Management's Discussion and Analysis
For the year ended December 31, 2020

INTRODUCTION

This management's discussion and analysis ("MD&A") of Volcanic Gold Mines Inc. (the "Company") is the responsibility of management and covers the year ended December 31, 2020. The MD&A takes into account information available up to and including April 28, 2021 and should be read together with audited annual consolidated financial statements and accompanying notes for the year ended December 31, 2020 which are available on the SEDAR website at www.sedar.com.

All financial information in this document is prepared in accordance with International Financial Reporting Standards and presented in Canadian dollars unless otherwise indicated. Additional information related to the Company is available for viewing on SEDAR at www.sedar.com.

FORWARD-LOOKING INFORMATION

This MD&A contains certain statements which constitute forward-looking information within the meaning of applicable Canadian securities legislation ("Forward-looking Statements"). All statements included herein, other than statements of historical fact, are Forward-looking Statements and are subject to a variety of known and unknown risks and uncertainties which could cause actual events or results to differ materially from those reflected in the Forward-looking Statements. The Forward-looking Statements in this MD&A include, without limitation, statements relating to:

- the Company's planned exploration activities;
- the intended use of proceeds received from past and possible future financing activities;
- the sufficiency of the Company's cash position and its ability to raise equity capital or access debt facilities; and
- maturities of the Company's financial liabilities or other contractual commitments.

Often, but not always, these Forward-looking Statements can be identified by the use of words such as "anticipates", "believes", "plans", "estimates", "expects", "forecasts", "scheduled", "targets", "possible", "strategy", "potential", "intends", "advance", "goal", "objective", "projects", "budget", "calculates" or statements that events, "will", "may", "could" or "should" occur or be achieved and similar expressions, including negative variations.

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 results, performance or achievements expressed or implied by the Forward-looking Statements. Such uncertainties and factors include, among others:

- risks associated with mineral exploration and project development;
- fluctuations in commodity prices;
- fluctuations in foreign exchange rates and interest rates;
- credit and liquidity risks;

- changes in national and local government legislation, taxation, controls, regulations and political or economic developments in countries in which the Company does or may carry on business;
- reliance on key personnel;
- property title matters;
- local community relationships;
- risks associated with potential legal claims generally or with respect to environmental matters;
- adequacy of insurance coverage;
- dilution from further equity financing;
- competition;
- uncertainties relating to general economic conditions; and
- risks relating to a global pandemic, including the coronavirus COVID-19, which unless contained could cause a slowdown in global economic growth and impact the Company's business, operations, financial condition and share price;

as well as those factors referred to in the "Risks and Uncertainties" section in this MD&A.

Forward-looking Statements contained in this MD&A are based on the assumptions, beliefs, expectations and opinions of management, including but not limited to:

- all required third party contractual, regulatory and governmental approvals will be obtained for the exploration and development of the Company's properties;
- there being no significant disruptions affecting operations, whether relating to labor, supply, power, damage to equipment or other matter;
- permitting, exploration and development activities proceeding on a basis consistent with the Company's current expectations;
- expected trends and specific assumptions regarding commodity prices and currency exchange rates; and
- prices for and availability of fuel, electricity, equipment and other key supplies remaining consistent with current levels.

These Forward-looking Statements are made as of the date hereof and the Company disclaims any obligation to update any Forward-looking Statements, whether as a result of new information, future events or results or otherwise, except as required by law. 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, investors should not place undue reliance on Forward-looking Statements.

DESCRIPTION OF BUSINESS

The Company's business is the acquisition and exploration of mineral properties, focused on building multi-million ounce gold and silver resources in under-explored countries. In May 2020, the Company was granted an exclusive option to acquire a 60% interest in the Holly and Banderas gold-silver properties in Guatemala – see Property Review below.

