with the Department of Natural Resources in the Province of Newfoundland and Labrador. These licenses are in the exploration and evaluation stage. The Company also held 10 mineral permits in the Province of Alberta in 2014 (Nil- December 31, 2015). The Company holds a database of geological and geophysical data at December 31, 2015 and 2014. A summary of the exploration and evaluation assets is as follows:

	2015			2014		
	Balance, Beginning of Year	Additions (Writedowns/ Dispositions)	Balance, End of Year	Balance, Beginning of Year	Additions (Dispositions, net)	Balance, End of Year
	\$	\$	\$	\$	\$	\$
Mineral properties						
Property acquisition costs	66,750	28,865	95,615	66,750	-	66,750
Exploration costs	1,310,664	43,523	1,354,187	867,904	442,760	1,310,664
Geological and geophysical data	2,836,450	(996,731)	1,839,719	3,155,029	(318,579)	2,836,450
	4,213,864	(924,343)	3,289,521	4,089,683	124,181	4,213,864

Current year additions to mineral exploration and evaluation assets have been reduced by a government grant of \$15,000 related to the 2014 exploration program. Additions to mineral exploration and evaluation assets in 2014 have been reduced by the government grant of \$85,000 related to the 2014 exploration program and the additional \$15,000 related to the 2013 exploration program (Note 5).

The Company holds a database of geological and geophysical data. In 2015 and 2014, the Company regrouped certain of its mineral licenses at license renewal dates, and as result, surrendered a portion of the lands associated with the licenses. The Company recorded a write-down to the geological and geophysical data in 2015 in the amount of \$996,731 (2014-\$318,579), which was in proportion to the land surrendered as compared to the total area covered by the geological and geophysical data.

VULCAN MINERALS INC.
Notes to the Consolidated Financial Statements
December 31, 2015 and 2014

8. EQUIPMENT

	2015				2014			
	Drilling Rig	Furniture & Fixtures	Computer Equipment	TOTAL	Drilling Rig	Furniture & Fixtures	Computer Equipment	TOTAL
	\$	\$	\$	\$	\$	\$	\$	\$
Opening balance	798,368	12,040	58,682	869,090	798,368	12,040	58,682	869,090
Additions	-	-	4,634	4,634	-	-	-	-
Opening depreciation	(729,534)	(9,933)	(48,330)	(787,797)	(700,034)	(9,406)	(43,894)	(753,334)
Adjustments to depreciation	(20,650)	(421)	(3,570)	(24,641)	(29,500)	(527)	(4,436)	(34,463)
Closing balance	48,184	1,686	11,416	61,286	68,834	2,107	10,352	81,293

9. INCOME TAXES

a) Deferred income taxes

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

	2015	2014
	\$	\$
Temporary differences related to exploration and evaluation assets	(438,673)	(105,070)
Tax effect of unrealized losses on available-for-sale financial assets	(101,090)	(72,988)
Share issuance costs	(1,666)	(1,296)
Non-capital loss carryforwards	(546,104)	(424,920)
(Unrecognized deferred tax asset)	(1,087,533)	(604,274)

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 29% (2014 – 29%) to loss before income taxes as follows:

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9. INCOME TAXES (continued)

b) Income tax rates (continued)

	2015	2014
	\$	\$
Expected income tax recovery	(510,775)	(343,856)
Share-based compensation costs	1,440	8,017
Non deductible portion-unrealized investment losses	7,164	17,245
Deferred income tax asset not recognized	502,171	318,594
Deferred income tax	-	-

c) Non-capital losses

The Company has non-capital losses at December 31, 2015 amounting to \$1,882,911 which are available to reduce future taxable income. These non-capital losses expire as follows:

2032	\$ 93,451
2033	\$746,435
2034	\$596,121
2035	\$446,904

The Company also has Canadian exploration expenses of \$4,891,417 which may be deducted in determining taxable income of future years.

