



Interim Consolidated Financial Statements
For the Three Months Ended March 31, 2010 and 2009

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

VULCAN MINERALS INC.
March 31, 2010 and 2009

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VULCAN MINERALS INC.
MANAGEMENT DISCUSSION AND ANALYSIS – FORM 51-102F
For the Period Ended March 31, 2010

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 that actual results or developments may differ materially from those projected in the forward-looking statements.

1.0 INTRODUCTION

General Business

The Company is engaged in petroleum and natural gas and mineral exploration on properties in Newfoundland and Labrador. The Company owns petroleum rights onshore in Western Newfoundland and Offshore Labrador. The Company’s efforts have focused on exploring these properties. The Company is a pure exploration venture and has no proven petroleum or mineral reserves.

The MDA should be read in conjunction with the consolidated financial statements for the period ended March 31, 2010 and accompanying notes.

1.1 DATE

The date of this MDA is May 25, 2010.

1.2 OVERALL PERFORMANCE

For the period ended March 31, 2010, total assets increased to \$11,565,528 (2009 - \$9,677,486) primarily reflecting an increase in cash to \$2,321,238 (2009 - \$706,285) and an increase in petroleum properties from \$5,533,279 to \$6,144,081 offset by a decrease in investments (shares in a public company - see Section 1.14). Current liabilities related to normal trade payables decreased slightly to \$104,219 (2009 - \$110,316). The Company had revenue increases related to interest income of \$2,752 (2009 - \$562) primarily reflecting increased cash balances. Other income of \$500,000 (2009 - Nil) relates to revenue earned by the Company as a result of the sale of part of its working interest in an oil and gas related property - see Section 1.4). Option payments shown under revenue for 2009 relate to the Kingurutik Option agreement which was cancelled during Q1 2009 of \$70,000 and previously shown on the balance sheet as deferred. Deferred option payments on the balance sheet were \$18,000 (2009 - \$106,000) which had a net decrease over the past year as a result of the cancelled Kingurutik agreement offset by shares received related to the earning-in of 51% on the TL Nickel property. Short-term deposit decreased as \$22,000 was refunded and the remainder has been reclassified to long-term deposits.

Long-term deposits increased over the past year due to the reclassifications from short-term. General and administrative expenses were higher during Q1 2010 (\$135,385) compared to Q1 2009 (\$115,113) and include the following material components:

General & Admin. Expenses Include:	March 31, 2010	March 31, 2009	% Change
Office (\$)	44,520	50,954	-13%
Mgmt Fees/Admin/Subcontract (\$)	184,682	197,814	-7%
Transfer Agent & Professional Fees (\$)	15,685	16,499	-5%
Travel & Accommodation (\$)	17,319	2,821	+514%
Reimbursements (\$)	(126,821)	(152,975)	+17%

Office expenses were fairly consistent quarter over quarter. Management and subcontract fees were slightly higher in Q1 2009 due to additional full time support personnel. Transfer Agent and Professional Fees remained fairly consistent quarter over quarter. Travel and accommodation increased during Q1 2010 due to attendance at extra trade shows during Q1 2010 and meeting with industry personnel; the majority of travel relating to the drilling projects has been either paid for by the Bay St. George partner or capitalized. Reimbursement decreased from personnel time spent on optioned and joint venture projects from Q1 2009 as some of the Q1 2010 personnel time was spent on Parsons Pond in which the Company is a paying partner. There was net income for Q1 2010 of \$317,925 compared to net loss of \$62,845 in 2009. Net income in 2010 was a result of the income received as a result of the sale of part of an interest in a petroleum asset.

During the period ended March 31, 2010, the Company received \$208,750 pursuant to the exercise of stock options.

1.3 SELECTED ANNUAL INFORMATION

Refer to Form 51-102F for the year ended December 31, 2009.

1.4 RESULTS OF OPERATIONS

Western Newfoundland-Petroleum (Onshore)

Bay St. George

The Company owns three petroleum permits in the Bay St. George Basin, onshore Western Newfoundland, covering an area of approximately 236,000 acres. The Company has been exploring these permits for several years having drilled several shallow wells (< 1,000 metres) with encouraging oil and gas shows.

In February 2008, the Company entered into a purchase and sale agreement with Investcan Energy Corporation (“Investcan”), for a 50% working interest in the Company’s petroleum permits 96-105, 03-106, and 03-107 onshore Bay St. George, Western Newfoundland. Pursuant to the agreement, the Company received a cash payment of \$51,000 plus a commitment by Investcan to incur \$15,000,000 in exploration expenditures to January 31, 2010 (carrying the Company for this first \$15,000,000 of expenditures). The first well, Robinsons #1, was completed on October 15, 2009 and reached a total depth of 3,560 metres. It is the deepest well ever drilled in the basin. The well encountered natural gas shows in several sandstones interbedded with shales and siltstones over a gross interval of 1,290 meters. Initial interpretations

from drill cuttings suggest the sandstone interbeds represent approximately 20% of that gross interval. Because the well is the first hole to drill these rock intervals in the Bay St George basin the full significance of the gas shows won't be known until they are adequately flow tested. The Company carried out an extensive evaluation of the well, including vertical seismic profiling, geophysical logging, sidewall coring and drill stem flow testing. Results indicated that the gas bearing zones exhibited low permeability and that they would require hydraulic fracturing to be properly flow tested.

The second well, Red Brook #2, was drilled to a total final depth of 1965 metres on November 23, 2009 and flowed natural gas to surface on three drill stem tests. The well has been cased for further evaluation and determination of accurate sustainable flow rates in order to fully assess the discovery. The well tested a flank play along the west side of the Flat Bay Anticline which is mapped at surface over a 20 km strike length.

The Company is formulating a fracture stimulation program for both the Red Brook and Robinsons wells to properly test and evaluate their productive potential. Field operations should commence by late spring-summer subject to logistical constraints. As of Q1 2010, \$13,431,765 of the \$15,000,000 commitment has been spent by Investcan pursuant to the Bay St. George joint venture.

In February 2009, the Company drilled two shallow core holes in the Flat Bay oil deposit to gather reservoir engineering data. The holes were successful in encountering petroleum in the targeted reservoir and the core and results are continuing to be analyzed.

Parsons Pond

The Parsons Pond permits (03-101, 03-102, 03-103) are situated on the west side of the northern peninsula in western Newfoundland. This is a frontier onshore petroleum exploration area. The Company has held non-operating minority interests in this area for several years.

On January 12, 2010, the Company entered into a Purchase and Sale Agreement with Investcan Energy Corporation, a Newfoundland and Labrador based Company to sell 5.98% working interest in Exploration Permit 03-101 in Parsons Pond for \$500,000. This transaction closed in March 2010. The Company currently holds 12.59% working interest in EP 03-101, 7.39% in EP 03-102 and 10% in EP 03-103 (non-operating).

On August 6, 2009, Nalcor Energy acquired an average 67% working interest in the permits from a private company. Nalcor Energy has acquired operatorship and has commenced the first well of a three well drilling program. Nalcor Energy is a provincial (Newfoundland and Labrador) crown corporation active in hydro-electric generation and oil and gas development. The first well, Seamus #1, commenced drilling in February 2010 on permit 03-103. The company has a 10% working interest in the well. This is the first of the three wells planned for 2010. The well has a prognosed total depth of approximately 3,100 metres and will be the first deep well in this oil prone area. Drilling operations are nearing completion and results should be announced shortly. The rig is scheduled to move to the second drill location in the new few weeks for a summer drill program. The third well is planned to commence after the second well is completed.