Corporate Activity

Effective April 8, 2019, the Company consolidated its issued common shares on the basis of one new share for every seven existing shares (the "Consolidation"). The name and trading symbol of the Company remained unchanged. **All references in this MD&A to loss per share, common shares, share purchase warrants compensation options, and stock options reflect the Consolidation.**

In May 2020, Charles Straw and Michael Povey were appointed to the Board of Directors of the Company, and as Chief Executive Officer and Chairman, respectively. Simon Ridgway continues as a Director, and Jeremy Crozier stepped down from the Board. In late 2020, Mr. Ridgway was appointed President and CEO of the Company in the place of Mr. Straw, Derek Liu was appointed to the Board of Directors, and Matthew Booth was appointed as Exploration Manager to reside in Guatemala and manage the Company's exploration, drilling and local geological teams.

Financings

On July 27, 2020, the Company completed a non-brokered private placement (the "July Financing") by issuing 20,000,000 units at $0.25 per unit, for gross proceeds of $5.0 million. Each unit consists of one common share in the capital of the Company and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at a price of $0.30 for a period of two years from the closing date.

With an investment of approximately $1.42 million in the July Financing, Silvercorp Metals Inc. acquired beneficial ownership of 19.9% of the Company's issued and outstanding common shares and has the right to appoint one director to the Company's Board. In connection with the July Financing, the Company paid finder's fees totaling $312,083 in cash and issued a total of 1,497,330 finder's warrants with the same terms as the unit warrants. Net proceeds from the July Financing are intended to be used for exploration work on the Holly and Banderas properties located in Guatemala (see Property Review below), and for general working capital purposes.

On October 20, 2020, the Company completed a bought-deal public financing (the "Offering") with a syndicate of underwriters led by Haywood Securities Inc. and including Canaccord Genuity Corp. (collectively the "Underwriters"), and a concurrent private placement (the "Concurrent Private Placement"), for aggregate gross proceeds of approximately $8.6 million (the "October Financings"). Pursuant to the Offering, the Company issued 12,546,500 units, including 1,636,500 units issued in connection with the exercise in full of an over-allotment option granted to the Underwriters, at a price of $0.55 per unit for aggregate gross proceeds of $6,900,575.

Each unit consists of one common share in the capital of the Company and one-half of a warrant. Each whole Warrant entitles the holder thereof to purchase one common share at a price of $0.70 until April 20, 2022.

Pursuant to the Concurrent Private Placement, the Company issued 3,117,100 units to Silvercorp at $0.55 per unit for aggregate gross proceeds of $1,714,405. Silvercorp, which held approximately 19.9% of the issued and outstanding shares of the Company prior to the Offering, exercised its participation right to maintain its 19.9% interest upon closing of the October Financings.

In connection with the Offering, the Underwriters received a cash commission of 6.0% of the gross proceeds of the Offering, subject to a reduced cash commission paid on sales to members of the president's list and were issued compensation options exercisable at any time prior to October 20, 2022 at a price of $0.55 per compensation option to purchase such number of units (the "Compensation Units") as is equal to 6% (reduced in the case of president's list sales) of the aggregate number of units issued pursuant to the Offering. Each Compensation Unit consists of one common share and one-half of a warrant. Each whole warrant entitles the holder thereof to purchase one common share at a price of $0.70 until October 20, 2022.

In connection with the Concurrent Private Placement and a portion of the Offering, the Company paid a finder's fee to Roth Capital Partners LP of C$133,098 cash and 241,997 finder's warrants with the same terms as the Warrants. Net proceeds from the October Financings are intended to be used for the exploration and advancement of the Company's principal assets in Guatemala and for general working capital purposes.

Property Review

Holly and Banderas Properties, Guatemala

In May 2020, the Company signed an agreement whereby it was granted by Radius Gold Inc. ("Radius") the exclusive option (the "Option") to acquire a 60% interest in the Holly and Banderas gold-silver properties in Guatemala. The Company may exercise the Option by raising a minimum $3.0 million (completed on July 27, 2020) and spending US$7.0 million on exploration of the Properties within 48 months from the date drilling permits for the properties are granted. An initial US$1.0 million must be spent on exploration within 12 months of receiving the required drill permits, including a minimum 3,000 metres of drilling. The Company also made a cash payment to Radius of $100,000. Upon exercise of the Option, the Company will enter into a standard 60/40 joint venture with Radius in order to further develop the properties.

