Management's Discussion and Analysis
For the year ended December 31, 2016

INTRODUCTION

This management's discussion and analysis (MD&A) of Volcanic Gold Mines Inc. is the responsibility of management and covers the year ended December 31, 2016. The MD&A takes into account information available up to and including March 13, 2017 and should be read together with audited annual consolidated financial statements and accompanying notes for the year ended December 31, 2016 which are available on the SEDAR website at www.sedar.com.

Throughout this document the terms *we, us, our, the Company* and *Volcanic* refer to Volcanic Gold Mines Inc. All financial information in this document is prepared in accordance with International financial reporting standards ("IFRS") and presented in Canadian dollars unless otherwise indicated.

Volcanic was incorporated under the British Columbia Business Corporations Act on April 25, 2007, commenced operations on July 1, 2007, and is classified as a Tier II mining issuer as defined in the TSX Venture Exchange ("TSX-V") Policy 2.4. On January 28, 2010 the Company completed its Qualifying Transaction and on February 19, 2010, the Company changed its name from Volcanic Capital Corp. to Volcanic Metals Corp. On January 19, 2017, the Company changed its name to Volcanic Gold Mines Inc.

Additional information related to the Company is available for view on SEDAR at www.sedar.com.

DESCRIPTION OF BUSINESS

The Company's main business is the identification, acquisition, exploration and development of natural resource properties in Africa.

Acquisition - *Mandiana Gold Project and Related Financing*

On November 3, 2016, the Company entered in an assignment agreement with Radius Gold Inc. ("Radius"), pursuant to which the Company was assigned a purchase agreement to acquire the Mandiana project, a gold property located in Guinea, from Sovereign Mines of Africa PLC ("SMA"). The transaction closed on January 19, 2017.

The Company acquired all of the outstanding share capital of SMA's wholly owned subsidiary, Sovereign Mines of Africa Ltd., which holds a 75-per-cent interest in a series of exploration permits located in Guinea commonly referred to as the Mandiana project. The remaining interest in the Mandiana project is held by SOGUIPAMI, a government-owned business entity in Guinea formed to conduct mineral exploration projects.

In consideration for acquiring the outstanding share capital of Sovereign Mines and for the assignment by Radius, the Company issued 2,502,489 common shares to SMA and 1,263,883 common shares to Radius, such that SMA held 9.9 per cent and Radius held 5.0 per cent of the outstanding share capital of the Company following completion of the transaction. The Company also agreed to reimburse Radius for certain expenses incurred in the development of the transaction and granted to Radius certain rights to participate in future equity financings completed by the Company. Each of SMA, Sovereign Mines and Radius are at arm's length to the Company.

In connection with the transaction, on January 5, 2017, the Company completed a non-brokered private placement of 6,666,667 units at $0.15 per unit for proceeds of $1,000,000. Each unit consists of one common share and one-half of one warrant, each whole warrant entitling the holder to purchase one additional common share of the Company at $0.25 until January 5, 2018. The warrants are subject to an acceleration provision such that if the closing price of the Company's shares for 10 consecutive trading days is 40 cents or greater, the Company may give notice to the holders of the warrants that the warrants will expire 30 calendar days after receipt of such notice. In connection with the financing, the Company paid a cash commission totalling $9,765 and issued 241,733 common shares and 427,700 agent warrants, each warrant exercisable at $0.25 per share until January 5, 2018 and subject to the same acceleration provision as above.

The Mandiana Project

The permits comprising the Mandiana Project consist of two contiguous claim blocks which cover an area of approximately 304 sq km situated approximately 80 km southeast of AngloGold Ashanti's Siguiri gold mine in eastern Guinea. The Mandiana Project permits occupy a broadly north-south trending belt of gold occurrences shown on a published 1:1,000,000 map of gold deposits and lie within an area known as the Bure Goldfields. Intense artisanal gold mining is conducted throughout the area of the claims and supports the local economy.

The northern of the two claim blocks is the only area that has seen recorded modern exploration activity. Between 2010 and 2013, SMA drilled 119 reverse-circulation and diamond core holes for over 16,000 m of drilling, targeting under the areas of the artisanal mining activity. A Mineral Resource Statement was issued by SMA in January 2014 for the Mandiana project. The estimate was prepared to JORC Code standards by SRK Consulting (UK) Ltd. The Company has retained the services of SRK Consulting (Canada) Ltd. ("SRK") to update the 2014 Technical Report to NI43-101 standards and reissue a new Mineral Resource Statement for Mandiana.