Labrador Offshore

During September 2008, the Company entered into a joint bidding agreement with Investcan on a 50/50 basis. Pursuant to that agreement the Company and Investcan bid on Parcel #2 as per the Call for Bids NL07-2 for exploration licences offshore Labrador and were the successful bidders on that parcel with a work commitment bid of \$9,601,000. A refundable security deposit equal to 25% of the work commitment bid has been posted with the Canada-Newfoundland and Labrador Offshore Petroleum Board (“CNLOPB”) to secure the exploration licence.

The joint bidding agreement between the Company and Investcan provides that Investcan shall initially post 100% of the refundable security deposit. The Company’s obligation to pay 50% of the security deposit (maximum of \$1,200,125) will be carried by Investcan for two years without dilution of the Company’s working interest in the exploration licence. If the Company assumes its 50% share of the security deposit at the end of two years, it shall preserve its 50% working interest in the exploration licence. If the Company does not assume its 50% share of the security deposit at the end of two years, Investcan shall carry the obligation up to an additional two years subject to a dilution of the Company’s interest in the licence up to a maximum of 22% (i.e.: the Company would maintain a minimum 28% working interest) at which time the Company will assume its share of the security deposit.

An exploration licence confers the right to explore for petroleum for an initial Period I of six years with a possible additional period of three years. Parcel #2 covers 236,525 hectares (584,000 acres) of the Hopedale Basin on the Labrador continental shelf. It is situated adjacent to and on trend between the Bjarni-North Bjarni discoveries (approximately 3.1 trillion cubic feet of natural gas) to the northwest and the Gudrid discovery (approximately 924 billion cubic feet of natural gas) to the southeast. The gas quantities for the Bjarni-North Bjarni and Gudrid discoveries are resources as published by the CNLOPB. The Company has carried out an internal evaluation of the parcel and has identified prospects and leads worthy of further exploration in the context of an emerging gas play. The Company in conjunction with its joint venture partner and operator, Investcan, are carrying out an environmental assessment of its offshore license and surrounding area towards permitting the area for a seismic acquisition program. An integral part of the process has been a series of consultation with various communities in Labrador. The operator expects that the assessment process to be complete by the second quarter 2010 which would facilitate a seismic acquisition program as early as this year, though a definitive decision to proceed this year has not been made as it will be dependent on several factors including logistics.

Western Newfoundland Offshore

Through its interests in NWest Energy Inc. (“NWest”), the Company has exposure to the exploration potential of offshore western Newfoundland, an area with petroleum potential in Cambrian-Ordovician targets, which are productive in the Appalachian belt of and extending as far south as Texas. NWest’s current total offshore land package covers 650,000 hectares. A seismic program was carried out in 2008 over key target areas and the data has been processed and interpreted by NWest. NWest is soliciting partners to pursue additional exploration on the licences.

The Company was a founding shareholder of NWest in 2006 and currently owns approximately 19.2% of its outstanding shares. In December 2007, NWest became a public corporation via a reverse takeover of a TSX Venture listed corporation and raised \$10,000,000 by way of private placement. NWest has retained its own management and consulting team to carry out its business plan.

Mineral Properties

TL Nickel-Copper-PGM

The TL Nickel-Copper-Platinum group element property in Labrador is situated approximately 80 km northwest of the Voisey's Bay world-class nickel-copper-cobalt mine. On May 30, 2003, the Company announced that it had optioned the property to Nortec Venture Corp. ("Nortec").

Nortec has spent sufficient funds to keep the property in good standing since that time. An airborne geophysical survey was completed as of May 21, 2008 by Geotech using the VTEM system. A drilling program was carried out on the property during the summer of 2008 with approximately 1960 metres being drilled. Significant drill intersections of mineralization were encountered up to 14 metres of 1.02% Nickel, 0.51% Copper, and 0.03% Cobalt. Full assay results are available on the Company's website at www.vulcanminerals.ca

To date, Nortec has earned its 51% working interest in the property. Nortec has elected to earn up to an additional 24% working interest by issuing 200,000 additional shares and spending \$5,000,000 on the property over a three-year period; the shares have been received. If Nortec completes this additional earn-in then the Company will retain a 25% working interest in the property, otherwise the Company will maintain a 49% participating working interest.

Kingurutik Property

The Kingurutik River property covers 234 claims (approximately 15,000 acres) of Nain Plutonic rocks approximately 90 kilometers northwest of the Voisey Bay nickel, copper cobalt mine.

An option agreement with Nortec was executed on July 30, 2008. An airborne VTEM survey was flown over most of the property in May with several co-incident magnetic and electromagnetic anomalies identified. Three scout holes were drilled on the property as an extension of the Tasisuak Lake drill program in August. No significant mineralization was encountered though encouraging sulphide segregations were intersected. In February 2009, Nortec advised the Company that it wished to withdraw from this option agreement. The Company continues with its evaluation of the property on a 100% ownership basis.

Flat Bay Potash/Salt

The Carboniferous aged strata of the Maritimes Basin is a significant producer of salt and potash, including the Sussex mine operated by the Potash Corporation of Saskatchewan in New Brunswick.

The Company owns the mineral rights (in addition to petroleum rights) over a portion of the northern Bay St. George Basin (approximately 100,000 acres). In 2002, the Company drilled Captain Cook #1 which discovered a 165-meter thick section of evaporites consisting of halite (salt) and a potentially significant potash zone. Analysis of the core indicates grades varying from 4.44% - 20.40% K₂O (potassium oxide). In 2004, the Company drilled the Flat Bay #2 well, which intersected approximately 200 metres of salt approximately 2 km from Captain Cook. Seismic data, which provides subsurface imaging, suggests that these discoveries are connected and that a significant salt/potash resource exists in the area. Assessment of the discoveries is ongoing through the use of the Company's seismic data for mapping of the evaporitic rocks which contain the potash and salt.

Plans for the remainder of 2010

The Company, in conjunction with its partner, Investcan Energy Corporation, are currently carrying out a full evaluation of well results from Robinsons #1 and Red Brook #2. This evaluation is designed to identify and prioritize zones for completion including fracture stimulation and flow testing. Solicitation and procurement of full completion services are underway. Field operations will be undertaken as soon as logistics and permitting will allow. That is expected within the late Spring – Summer time frame.

The project has retained the services of a petroleum engineer and petroleum geologist to add to the existing technical team. They will focus on the full evaluation of the recent Red Brook/Robinsons gas discovery. As well, the project team will carry out further evaluation of the Flat Bay oil deposit, which will probably include new seismic and core drilling.

The Bay St. George permits cover approximately 250,000 acres containing several exploration leads requiring further seismic definition. In conjunction with a focussed evaluation of the recent gas discovery, further exploratory work will be carried out on the permits. Initially this will consist of additional seismic to be surveyed this summer. The Company is currently permitting the program and procuring services. This will be followed by the drilling of favourable targets, the timing of which will be subject to logistics and equipment availability.

The Company in conjunction with its project partner and operator, Investcan, are carrying out an environmental assessment of its offshore license in Labrador and surrounding area towards permitting the area for a seismic acquisition program. An integral part of the process has been a series of consultation with various communities in Labrador. The operator expects that the assessment process to be complete by the second quarter 2010 which would facilitate a seismic acquisition program as early as this year, though a definitive decision to proceed this year has not been made as it will be dependent on several factors including logistics. The company owns a 50% working interest in exploration licence EL1107.

The Company has been advised by the operator, that the drilling of Seamus #1 at Parsons Pond is nearing completion. The well is being drilled under tight hole status, which limits what partners can report regarding the well. The Company, in conjunction with its partners, plans to announce results from the well upon completion. The Company has a 10% working interest in the well, which is the first of a planned three well program in 2010. The second well is planned to commence within weeks of completing Seamus #1.