The Company also has the exclusive right for 24 months following the execution of the Option to evaluate the other property interests of Radius in eastern Guatemala and to enter into an agreement to acquire an interest in any of such other properties on reasonable mutually agreed upon terms.

Operations and Permitting

Since Guatemala's international borders opened in September 2020, the Company has made significant progress establishing a presence in the country. Mr. Pedro Garcia has been appointed Country Manager to oversee the permitting and social development in the region. Drill planning and corresponding environmental reports for drilling at the Holly and Banderas properties have recently been completed and drill permits for Holly were issued in March 2021. Banderas drill permits are expected to be authorized in the next few weeks. The Company has conducted formal meetings with the municipalities covering the Holly and Banderas targets which have been positively received. Access agreements with private landowners are ongoing, with a majority already signed at Holly and Banderas.

Holly Property: Drill Program

On April 28, 2021, the Company announced that it had commenced a 3,000 metre diamond core drilling program at Holly. The emphasis will be on exploring for high grade shoots associated with the intersection of the Jocotan Fault Zone and the NW-SE trending high grade vein systems, El Piño and La Peña. Sampling at El Pino has returned grades of up to 2 metres at 110.3 g/t Au and 3508 g/t Ag, and the La Peña vein, which crops out 620 metres to the west, sampling has returned 2 metres at 44 g/t Au and 88 g/t Ag. Surface rock and soil geochemistry indicates these two parallel quartz veins each have over a 600 metre strike potential.

The Company has defined compelling drill targets at the Holly Ridge zone through analysis of all historic geological and geophysical data and comparison with recent discoveries in the region.

The Holly Ridge target is an east-west orientated topographic high at the fault boundary between Tertiary sediments and volcanics to the south and Paleozoic meta-sediments to the north. The Jocotan fault zone outcrops as an approximately 2 kilometres long by 50 metres wide zone of intensely clay/silica altered and stockwork veined breccia and conglomerate. A high grade gold in soil anomaly is co-incident with this target. The Jocotan fault at Holly is cut by a series of NNW orientated high-grade gold and silver veins and veinlets. It was these NNW veins and their extensions to the south of the ridge in the sedimentary rocks that were targeted by former explorers. This work resulted in several high-grade intercepts, including:

HDD-001	14.2 m @ 4.14 g/t Au, 151 g/t Ag
HDD-005	3.6 m at 22.03 g/t Au, 697 g/t Ag
HDD-004	18.0 m @ 15.8 g/t Au and 602 g/t Ag

Of the 15 short historic drill holes at Holly project, 14 drill holes were drilled entirely within the volcanico-sedimentary rock package to the south of the Jocotan fault. Only one drill hole (HDD-005) was located in the Jocotan fault conglomerate / breccia zone. This hole cut 23 meters of silicified and veined conglomerate / breccia that graded 3.78 g/t Au and 133 g/t Ag. No follow-up holes have been conducted to date and no drilling has tested the main structure or targeted the intersection of the EW orientated fault breccia zone and the NNW orientated high grade veins/stockworks. Recent geophysical modelling has shown strong anomalies at depth directly below the trace of the fault zone.

Banderas Property Exploration

In March 2021, the Company announced results from its continuing exploration program at the Banderas Property. Highlights of the results are:

- Pyramid Hill vein systems extended for over 1,800 meters along strike. Mapping and sampling defined a NW/SE broad zone of stockwork and brecciation hosting multiple quartz veins of up to 3 metres width with both shallow and vertical dips. Rock chip and sub crop sampling returned grades up to 6.2 g/t Au and 273 g/t Ag.

- Zapote mineralization identified 1,500 metres along strike to the southeast beyond extensive cover, returning up to 2.7 g/t Au and 14.7 g/t Ag from surface vein outcrop sampling. Zapote zone now mapped along a 3,100 metre strike length.

The Banderas Property is located 7 kilometres south of the Holly Property. Previous work on the Banderas property has identified two extensive gold/silver bearing vein systems, the Pyramid Hill and the Zapote Zones.