The Mandiana Project contains an Inferred Mineral Resource of 612,000 oz of contained gold (16.1 Mt at 1.18 g/t Au) for the four deposits drilled by SMA, including 510,000 oz of contained gold (13.3 Mt at 1.20 g/t Au) in the Yagbelen deposit. The Inferred Mineral Resource is given in the following table:

Category	Deposit	Quantity	Gold Grade	Contained Gold
		Mt	g/t	oz
Inferred	Yagbelen	13.3	1.20	510,000
	Foulouni	0.7	1.13	25,000
	Woyondjan	1.9	0.99	61,000
	Damantere	0.2	2.21	16,000
Inferred	Total	16.1	1.18	612,000

* Mineral resources are reported in relation to a conceptual pit shell. Mineral resources are not mineral reserves and have not demonstrated economic viability. All figures are rounded to reflect the relative accuracy of the estimate. Open pit mineral resources are reported at a cut-off grade of 0.3 g/t gold. Cut-off grades are based on a price of US$1,550 per ounce of gold and recovery of 95 percent.

Simon Meadows Smith, consulting geologist to the Company, is a Qualified Person as defined by National Instrument 43-101 -- Standards of Disclosure for Mineral Projects, and has reviewed and approved the disclosure of technical information contained in this MD&A.

OVERALL PERFORMANCE AND SUBSEQUENT EVENTS

During the year ended December 31, 2016, the Company extended the expiry of 10,000,000 warrants, exercisable at $0.05 per share, from January 17, 2017 to January 17, 2019.

Refer to the Acquisition section above for a description of the Mandiana Property acquisition and the related financing which closed subsequent to December 31, 2016. In connection with the acquisition, the Company appointed Jeremy Crozier as president and a director of the Company.

On January 19, 2017, the Company changed its name from Volcanic Metals Corp. to Volcanic Gold Mines Inc. and began trading under the symbol "VG" on the TSX Venture Exchange.

On January 25, 2017, the Company issued 8,000,000 common shares upon the exercise of 8,000,000 warrants at a price of $0.05 per share.

On March 9, 2017, the Company completed a private placement of 12,500,000 units at $0.40 per unit for proceeds of $5,000,000. Each unit consists of one common share and one full warrant, each warrant exercisable into one common share of the Company at a price of $0.80 per share for a period of five years. The warrants are subject to an acceleration provision such that if the closing price of the Company's shares for 10 consecutive trading days is $1.00 or greater, the Company may give notice to the holders of the warrants that the warrants will expire 30 calendars days after receipt of such notice. In connection with the financing, the Company paid a cash commission totalling $220,262 and issued 550,655 agent warrants, each warrant exercisable at $0.80 for a period of five years and subject to the same acceleration provision as above.

There were no other significant events during the year ended December 31, 2016 or subsequent to December 31, 2016 to the date of this report.

SELECTED ANNUAL INFORMATION

The following table provides a brief summary of the Company's annual financial operations. For more detailed information, refer to the Financial Statements:

	December 31, 2016	December 31, 2015	December 31, 2014
Total income – Interest	$ -	$ -	$ 1,528
Loss before taxes	(429,543)	(116,095)	(809,500)
Loss and comprehensive loss for the year	(429,543)	(116,095)	(809,500)
Basic and diluted loss per share	(0.03)	(0.01)	(0.06)
Total assets	479,719	418,516	479,174
Working capital	168,295	296,271	412,366

RESULT OF OPERATIONS

The financial statements reflect the financial condition of the Company's business for year ended December 31, 2016.

During the year ended December 31, 2016 the Company incurred a loss $429,543, as compared to a loss of $116,095 for the year ended December 31, 2015. An analysis of significant revenue and expenses for the period are as follows:

	December 31, 2016	December 31, 2015
Consulting and management fees	$ 60,000	$ 60,000
Professional fees	59,840	24,537
Property Investigation	247,254	5,456
Regulatory and filing fees	20,507	13,047
Recovery on write-off of accounts payable	8,938	-

Professional fees, regulatory and filing fees related to the Company filing its regulatory annual and interim reports. Consulting and management fees related to fees paid or accrued to the CEO. Project investigation related to the acquisition of the Mandiana Property as discussed above. The recovery on write-off of accounts payable related to old accounts in a dormant subsidiary.