1.5 SUMMARY OF QUARTERLY RESULTS

Quarter	Total Revenue (\$)	Net (Loss) Income (\$)	Net Income (Loss) per share
Mar 31/10	502,752	317,925	0.01
Dec 31/09	160,684	(27,322)	(0.01)
Sept 30/09	24,226	(15,116)	(0.00)
Jun 30/09	496	(124,294)	(0.00)
Mar 31/09	70,562	(62,845)	(0.00)
Dec 31/08	4,497	42,041	(0.00)
Sept 30/08	4,569	(186,778)	(0.01)
Jun 30/08	3,833	(551,041)	(0.01)

Total revenues quarter over quarter is limited to interest income earned every period and mineral option payments recognized for December 31, 2009 of \$106,000 and March 31, 2009 of \$70,000 and revenue from the use of the Company's drilling rig for December 31, 2009 of \$76,500 and September 30, 2009 of \$24,000 and revenue as a result of the sale of part of a working interest in a petroleum asset of \$500,000 for March 31, 2010. The net income for March 31, 2010 relates to this revenue and for December 31, 2008 relates to some stock-based compensation costs being capitalized and reimbursement of costs from partners. The increased net loss in June 2008 relates to stock-based compensation expenses as a result of the fair market value of the issuance of stock options in the quarter of which \$157,569 was capitalized at year-end.

1.6 LIQUIDITY

At quarter-end, the Company had current assets of \$2,518,967 of which \$2,321,238 is cash and cash equivalents. This cash is readily available and is not subject to subprime debt issues nor asset backed commercial debt. As a result of the 2009 drilling program and ongoing activities Investcan Energy Corporation has spent approximately \$13.5 million of its \$15 million dollar commitment in the Bay St. George project pursuant to its purchase of a 50% interest in the project. As a result, the Company is carried 100% on the remaining \$1.5 million of expenditures on the project. After that, the company will contribute its 50% working interest share of joint venture expenditures. There are flow-through obligations for 2010 related to the November 2009 financing of \$1,552,950. These obligations are being met with the ongoing expenditures on the Parsons Pond and Bay St. George projects.

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 accrued or contingent liabilities that could materially affect its financial position except for the item disclosed in the notes to the consolidated financial statements. The Company is required to post refundable security deposits with the Government of Newfoundland and Labrador for drilling and other petroleum operations in Western Newfoundland. The Company's cash and cash equivalents are held in bank accounts with no exposure to equity market fluctuations.

Currently, the Company has no production revenue from petroleum and natural gas or minerals. Further issuance of equity and joint venturing will be required to carry on the business of the Company in the longer term. Because of volatility in the equity and commodity markets there is no guarantee either source of funding will be available in the future.

1.7 CAPITAL RESOURCES

The Company carries out exploration on petroleum permits and 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. In the following table, most of the work obligations have been fulfilled by virtue of carrying forward excess work carried out in previous years on the permits and licenses. In any other case, the status of the work commitment is indicated.

Tenure Instrument	Status	Comment
Petroleum Permits		
Permit 96-105	Good standing/Subject to development plan	2004-2009 drilling and seismic program has advanced lease conversion process via development plan
Permit 03-106	Good standing/Subject to development plan	Development plan filed February 2010
Permit 03-107	Good standing/Subject to development plan	Development plan filed February 2010
Mineral Licences		Work Obligations

Tenure Instrument	Status	Comment
015834M	Subject to Nortec option-TL	\$262,800 by September 11, 2018
008838M	Good Standing – Bay St. George	\$165,489 by June 10, 2013
006107M	Good Standing – Bay St. George	\$72,000 by June 8, 2016
010069M	Good Standing – Bay St. George	\$21,655 by April 12, 2011
011159M	Good Standing – Bay St. George	\$61,620 by August 1, 2011
011160M	Good Standing – Bay St. George	\$136,958 by August 1, 2016
012501M	Good Standing – Bay St. George	\$120,444 by September 18, 2012
012502M	Good Standing – Bay St. George	\$28,318 by September 18, 2011
012504M	Good Standing – Bay St. George	\$102,083 by September 18, 2014
012669M	Good Standing – Bay St. George	\$73,533 by October 27, 2014
014138M	Good Standing - Kingurutik, Labrador	\$55,477 by Nov. 15, 2012
015032M	Good Standing - Lac Pilliamet, Labrador	\$20,933 by June 9, 2010
015033M	Good Standing - W. Siugak Brook, Labrador	\$9,860 by June 9, 2010

The Company also owns non-operating working interests in petroleum permits 03-101, 03-102 and 03-103 at Parsons Pond (see 1.4 above). Permit 03-103 is currently in good standing by virtue of previous drilling and the current drilling of the Seamus #1 well. Permit 03-101 and 03-102 have been extended an extra year to February 2011 by the Department of Natural Resources, Government of Newfoundland and Labrador. The drilling program has commenced at Parsons Pond with the first well (of a three well planned project) having spud in February 2010.

The offshore Labrador exploration licence EL 1107 is in good standing until November 2014 and is open to an additional extension until November 2017 if a well is drilled during its current term.

There are no sources of financing currently identified by the Company that are unused (i.e., lines of credit or similar instruments).

1.8 OFF BALANCE SHEET ARRANGEMENTS

The Company has no material off-balance sheet arrangements.

1.9 TRANSACTIONS WITH RELATED PARTIES

During the period, the Company paid premises rent aggregating \$6,000 (2009: \$6,000) to a private company owned and controlled by the President and a director of the Company. As well, he received \$45,000 (2009: \$45,000) in management fees.

Directors' fees were paid during the period of \$Nil (2009 - \$Nil). Included in accounts payable and accrued liabilities are directors' fees payable of \$Nil (2009 - \$Nil) and management fees due to the President of \$6,923 (2009 – \$6,231).

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.

1.10 PROPOSED TRANSACTIONS

There are no material proposed transactions relating to any asset or business acquisition or disposition being considered by management except that described in 1.4 above. The Company

through its normal course of business solicits partners for some of its exploration prospects, both petroleum and minerals.

1.11 CRITICAL ACCOUNTING ESTIMATES

Any critical accounting estimates are disclosed in the consolidated financial statements.

1.12 CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

International Financial Reporting Standards

In February 2008, the CICA Accounting Standards Board confirmed the changeover to International Financial Reporting Standards (“IFRS”) from Canadian GAAP will be required for publicly accountable enterprises effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company will be adopting IFRS commencing January 1, 2011 with comparative amounts reported for the year ended December 31, 2010 (restated).

Under IFRS, there is significantly more disclosure required, while IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in accounting policies that will need to be addressed by management. The Company has prepared a plan for the conversion to IFRS and has completed its initial scoping study to identify key areas that may affect disclosure and financial reporting upon transition to IFRS.

Key employee and director and audit committee training has taken place and is ongoing. A detailed analysis of identified areas of potential accounting changes and the impacts has begun and is ongoing. It is anticipated that during the spring/summer all decisions will be made with regards to accounting policy choice, transitional provisions and the potential impacts of IFRS on the Company’s financial statements. An opening balance sheet will be prepared and will entail a review by the Company’s external auditors to ensure a smooth transition. At this time, no significant issues are anticipated.

Business Combinations

In January 2009, the CICA issued CICA Handbook Section 1582, Business Combinations which replaced Section 1581, Business Combinations, and Section 1601, Consolidated Financial Statements, and Section 1602, Non-controlling Interests, both of which replace Section 1600, Consolidated Financial Statements. The revised standards were issued with the intent of harmonizing the standards with IFRS.

Section 1582, Business Combinations, requires the acquiring entity in a business combination to recognize all the assets acquired and liabilities assumed in the transaction; establish the acquisition date fair value as the measurement objective for all assets acquired and liabilities assumed; and disclose to investors and other users all of the information required to evaluate and understand the nature and financial effect of the business combination. The section applies prospectively to business combinations with an acquisition date after the beginning of the first annual reporting period beginning on or after January 1, 2011.