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10. SHARE CAPITAL

a) Authorized

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

b) Issued and outstanding

	2015		2014	
	Number	Share Capital \$	Number	Share Capital \$
Common Shares				
Balance, beginning of year	58,526,129	19,103,640	58,526,129	19,106,940
Share issuance costs	-	(2,221)	-	(3,300)
Balance, end of year	58,526,129	19,101,419	58,526,129	19,103,640

(c) Contributed Surplus

A summary of contributed surplus is as follows:

	2015	2014
	\$	\$
Balance, beginning of year	2,802,432	2,901,147
Share-based compensation (Note 11 (b))	4,964	27,646
Transfer to non-controlling interest on acquisition of shares in subsidiary	(13,082)	(126,361)
Balance, end of year	2,794,314	2,802,432

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11. SHARE-BASED COMPENSATION

a) Stock options

The Company and one of its subsidiaries have stock option plans 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:

	2015		2014	
	Number of Options	Weighted- Average Exercise Price	Number of Options	Weighted- Average Exercise Price
		\$		\$
Outstanding, beginning of year	4,603,345	0.17	5,401,288	0.22
Expired	(978,345)	0.44	(547,943)	0.32
Forfeited	(175,000)	0.10	(250,000)	0.10
Outstanding, end of year	3,450,000	0.10	4,603,345	0.17
Outstanding and exercisable, end of year	3,450,000	0.10	3,697,095	0.15

The weighted average remaining contractual life of outstanding options is 2.09 years (2014 – 2.56 years). The weighted average remaining contractual life of exercisable options is 2.09 years (2014 – 1.95 years).

During the year ended December 31, 2015, share-based compensation costs of \$4,964 (December 31, 2014 - \$27,646) have been expensed.

Subsequent to December 31, 2015, the Company and a subsidiary company granted 3,600,000 stock options to directors, officers and employee, with each option entitling the holder to purchase one common share at \$0.10 per share for a period of five years. 1,800,000 options vested on the date of the grant and the remaining 1,800,000 options have a vesting date of December 31, 2017.

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12. SUPPLEMENTAL CASH FLOW INFORMATION

	2015	2014
	\$	\$
Contributed surplus recognized upon the issuance of stock options recorded as:		
Share-based compensation expense	4,964	27,646
Non-cash operating, investing, and financing activities	4,964	27,646

13. GENERAL AND ADMINISTRATIVE EXPENSES

	2015	2014
	\$	\$
Office and administrative	114,937	122,358
Management, salaries and contract fees and benefits	316,118	376,310
Directors' fees	32,500	32,500
Transfer agent and professional fees	167,252	139,528
Travel and accommodation	20,518	52,841
	651,325	723,537

14. RELATED PARTY TRANSACTIONS

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

	2015	2014
	\$	\$
Management fees, salaries and benefits for key management personnel		
General and administrative expense	245,296	247,598
Capitalized as mineral exploration and evaluation assets	3,286	9,309
Share-based compensation for key management	4,714	23,938
Directors' fees	32,500	32,500
	285,796	313,345

VULCAN MINERALS INC.
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14. RELATED PARTY TRANSACTIONS (continued)

	2015	2014
	\$	\$
Rent paid to a corporation which is controlled by the President of the Company	45,000	45,000

15. CAPITAL MANAGEMENT

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

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

16. FINANCIAL INSTRUMENTS

Fair values

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

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

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

Level 3 – valuation techniques with significant unobservable market inputs.

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

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

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16. FINANCIAL INSTRUMENTS (continued)

Financial Assets

Investments	2015	2014
Level 1 (shares in public companies)	\$ 16,650	\$ 169,347
Level 2	-	-
Level 3	-	-
Total financial assets at fair value	\$ 16,650	\$ 169,347

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

Liquidity risk is the risk that the Company will not be able to meet its obligations as they come due. The Company believes it has sufficient liquidity to meet its current obligations. The Company manages its liquidity risk by continuously monitoring forecasts and actual cash flows.

Accounts payable and accrued liabilities at December 31, 2015 in the amount of \$117,752 (December 31, 2014 - \$85,149) are current and due within thirty days.

Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates, and commodity prices will affect the Company's net loss or the value of its financial instruments.

Commodity price risk

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

VULCAN MINERALS INC.

Notes to the Consolidated Financial Statements

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17. CONTINGENCIES

- a) In 2011, the Company was served with a Statement of Claim by Geophysical Service Incorporated 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 is of the opinion that this claim is 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 interests.

- b) The Court in Alberta has granted leave to Geophysical Service Incorporated (GSI) to add the Company as a co-defendant in the ongoing action GSI has with NWest Energy Corp. 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. 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

Sharon M. Dunn
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

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