SUMMARY OF QUARTERLY RESULTS

The Company's quarterly Mineral Properties, Working Capital balance and operating results over the last eight quarters are summarized as follows:

Three Months Ended	Dec '16	Sept '16	June '16	Mar '16	Dec '15	Sept '15	Jun '15	Mar '15
Total assets	$ 479,719	$ 358,175	$ 395,018	$ 402,751	$ 418,516	$ 422,413	$ 425,727	$ 452,305
Property and equipment	-	-	-	-	-	-	-	-
Mineral properties	-	-	-	-	-	-	-	-
Working Capital	168,295	178,658	246,569	269,775	296,271	332,515	354,121	387,732
Share-based payments	-	-	-	-	-	-	-	-
Loss for the period	(429,543)	(67,911)	(23,206)	(26,496)	(36,244)	(21,606)	(33,611)	(24,634)
Loss per share	(0.03)	(0.00)	(0.00)	(0.00)	(0.01)	(0.00)	(0.00)	(0.00)

During the year ended December 31, 2016 the Company did not have any employees. Operating expenses, include share-based payments, legal, accounting and regulatory filing fees related to the Company filing its regulatory annual and interim reports, consulting, management and administrative fees for preparing accounting records, daily operations and consulting services.

FOURTH QUARTER RESULTS

During the three months ended December 31, 2016 the Company incurred a loss $311,930, as compared to a loss of $36,244 for the three months ended December 31, 2015. An analysis of significant revenue and expenses for the period are as follows:

	December 31, 2016	December 31, 2015
Professional fees	$ 52,560	$ 15,357
Consulting and management fees	15,000	15,000
Property Investigation	191,163	-
Regulatory and filing fees	9,563	2,956

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2016, the Company had a working capital of $168,295. The Company has financed its operations to date primarily through the issuance of common shares. The Company's resource exploration and development activities do not provide a source of income and therefore Volcanic has a history of losses and an accumulated deficit. However, given the nature of our business, the results of operations as reflected in the net losses and losses per share do not provide meaningful interpretation of our valuation. The Company announced the acquisition of the Mandiana project and the related financing (completed subsequent to December 31, 2016) as discussed above, however the Company will require additional funding to further fund its exploration plans at this project. The Company will continue to seek capital through the issuance of common shares. However, the Company can offer no assurance that the Company will be successful in raising such funds on terms favorable to it when required.

Net cash used in operating activities during the year ended December 31, 2016 was $245,580 (2015 – $51,348).

Net cash used in investing activities during the year ended December 31, 2016 was $nil (2015 - $nil).

Net cash provided from financing activities during the year ended December 31, 2016 was $301,567 (2015 - $9,734 cash used).

The financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company's continuing operations rely on the ability of the Company to continue to raise capital.

OUTSTANDING SHARE DATA

At the date of this report the Company has 45,804,038 issued and outstanding shares, and 18,811,689 outstanding warrants.

TRANSACTIONS WITH RELATED PARTIES

The financial statements include the financial statements of Volcanic Gold Mines Inc. and its 100% owned mineral exploration Albanian subsidiary Cougar Mining Sh.p.k.

The remuneration of the key management personnel, comprised of the directors and officers is as follows:

a) Paid or accrued management fees of $60,000 (2015 - $60,000) and rent of $6,000 (2015 - $6,000) to Triple K Ventures Ltd., a company controlled by Michael Iverson, the CEO and director of the Company.

b) Paid or accrued accounting fees of $9,190 (2015 - $9,845) to Red Fern Consulting Ltd., a company controlled by Jonathan Richards, the CFO of the Company.

Included in accounts payable at December 31, 2016 was $160,000 (2015 - $96,021) payable to directors and officers of the Company.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any material off-balance sheet arrangements as at December 31, 2016 or as of the date of this report.

PROPOSED TRANSACTIONS

Except for the acquisition of the Mandiana Gold Project and Related Financing, which closed subsequent to year end, there are no other proposed transactions under consideration.

CONTRACTUAL OBLIGATIONS

Except as described herein or in the Company's financial statements at December 31, 2016, the Company had no additional material financial commitments.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

Newly adopted significant accounting policies

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements for the year ended December 31, 2015. There were no new standards and interpretations effective as of January 1, 2016 that would be applicable to the Company.

New standards not yet adopted

Certain pronouncements were issued by the IASB or IFRIC that are not mandatory for accounting periods beginning on or after January 1, 2015 or later periods. They have not been early adopted in these financial statements. In all cases the Company intends to apply these standards from application date as indicated below:

IFRS 9, Financial Instruments is part of the IASB's wider project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2018. The Company has not yet made an assessment of the impact of the amendments.