Section 1602, Non-controlling Interests requires all entities to report non-controlling (minority) interests as equity in consolidated financial statements. Transactions between an entity and non-controlling interests are treated as equity transactions. Section 1602 is applied retrospectively.

Section 1601 and 1602 applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.

Early adoption is permitted for all three sections, but all must be adopted concurrently. The Company is currently reviewing the standards to determine the impact, if any, on its consolidated financial statements.

1.13 FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company's assets include cash and cash equivalents. These cash equivalents include a bank account and a treasury account.

The Company received 1,200,000 shares (initially valued at \$63,600) in Nortec, a public company pursuant to a mineral property option agreement dated May 30, 2003 and 200,000 shares (initially valued at \$60,000) pursuant to another mineral property option agreement dated July 30, 2008. The shares have been valued as an investment of \$168,000 on the balance sheet at March 31, 2010. These shares are all free trading. The Company may sell those shares at its discretion in context of the market value and prospects for Nortec.

The Company currently holds 17,964,372 shares in NWest (of which 6,053,040 are currently held in escrow, to be released December 2010) and has recorded the shares at market of \$2,155,725 on the balance sheet at March 31, 2010. The Company may sell those free trading shares at its discretion in context of the market value and prospects for NWest.

During 2007, the Company received 150,000 shares (initially valued at \$93,000) in Commander Resources Ltd., a public company; pursuant to a mineral property letter agreement dated February 27, 2007. The shares have been valued as an investment of \$58,500 on the balance sheet at March 31, 2010. The Company may sell those shares at its discretion in context of the market value and prospects for Commander Resources Ltd.

1.14 SHARE CAPITAL

As of the date of this management discussion and analysis the Company has 48,084,455 voting common shares outstanding. The Company's share capital consists of an unlimited number of voting common shares and an unlimited number of preferred shares of which there are none outstanding.

At the end of the period, the Company had outstanding 3,425,000 options (318,750 options were not vested) to purchase voting common shares consisting of the following:

Date Issued	Number	Exercise Price	Details
June 22, 2006	500,000	\$0.40	Director's Options, Expiry June 22, 2011
June 26, 2007	200,000	\$0.65	Director's Options, Expiry June 26, 2012
September 26, 2007	900,000	\$0.50	Directors' Options, Expiry Sept. 26, 2012
May 9, 2008	50,000	\$0.70	Employee Options Expiry May 9, 2010
June 27, 2008	900,000	\$1.00	Employee & Directors' Options Expiry June 27, 2013
October 23, 2008	200,000	\$0.60	Employee Options, Expiry Oct. 23, 2011
April 22, 2009	350,000	\$0.45	Director's Options, Expiry April 22, 2014

Date Issued	Number	Exercise Price	Details
April 22, 2009	175,000	\$0.45	Employee Options, Expiry April 22, 2012
September 3, 2009	50,000	\$0.70	Employee Options, Expiry September 3, 2012
March 15, 2010	100,000	\$0.61	Employee Options, Expiry March 15, 2013

At the end of the period, the Company had 514,772 warrants exercisable into voting common shares consisting of the following:

Date Issued	Number	Exercise Price	Details
November 26, 2009	279,000	\$0.75	Expiry November 26, 2011
November 26, 2009	223,452	\$0.55	Expiry November 26, 2011
November 27, 2009	12,320	\$0.55	Expiry November 27, 2011

1.15 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.

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, Deloitte & Touche LLP, have not performed a review of these financial statements.

VULCAN MINERALS INC.
Consolidated Balance Sheets
As at

	March 31, 2010 (unaudited)	December 31, 2009 (audited)
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	2,321,238	2,326,498
Accounts receivable	189,272	60,936
Prepaid expenses	8,457	14,102
Deposits	-	-
	2,518,967	2,401,536
Deposits	286,950	286,950
Investments (Note 4)	2,382,225	2,720,012
Minerals properties (Note 5)	94,209	92,741
Petroleum and natural gas properties (Note 6)	6,144,081	5,768,403
Equipment (Note 7)	139,096	147,751
	11,565,528	11,417,393
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	104,219	204,725
	104,219	204,725
Deferred option payments (Note 8)	18,000	18,000
Asset retirement obligations (Note 9)	53,565	53,565
Future income taxes (Note 10 (a))	594,822	159,769
	770,606	436,059
Shareholders' Equity		
Deficit	(7,317,697)	(7,635,622)
Accumulated other comprehensive income	1,400,727	1,687,002
	(5,916,970)	(5,948,620)
Share capital (Note 11 (a) and (b))	14,592,659	14,689,533
Warrants (Note 11(d))	117,533	117,533
Contributed surplus (Note 11 (e))	2,001,700	2,122,888
	10,794,922	10,981,334
	11,565,528	11,417,393
Nature of operations and continuation of the business (Note 1)		
Commitments (Note 16)		
Approved by the Board of Directors,		
Patrick J. Laracy ("signed")	Director	
Rex Gibbons ("signed")	Director	

See accompanying notes to the consolidated financial statements

VULCAN MINERALS INC.
Consolidated Statements of Income (Loss) and Deficit
Three Months Ended March 31

	2010	2009
	\$	\$
Revenue		
Interest and other income	502,752	562
Option payments	-	70,000
	502,752	70,562
Expenses		
General and administrative (Note 14)	135,385	115,113
Stock-based compensation	34,274	27,279
Amortization	1,190	1,472
Decrease in fair value of share purchase warrants	-	149
	170,849	144,013
Net income (loss) before income taxes	331,903	(73,451)
Income taxes		
Other tax expense (Note 10 (b))	(6,574)	(1,344)
Future income taxes (expense) recovery (Note 10 (b))	(7,404)	11,950
	(13,978)	10,606
Net income (loss)	317,925	(62,845)
Deficit, beginning of period	(7,635,622)	(7,406,045)
Deficit, end of period	(7,317,697)	(7,468,890)
Net income per share - basic and diluted (Note 2 (n))	0.01	-
Weighted-average number of common shares outstanding - basic and diluted	47,921,955	44,229,301

See accompanying notes to the consolidated financial statements

VULCAN MINERALS INC.
Consolidated Statements of Cash Flows
Three Months Ended March 31

	2010	2009
	\$	\$
Operating activities		
Interest receipts	2,749	562
Operating payments	(243,471)	(61,315)
	<u>(240,722)</u>	<u>(60,753)</u>
Financing activities		
Issuance of common shares and share purchase warrants	208,750	-
Share issuance costs	(325)	-
	<u>208,425</u>	<u>-</u>
Investing activities		
Options payments received	-	30,000
Mineral properties expenditures	-	(1,125)
Petroleum and natural gas properties expenditures	29,478	(145,292)
Acquisition of equipment	(2,441)	(598)
Acquisition of investments	-	-
	<u>27,037</u>	<u>(117,015)</u>
Cash inflow (outflow)	(5,260)	(177,768)
Cash and cash equivalents, beginning of period	2,326,498	884,053
Cash and cash equivalents, end of period	<u>2,321,238</u>	<u>706,285</u>
Cash and cash equivalents is comprised of:		
Deposits with banks	318,307	706,285
Guaranteed investment certificates with an interest rate of 0.5%	2,002,931	-
	<u>2,321,238</u>	<u>706,285</u>

Supplemental cash flow information (Note 13)

See accompanying notes to the consolidated financial statements

VULCAN MINERALS INC.
Consolidated Statements of Comprehensive Income (Loss)
Three Months Ended March 31

	2010	2009
	\$	\$
Net income (loss)	317,925	(62,845)
Other comprehensive income (loss):		
Unrealized loss on available-for-sale financial assets, (net of tax recovery of \$51,512; 2008 - \$53,798)	(286,275)	(284,990)
Comprehensive income (loss)	31,650	(347,835)

VULCAN MINERALS INC.
Consolidated Statements of Accumulated Other Comprehensive Income
As at March 31

	2010	2009
	\$	\$
Accumulated other comprehensive income, beginning of period	1,687,002	1,936,057
Other comprehensive loss	(286,275)	(284,990)
Accumulated other comprehensive income, end of period	1,400,727	1,651,067

See accompanying notes to the consolidated financial statements

VULCAN MINERALS INC.

Notes to the Consolidated Financial Statements

March 31, 2010 and 2009

1. NATURE OF OPERATIONS AND CONTINUATION OF THE BUSINESS

Vulcan Minerals Inc. (the "Company") 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.

These financial statements have been prepared using accounting principles applicable to a going concern, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. The Company is in the process of exploring its mineral and petroleum and natural gas properties and has not yet determined whether these properties contain economically recoverable reserves. The success of the Company and the recoverability of exploration costs are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain financing to fund and complete the development of such reserves, the ability of the Company to satisfy obligations as they come due and upon future profitable production from the properties or proceeds from disposition. The amounts shown as mineral and petroleum and natural gas properties represent net costs to date less any write-offs and do not necessarily represent present or future values. At March 31, 2010, the Company had an accumulated deficit of \$7,317,697 (year ended December 31, 2009 - \$7,635,622).

If the going concern assumption were not appropriate for these financial statements, then adjustments would be necessary to the carrying values of assets and liabilities, the reported loss and balance sheet classifications used.

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and reflect the following significant accounting policies:

a) Basis of consolidation

The consolidated financial statements include the accounts of the Company and those of its wholly-owned subsidiaries. Intercompany transactions have been eliminated upon consolidation.

b) Cash and cash equivalents

Cash and cash equivalents consist of amounts on deposit with banks and guaranteed investment certificates with original maturities of three months or less.

c) Deposits

The Company makes deposits on its various mineral properties which are refundable when and if the Company incurs sufficient exploration expenditures within a specified time frame and file a related report with the appropriate government authorities. Should the Company not incur the applicable exploration expenditures or 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 oil and gas consist of bond deposits and abandonments and work

VULCAN MINERALS INC.

Notes to the Consolidated Financial Statements

March 31, 2010 and 2009

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Deposits (continued)

commitments which are refundable once either work has been completed or the site abandoned, whichever the case may be. All of the deposits to date relate to oil and gas properties.

d) Mineral properties

The amount shown for mineral properties includes the direct costs of acquiring, maintaining, exploring and developing properties and other costs directly related to specific properties. All other costs, including administrative overhead, are expensed as incurred.

Management periodically reviews the carrying values of mineral properties with internal and external mining professionals. A decision to abandon, reduce or expand activity on a specific project is based upon many factors including general and specific assessments of mineral reserves, anticipated future mineral prices, anticipated costs of developing and operating a producing mine, the expiration date of mineral property leases, and the general likelihood that the Company will continue exploration on the project. The Company does not set a pre-determined holding period for properties with unproven reserves. However, properties, which have not demonstrated suitable prospects at the conclusion of each phase of an exploration program, are re-evaluated to determine if future exploration is warranted and that carrying values are appropriate.

If a mineral property is abandoned or it is determined that its carrying value cannot be supported by future production or sale, the related costs are charged against operations in the year of abandonment or determination of impairment of value. The amounts recorded as mineral properties and deferred exploration costs represent unamortized costs to date and do not necessarily reflect present or future values.

The accumulated costs of mineral properties that are developed to the stage of commercial production will be amortized to operations on a unit-of-production basis over economically recoverable reserves.

e) Petroleum and natural gas properties

Capitalized costs

The Company follows the full cost method of accounting for petroleum and natural gas expenditures. All costs related to the acquisition, exploration, and development of petroleum and natural gas reserves are initially capitalized. Costs capitalized include land acquisition costs, geological and geophysical expenditures, carrying charges on non-producing properties, costs of drilling both productive and non-productive wells, together with overhead and interest directly related to acquisition, exploration and development activities, asset retirement costs, and lease and well equipment. Gains and losses are not recognized upon disposition of petroleum and natural gas properties, unless such a disposition would alter the rate of depletion and depreciation by 20% or more.

VULCAN MINERALS INC.
Notes to the Consolidated Financial Statements
March 31, 2010 and 2009

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Petroleum and natural gas properties (continued)

Amortization

Costs capitalized will be amortized using the unit-of-production method based on the estimated gross proved reserves before royalties, as will be determined by independent engineers. Petroleum and natural gas reserves and production are converted into equivalent units based on their estimated relative energy content at a ratio of six thousand cubic feet of natural gas to one barrel of oil. The cost of unproved properties are excluded initially from costs subject to amortization until it is determined whether or not proved reserves are attributable to the properties or impairment has occurred. These unproved properties are assessed regularly to ascertain whether impairment has occurred.

Ceiling test

The net amount at which petroleum and natural gas properties are carried is subject to a cost recovery test (the "ceiling test"). The ceiling test is an impairment test whereby the carrying amount of petroleum and natural gas properties, excluding the cost of unproved properties, is compared to the undiscounted cash flows from proved reserves using future forecast prices, adjusted for the Company's contract prices and quality differentials. If the carrying value exceeds the undiscounted cash flows, an impairment loss would be recorded against income. The impairment is measured as the amount by which the carrying amount of petroleum and natural gas properties exceeds the discounted cash flows from proved and probable reserves. The Company's risk-free interest rate is used to arrive at the net present value of future cash flows. To date, the Company does not have any cash flows from operations or any proved or probable reserves.

f) Equipment

Equipment is recorded at cost. Amortization is based on their estimated useful life using the declining balance method at rates ranging from 20% to 30% per annum.

g) Deferred option payments

The Company records the proceeds from option payments on its properties as a deferred liability. Should the party purchasing the option exercise their option to purchase an interest in the Company's property, the Company will record the option payments as part of the proceeds of disposition from the property in the year that the option is exercised. Should the party purchasing the option not exercise their rights within the agreed upon time frame, the Company will record the option payments previously received as a credit against mineral properties to reduce the balance and the remainder of the balance, if any, to income in the year that the option rights expire.

h) 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.

VULCAN MINERALS INC.
Notes to the Consolidated Financial Statements
March 31, 2010 and 2009

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Asset retirement obligations (continued)

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 Company's credit adjusted risk-free interest rate. The liability is subsequently adjusted for the passage of time, and is recognized as an accretion expense in the consolidated statements of loss. The liability is also adjusted due to revisions in either the timing or the amount of the original estimated cash flows associated with the liability. 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.

i) Revenue recognition

Revenue from the sale of petroleum and natural gas will be recognized based on volumes delivered to customers at contractual delivery points and rates, when all contractual obligations have been met and collection is reasonably assured. The costs associated with the delivery, including operating and maintenance costs, transportation, and production-based royalty expenses will be recognized in the same period in which the related revenue is earned and recorded.

j) Flow-through shares

The Company has financed a portion of its exploration activities through the issuance of flow-through shares. Under the terms of the flow-through share agreements, the tax attributes of the related expenditures are renounced to subscribers. To recognize the foregone tax benefits to the Company, the carrying value of the shares issued is reduced by the tax effect of the tax benefits renounced to subscribers.

k) Stock-based compensation

The Company uses the fair value method to measure compensation expense at the date of grant of stock options to employees. The fair value of options is determined using the Black-Scholes option pricing model and is amortized to earnings over the vesting period with an offset 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 are accounted for as incurred.