There are no other IFRSs or IFRIC Interpretations that are not yet effective that would be expected to have a material impact on the Company.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company's accounting policies are described in Note 3 of its annual consolidated financial statements for the year ended December 31, 2016. Management considers the following policies to be the most critical in understanding the judgments that are involved in the preparation of our consolidated financial statements and the uncertainties that could impact its results of operations, financial condition and cash flows.

Basis of consolidation

These consolidated financial statements include the financial statements of the Company and the entity controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of the subsidiary 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.

Exploration and evaluation - mineral properties

Pre-exploration costs are expensed as incurred. Costs related to the acquisition and exploration of mineral properties are capitalized by property until the commencement of commercial production. If commercially profitable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. If, after management review, it is determined that capitalized acquisition, exploration and evaluation costs are not recoverable over the estimated economic life of the property, or the property is abandoned, or management deems there to be an impairment in value, the property is written down to its net realizable value.

Any option payments received by the Company from third parties or tax credits refunded to the Company are credited to the capitalized cost of the mineral property. If payments received exceed the capitalized cost of the mineral property, the excess is recognized as income in the year received. The amounts shown for mineral properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable

Impairment

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Share-based payments

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. On the exercise of stock options, the applicable amounts of reserves are transferred to share capital and consideration paid for the shares on the exercise of stock options is credited to share capital. Upon expiry or forfeiture, the recorded value is transferred to deficit.

In situations where equity instruments, such as stock options and warrants, are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received. Upon expiry or forfeiture, the recorded value is transferred to deficit for stock options or share capital for warrants.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The Company's cash is held at large Canadian financial institution in interest bearing accounts. The Company has no investment in asset backed commercial paper.

The Company's receivables consist mainly of Goods and Services Tax receivable from the government of Canada.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company manages liquidity risk through its capital management as outlined below. Accounts payable and accrued liabilities are due within one year.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

a) Interest rate risk

The Company's exposure to interest rate risk arises from the interest rate impact on cash. The Company's practice has been to invest cash at floating rates of interest, in order to maintain liquidity, while achieving a satisfactory return for shareholders. There is minimal risk that the Company would recognize any loss as a result of a decrease in the fair value of any guaranteed bank investment certificates included in cash as they are generally held with large financial institutions. As at December 31, 2016, the Company is not exposed to significant interest rate risk.

b) Foreign currency risk

The majority of purchases are transacted in the Canadian dollar. Management believes the foreign exchange risk derived from currency conversions is not significant and therefore does not hedge its foreign exchange risk.

c) Price risk

The Company is exposed to price risk with respect to commodity prices, particularly gold. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue acquisition, exploration and development of mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes its components of shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

The Company currently is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management.

EXPLORATION COMPANY RISKS AND UNCERTAINTIES

The operations of the Company are highly speculative due to the high-risk nature of its business in the mining industry. Companies in the exploration stage face a variety of risks and, while unable to eliminate all of them, the Company aims at managing and reducing such risks as much as possible. The Company faces a variety of risk factors such, such as proposed acquisitions not closing, project feasibility and practically, risks related to determining the validity of mineral property title claims, commodities prices and environmental laws and regulations. Management monitors its activities and those factors that could impact them in order to manage risk and make timely decisions.

ADDITIONAL INFORMATION

For further information about the Company, please visit the website of the SEDAR at www.sedar.com.

FORWARD-LOOKING INFORMATION

This Management's Discussion and Analysis of Financial Condition and Results of Operations contain certain forward-looking statements. Forward-looking statements include but are not limited to the estimation of mineral resources and reserves, the exploration and development of the Mandiana Property, the realisation of mineral reserve estimates, the timing and amount of estimated future production, costs of production, capital expenditures, costs and timing of the development of new deposits, success of exploration activities, permitting time lines, currency fluctuations, requirements for additional capital, Government regulation of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims and limitations on insurance coverage and the timing and possible outcome of pending litigation. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes" or variations of such words and phrases, or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such risks and uncertainties include, among others, the actual results of current exploration activities, conclusions or economic evaluations, changes in project parameters as plans continue to be refined, possible variations in grade and or recovery rates, failure of plant, equipment or processes to operate as anticipated, accidents, labour disputes or other risks of the mining industry, delays in obtaining government approvals or financing or incompletion of development or construction activities, risks relating to the integration of acquisitions, to international operations, and to the prices of gold and other metals. While the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The Company expressly disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.