VULCAN MINERALS INC.
Notes to the Consolidated Financial Statements
March 31, 2010 and 2009

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Income taxes

The Company follows the liability method of accounting for income taxes. Under this method, future income taxes are recognized based on the expected future tax consequences of differences between the carrying amount of balance sheet items and their corresponding tax basis, using substantively enacted income tax rates for the years in which the differences are expected to reverse. Future income tax assets are recognized to the extent it is more likely than not they will be realized.

m) Loss per share

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

n) Financial Instruments

The Company has implemented the following classifications:

Cash and cash equivalents are classified as "financial assets held for trading" and any adjustments to fair value are reflected in net income for each period.

Accounts receivable are classified as "loans and receivables" and subsequent to their initial fair value measurement, they are measured at amortized cost using the effective interest rate method which generally corresponds to cost, due to the short-term nature of the financial asset.

Accounts payable and accrued liabilities are classified as "other liabilities" and subsequent to their initial fair value measurement, they are measured at amortized cost using the effective interest rate method which generally corresponds to cost, due to the short-term nature of the financial liabilities.

Investments are classified as "available-for-sale-investments". A gain or loss on available-for-sale investments is recognized directly in other comprehensive income until the investment is sold or considered permanently impaired, at which time the cumulative gain or loss previously recognized in accumulated other comprehensive income is recognized in net income (loss) for the period. For investments carried at amortized cost, a gain or loss is recognized in net income (loss) when the investment is impaired, and through the amortization process. Any impairments that would be considered other than temporary would result in a realized gain or loss in the statement of loss.

The Company holds share purchase warrants which are considered derivative financial instruments and have been designated as held-for-trading and are measured at fair value. A gain or loss on held-for-trading investments is recognized on the statement of loss as an increase or decrease in the fair value. The warrants in a public company as per Note 4 were accounted for using the Black-

VULCAN MINERALS INC.
Notes to the Consolidated Financial Statements
March 31, 2010 and 2009

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Financial Instruments (continued)

Scholes pricing method at March 31, 2010 with realized fair value adjustments reflected in the statement of loss and deficit for each period.

Transaction costs are included in the initial carrying amount of financial instruments, except for held for trading items which are expensed as incurred.

The Company has determined that it does not have embedded derivatives.

o) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant areas requiring the use of management estimates relate to valuation of mineral and petroleum and natural gas properties, the determination of asset retirement obligations, the determination of the valuation allowance for income tax assets, rates for depletion and amortization, recoverability of accounts receivable, contingent liabilities and valuation of warrants and options. Actual results could differ from these estimates.

3. 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 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, upon approval from its Board of Directors, will balance its overall capital structure through new share issuances or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged from the year ended December 31, 2009.

VULCAN MINERALS INC.
Notes to the Consolidated Financial Statements
March 31, 2010 and 2009

4. INVESTMENTS

	31-Mar-10	31-Dec-09
	\$	\$
Investments	2,382,225	2,720,012

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 (December 31, 2009 - \$123,600). At March 31, 2010, the market value of the shares is \$168,000 (December 31, 2009 - \$154,000).

Shares in a public company in which the Company transferred its interest in an offshore exploration license with a cost of \$497,223 (December 31, 2009 - \$497,223). At March 31, 2010, the market value of the shares is \$2,155,725 (December 31, 2009 - \$2,515,012). Of the 17,964,372 shares owned by the Company, representing 19.2% of the issued and outstanding shares, 6,053,040 are held in escrow to be released December 2010.

Shares in a public company received as consideration for option payments on mineral claims with an original value of \$93,000. At March 31, 2010, the market value of the shares is \$58,500 (December 31, 2009 - \$51,000).

5. MINERAL PROPERTIES

The Company has sixteen mineral licenses, which consists of 2,055 claims, which are active and in good standing with the Department of Mines and Energy in the Province of Newfoundland and Labrador. A summary of the costs of these licenses is as below.

	31-Mar-10			31-Dec-09		
	Balance, Beginning of Year	Additions/ (Disposals)	Balance, End of Year	Balance, Beginning of Year	Additions	Balance, End of Year
	\$	\$	\$	\$	\$	\$
Property acquisition costs	129,161	-	129,161	129,161	-	129,161
Exploration costs	451,772	1,468	453,240	442,633	9,139	451,772
Options payments received	(53,181)	-	(53,181)	(53,181)	-	(53,181)
Cost of abandoned properties	(435,011)	-	(435,011)	(435,011)	-	(435,011)
	92,741	1,468	94,209	83,602	9,139	92,741

\$1,020 (December 31, 2009 - \$833) of the current year additions related to stock-based compensation costs capitalized to minerals properties.

VULCAN MINERALS INC.
Notes to the Consolidated Financial Statements
March 31, 2010 and 2009

6. PETROLEUM AND NATURAL GAS PROPERTIES

The Company has three exploration permits, which are active and in good standing with the Department of Natural Resources in the Province of Newfoundland and Labrador. A summary of the costs of these permits is as below.

	31-Mar-10			31-Dec-09		
	Balance, Beginning of Year	Additions	Balance, End of Year	Balance, Beginning of Year	Additions	Balance, End of Year
	\$	\$	\$	\$	\$	\$
Petroleum and natural gas costs	9,425,136	375,678	9,800,814	9,151,842	273,294	9,425,136
Cost of abandoned properties	(3,656,733)	-	(3,656,733)	(3,656,733)	-	(3,656,733)
	5,768,403	375,678	6,144,081	5,495,109	273,294	5,768,403

Amounts not subject to amortization are \$6,144,081 (December 31, 2009 - \$5,768,403). There is no amortization recorded to date except for rig amortization in 2009 of \$56,603 to offset revenue received from a third party for the use of the Company's drilling rig during 2009. All properties are unproven properties. \$11,768 (December 31, 2009 - \$85,680) of the current year additions related to stock-based compensation costs capitalized to petroleum and natural gas properties.

In February 2008, the Company entered into an agreement with Investcan Energy Corporation ("Investcan"), transferring 50% working interest in the Company's petroleum permits 96-105, 03-106, and 03-107 onshore Bay St. George, Western Newfoundland. Pursuant to the agreement, the Company received a cash payment of \$51,000 plus a commitment by Investcan to incur \$15,000,000 in exploration expenditures (carrying the Company for this first \$15,000,000 of expenditures). Once expenditures reach \$15,000,000, expenditures will be shared 50/50. As at March 31, 2010, \$13,431,765 of the \$15,000,000 has been spent by Investcan.

7. EQUIPMENT

	31-Mar-10			31-Dec-09		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
	\$	\$	\$	\$	\$	\$
Drilling rig	638,406	516,239	122,167	638,406	506,333	132,073
Other equipment	44,216	27,287	16,929	41,775	26,097	15,678
	682,622	543,526	139,096	680,181	532,430	147,751

\$459,636 of amortization of the drilling rig (December 31, 2009 - \$449,730) has been capitalized to petroleum and natural gas properties; \$Nil has been expensed for the period ended March 31, 2010 (December 31, 2009 - \$56,603) offsetting the revenue earned by the use of the drilling rig by a third party and recorded as other income during 2009.

VULCAN MINERALS INC.
Notes to the Consolidated Financial Statements
March 31, 2010 and 2009

8. DEFERRED OPTION PAYMENTS

	31-Mar-10	31-Dec-09
	\$	\$
TL mineral property	18,000	18,000

In May 2003, the Company entered into an option agreement with Nortec Ventures Corp. (“Nortec”) in relation to the Company's TL mineral property. Nortec had an option to earn an initial 51% interest in the property by incurring exploration expenditures of \$1,500,000 and by making option payments of 700,000 common shares and \$100,000 cash. As at March 31, 2010, 700,000 common shares having a market value of \$34,500 at the time of their issuance and \$100,000 cash have been received.

\$18,000 (December 31, 2009 - \$18,000) received as of March 31, 2010 has been recorded as deferred option payments. In March 2009, Nortec earned its 51% interest; the Company has allowed Nortec to increase its interest to 75% by making additional option payments and incurring additional exploration expenditures. If Nortec acquires 75% interest, the Company can retain its 25% interest or allow Nortec to increase its interest to 90% by making additional option payments and incurring additional exploration expenditures. If Nortec acquires 90% interest, the Company's 10% will convert to a 2.5% net smelter royalty.

9. ASSET RETIREMENT OBLIGATIONS

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

The Company estimates the total undiscounted cash flows required to settle its asset retirement obligations at March 31, 2010 is \$59,500 (December 31, 2009 - \$59,500) which will be incurred between 2010 and 2014 and is adjusted based on the credit adjusted risk-free rates of 2.93% - 4.24% (December 31, 2009 – 2.93% - 4.24%) to calculate the fair value of the asset retirement obligations.

A reconciliation of the asset retirement obligation is provided below:

	31-Mar-10	31-Dec-09
	\$	\$
Balance, beginning of year	53,565	60,921
Liabilities incurred	-	30,000
Liabilities settled and/or changes in estimated cash flows	-	(37,356)
Accretion expense	-	-
Balance, end of period	53,565	53,565

VULCAN MINERALS INC.
Notes to the Consolidated Financial Statements
March 31, 2010 and 2009

10. INCOME TAXES

a) Future income taxes

The components of the future income tax liability are as follows:

	31-Mar-10	31-Dec-09
	\$	\$
Temporary differences related to petroleum, natural gas and mineral properties	(878,229)	(522,734)
Tax effect of unrealized gain on available-for sale financial assets	(260,700)	(313,428)
Share issuance costs	66,201	71,941
Non-capital loss carryforwards	461,569	588,115
Asset retirement obligations	16,337	16,337
Recognized future tax liability	(594,822)	(159,769)

b) Income tax rates

Other tax expense of \$6,574 (December 31, 2009 - \$1,410) consists of Part XII.6 tax related to the renunciation of flow-through shares.

Income taxes differs from that which would be expected from applying the combined effective Canadian federal and provincial income tax rates of 32% (December 31, 2009 – 33%) to loss before income taxes as follows:

	31-Mar-10	31-Dec-09
	\$	\$
Expected tax (expense) recovery	106,209	(72,029)
Stock-based compensation costs	10,968	57,028
Non-capital losses expired	-	21,150
Effect of changes in rates for temporary differences and other items	(124,581)	3,748
Future income taxes (expense) recovery	(7,404)	9,897

VULCAN MINERALS INC.
Notes to the Consolidated Financial Statements
March 31, 2010 and 2009

10. INCOME TAXES (continued)

c) Non-capital losses

The Company has non-capital losses at December 31, 2009 amounting to \$1,928,245, which are available to reduce future taxable income. These non-capital losses expire as follows:

<u>Year of Expiry</u>	<u>Tax Loss</u>
	\$
2010	97,291
2014	183,776
2015	268,193
2026	291,120
2027	397,921
2028	504,774
2029	185,170
	<u>1,928,245</u>

The Company also has available the following other tax pools at December 31, 2009, which may be deducted in determining taxable income of future years:

	\$
Canadian exploration expense	3,417,294
Canadian oil and gas petroleum expense	33,498

VULCAN MINERALS INC.
Notes to the Consolidated Financial Statements
March 31, 2010 and 2009

11. SHARE CAPITAL

a) Authorized

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

b) Issued and outstanding

	31-Mar-10		31-Dec-09	
	Number	Stated Value \$	Number	Stated Value \$
Common Shares				
Balance, beginning of year	47,509,455	14,689,533	44,229,301	12,968,316
Issued pursuant to private placements (Note 13(c))	-	-	2,947,154	1,801,259
Exercise of warrants (Note 13 (d))	-	-	-	-
Exercise of stock options (Note 14 (a))	575,000	208,750	333,000	102,700
Fair value of warrants and stock options	-	168,250	-	73,900
Purchase of GORR (Note 13(b))	-	-	-	-
Share issuance cost, net of tax benefits of \$101 (2009 - \$65,400)	-	(224)	-	(203,842)
Tax benefits renounced on flow-through shares	-	(473,650)	-	(52,800)
Balance, end of year	48,084,455	14,592,659	47,509,455	14,689,533

c) Private placements

Pursuant to a private placement dated November 26, 2009, the Company issued 558,000 units at \$0.55 per unit for aggregate proceeds of \$306,900 (less \$58,590 attributed to the fair value of warrants). Each unit consisted of one common share and one-half of a common share purchase warrant. Each whole common share purchase warrant entitles the holder to purchase one common share of the Company at a price of \$0.75 per share until November 26, 2011. As well, 2,389,154 flow-through shares have been issued at \$0.65 per share for aggregate proceeds of \$1,552,950. Commissions and finders fees in the amount of \$148,788 and 235,772 broker warrants which were fair valued at \$58,943 and have been paid in respect to the financing. The broker warrants are exercisable at \$0.55 until November 26, 2011 and were valued at \$0.25 per warrant using the Black-Scholes option pricing model, using expected volatility of 95% and a risk-free interest rate of 1.02%.

VULCAN MINERALS INC.
Notes to the Consolidated Financial Statements
March 31, 2010 and 2009

11. SHARE CAPITAL (continued)

d) Warrants

A summary of the status of the Company's common share purchase warrants and agent's warrants are as follows:

	31-Mar-10		31-Dec-09	
	Number of	Weighted-	Number of	Weighted-
	Warrants	Average	Warrants	Average
		Exercise Price		Exercise Price
		\$		\$
Outstanding, beginning of year	514,772	0.66	969,586	0.79
Issued	-		514,772	0.66
Expired	-		(969,586)	0.79
Exercised	-		-	
Outstanding, end of period	514,772	0.66	514,772	0.66

	31-Mar-10	31-Dec-09
	\$	\$
Balance, beginning of year	117,533	312,618
Fair value of warrants granted	-	117,533
Transferred to share capital upon exercise of warrants	-	-
Transferred to contributed surplus upon expiry of warrants	-	(312,618)
Balance, end of period	117,533	117,533

VULCAN MINERALS INC.
Notes to the Consolidated Financial Statements
March 31, 2010 and 2009

11. SHARE CAPITAL (continued)

(e) Contributed surplus

A summary of contributed surplus is as follows:

	31-Mar-10	31-Dec-09
	\$	\$
Balance, beginning of year	2,122,888	1,624,793
Stock-based compensation	47,062	259,377
Transferred to share capital upon exercise of options	(168,250)	(73,900)
Transferred to contributed surplus upon expiry of warrants	-	312,618
Balance, end of period	2,001,700	2,122,888

12. STOCK-BASED COMPENSATION

a) Stock options

The Company has a stock option plan under which directors, officers, management, consultants and employees of the Company and its subsidiaries 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 shall be 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:

	31-Mar-10		31-Dec-09	
	Number of	Weighted-	Number of	Weighted-
	Options	Average	Options	Average
		Exercise Price		Exercise Price
		\$		\$
Outstanding, beginning of year	3,900,000	0.59	3,800,000	0.60
Granted	100,000	0.61	650,000	0.47
Expired/Cancelled	-		(217,000)	0.72
Exercised	(575,000)	0.36	(333,000)	0.31
Outstanding, end of period	3,425,000	0.63	3,900,000	0.59
Granted but not vested	(318,750)	0.55	(300,000)	0.63
Outstanding and exercisable,				
end of period	3,106,250	0.64	3,600,000	0.57

VULCAN MINERALS INC.
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12. STOCK-BASED COMPENSATION (continued)

a) Stock options (continued)

During the period ended March 31, 2010, contributed surplus of \$168,250 (December 31, 2009 - \$73,900) has been transferred to share capital upon the exercise of stock options and \$Nil (December 31, 2009 - \$312,618) has been transferred from warrants upon the exercise or expiry of warrants.

At March 31, 2010 the following options to purchase common shares are outstanding:

Number	Exercise Price	Expiry Date
	\$	
500,000	0.40	June 22, 2011
200,000	0.65	June 26, 2012
900,000	0.50	September 26, 2012
50,000	0.70	May 9, 2010
900,000	1.00	June 27, 2013
200,000	0.60	October 23, 2011
175,000	0.45	April 22, 2012
350,000	0.45	April 22, 2014
50,000	0.70	September 3, 2012
100,000	0.61	March 15, 2013
3,425,000		

The weighted average remaining contractual life of outstanding options is 2.55 years (December 31, 2009 – 2.47 years).

(b) Fair value assumptions

The weighted-average fair value of stock options vested during the period ended March 31, 2010 was estimated on the dates of grant to be \$0.58 (December 31, 2009 - \$0.34) using the Black-Scholes option pricing model with the following weighted-average assumptions:

	31-Mar-10	31-Dec-09
Expected life (years)	4.23	4.40
Risk-free interest rate (%)	2.94	1.99
Expected volatility (%)	90	90

During the period ended March 31, 2010, compensation costs of \$34,274 (December 31, 2009 - \$172,813) have been expensed, \$1,020 (December 31, 2009 - \$883) have been capitalized to mineral properties, and \$11,768 (December 31, 2009 - \$85,680) capitalized to petroleum and natural gas properties, resulting in the recognition of \$47,062 (December 31, 2009 - \$259,376) in contributed surplus.

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March 31, 2010 and 2009

13. SUPPLEMENTAL CASH FLOW INFORMATION

	31-Mar-10	31-Dec-09
	\$	\$
Non-cash investing and financing activities:		
Contributed surplus recognized upon the issuance of stock options recorded as:		
Stock-based compensation expenses	34,274	172,813
Addition to mineral properties	1,020	883
Addition to petroleum and natural gas properties	11,768	85,650
	47,062	259,346
Transfer of contributed surplus and warrants to share capital upon exercise of stock options and warrants	168,250	73,900
Changes in asset retirement obligations		
Accretion expense	-	-
(Decrease) Increase in petroleum and natural gas properties	-	(7,356)
(Decrease) increase of asset retirement obligations	-	(7,356)

14. RELATED PARTY TRANSACTIONS

	31-Mar-10	31-Dec-09
	\$	\$
Items included in general and administrative expenses:		
Rent paid to a corporation which is controlled by the President of the Company	6,000	24,000
Management fees paid to the President of the Company	45,000	180,100
Directors fees paid (\$2,500 to each of four directors)	10,000	10,000
Items included in accounts payable and accrued liabilities:		
Management fees payable	6,923	3,462

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.

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15. 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 fair values of the Company's financial instruments approximate their carrying value due to the short-term to maturity of those instruments. Deferred option payments approximate fair value as payments recorded are either cash or shares. Shares are recorded based on market price at the date share certificates are received by the Company and updated quarterly based on current market price.

The carrying amount of cash and cash equivalents, accounts receivables, accounts payables and accrued liabilities and deposits, approximate their fair value due to their short-term nature. The Company's financial assets would thus be classified as a Level 1 as presented below.

As at March 31, 2010	Level 1	Level 2	Level 3	Total financial assets/ financial liabilities at fair value
Financial assets				
Cash and cash equivalents	\$ 2,321,238	\$ -	\$ -	\$ 2,321,238
Marketable securities	2,382,225	-	-	2,382,225
Total financial assets	<u>\$ 4,703,463</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,703,463</u>

Credit risk

The Company provides credit to its joint venture partners in the normal course of its operations. Management believes that the credit risk with respect to accounts receivable is immaterial.

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15. FINANCIAL INSTRUMENTS (continued)

Liquidity risk

To the extent that the Company does not believe it has sufficient liquidity to meet its current obligations, the Board considers securing additional funds through equity or partnering transactions. The Company manages its liquidity risk by continuously monitoring forecasts and actual cash flows.

Although the Company has no cash in-flow from operations, the Company's exploration project for 2009 was funded as per Note 8 which allowed the Company to complete its drilling project planned for 2009; this combined with the capital financing as per Note 11 will allow the Company to pursue its 2010 projects.

Commodity price risk

The recoverability of the Company's petroleum and natural gas and mineral 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. Commodity price risk from a producing perspective is remote since the Company is not a producing entity. The Company's ability to continue with its exploration program 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.

Foreign exchange risk

The parent company of the Company's joint venture partner for onshore Bay St. George is located in Paris, France. The majority of transactions for this joint venture are in Canadian funds. The Company believes its foreign exchange risk is minimal.

Market value

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.

Sensitivity Analysis

The Company's investments in public companies (Note 4) are listed on the TSX Venture Exchange and are classified as "available-for-sale" and measured at fair value. Changes in fair value are recognized in other comprehensive income until their disposition or their decline is other than temporary, at which time they are transferred to net income.

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a one-year period:

VULCAN MINERALS INC.
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15. FINANCIAL INSTRUMENTS (continued)

Sensitivity Analysis (continued)

The Company's investments in public companies listed as "available-for-sale", is denominated in Canadian dollars. Sensitivity to a +/- 59-85% movement in the prices derived from changes in shares prices over a one year period would affect other comprehensive income (loss) by \$214,017 (net of tax of \$38,510).

16. COMMITMENTS

In September 2008, the Company and Investcan Energy Corporation ("Investcan") were the successful bidders (50/50) on Parcel #2 as per the Call for Bids NL07-2 for exploration licences offshore Labrador with a work commitment bid of \$9,601,000. This exploration licence confers the right to explore for petroleum for an initial Period I of six years with a possible additional period of three years. A refundable security deposit of \$2,400,250 has been posted to secure the exploration licence by Investcan. The Company's obligation to pay 50% of the security deposit will be carried by Investcan for two years without dilution of the Company's working interest in the exploration licence. If the Company assumes its 50% share of the security deposit at the end of two years, it shall preserve its 50% working interest in the exploration licence. If the Company does not assume its 50% share of the security deposit at the end of two years, Investcan shall carry the obligation up to an additional two years subject to a dilution of the Company's interest in the licence up to a maximum of 22% (i.e.: the Company would maintain a minimum 28% working interest) at which time the Company will assume its share of the security deposit.

The Company currently has an office lease of \$2,000 per month which is on a month-to-month term. Any party to the agreement can terminate the lease with six months notice. Rent is payable to a company which is controlled by the President of the Company (see Note 14 for current year expenses).

17. SUBSEQUENT EVENTS

On May 4, 2010, the Company closed a financing of \$4,210,000 issuing 2,537,500 Units at \$0.60 per Unit, each Unit consisting of 2,537,500 common shares and 1,267,750 warrants to purchase 1,267,750 common shares at \$0.80 for a period of 18 months and 3,839,286 flow-through common shares at \$0.70 per share.

CORPORATE INFORMATION

OFFICERS AND MANAGEMENT

Patrick J. Laracy
President and Chairman

Dawn E. Bishop
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
Stewart McKelvey, St. John’s, NL

REGISTRAR AND TRANSFER AGENT

Computershare Trust Company of Canada

AUDITORS

Deloitte & Touche LLP

INVESTOR RELATIONS

Gerri MacNeil

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