The Pyramid Hill zone consists of two northwest trending sub-parallel vein zones located approximately 500 metres apart, called the Pyramid Hill ("PH") and the "M28" zones. Each zone hosts several 1- to 5-metre-wide quartz veins. At the PH zone, the veins dip steeply to the northeast and are surrounded by a prominent alteration zone with an approximate 20 metre wide zone of stockwork veining and brecciation, and at M28, the veins dip shallowly to the west.

Recent mapping has extended both vein systems by 1.5 kilometres to the southeast, extending them both to nearly 3.5 kilometres in length. Historically, over 40 shallow drill-holes have explored the PH and M28 systems and returned broad zones of low-grade gold/silver mineralization in both mineralized corridors including:

Hole_ID	From	To	Interval (m)	Au (g/t)	Ag (g/t)	AuEq* (g/t)	Zone
BDD-003	12.2	38.1	25.9	0.74	33.7	1.19	M28
BDD-004	53.1	74.7	21.6	1.25	29.6	1.64	M28
BDD-005	24.4	40.2	15.8	0.89	22.1	1.18	M28
BDD-007	67.1	83.7	16.6	1.22	22.3	1.52	M28
BDD-008	81.7	114	32.3	1.25	29.6	1.64	M28
BDD-014	36.3	58.5	22.2	0.9	48.3	1.54	PH
BDD-015	79.2	114.3	35.1	0.5	7.3	0.60	PH
BDD-016	126.5	156.1	29.6	0.7	3.2	0.74	PH
BDD-018	65.2	89.9	24.7	0.68	41.6	1.23	M28
BDD-019	74.7	94.5	19.8	1.05	42	1.61	M28
BDD05-031	152.5	188.8	36.3	1.03	2.3	1.06	PH
BDD11-013	61.5	82.3	20.8	2.1	38.1	2.61	M28
BRC04-024	167	171.5	4.5	24.6	185.3	27.1	M28
BRC04-027	67.5	85.5	18	0.4	5.4	0.47	PH
BRC04-028	85.5	129	43.5	0.4	6.1	0.48	PH

*AuEq calculated using a 75:1 Ag to Au ratio

Long sections of previous drilling and surface sampling at PH and M28 can be found on the Company's website.

The Zapote Zone is located 1,500 metres to the west of the Pyramid Hill. Numerous quartz veins and extensive alteration occurs at the contact between a large Dacitic dome and the andesite and rhyolite country rock. Historic rock chip sampling over an area 150 metres wide along 800 metres of this contact has returned strongly anomalous gold/silver mineralization. To the southeast, the mineralization disappears under an extensive area of thick colluvium. No drilling has been conducted at Zapote target.

Recent sampling has identified the continuation of the Zapote system 850 metres along strike to the southeast, where recent sampling returned values up to 2.7 g/t Au and 14.7 g/t Ag.

Property Package

The Company is earning a 60% interest in the Holly and Banderas properties in Guatemala and has an exclusive option to evaluate Radius's 240,000 hectares of applications for mineral concessions in Guatemala. The property package covers a majority of the highly prospective terrain between Pan American Silver's world class Escobal Mine and Bluestone Resources' Cerro Blanco development project, where recent bonanza grade drill results continue to highlight the potential of the district. Holly and Banderas projects host high grade epithermal gold-silver drill ready targets.

Additional details of the Holly and Banderas properties are available on the Company's website.

Technical Information

Matthew Booth, a member of the American Institute of Professional Geologists (CPG 12044), is the Company's Qualified Person as defined by National Instrument 43-101 - Standards of Disclosure for Mineral Projects. Mr. Booth has approved the technical information contained in this MD&A.

SELECTED ANNUAL INFORMATION

The following table provides financial results for the years ended December 31, 2020, 2019 and 2018:

	2020	2019	2018
Exploration expenditures	$ 450,966	$ -	$ 631,952
Loss and comprehensive loss attributed to equity shareholders of the Company	2,260,579	197,799	3,333,835
Basic and diluted loss per share attributed to equity shareholders of the Company	0.11	0.03	0.51
Total assets	11,938,523	232,044	167,559
Total liabilities	216,675	130,987	392,423
Non-controlling interest (deficiency)	(176,411)	(176,411)	(176,411)
Working capital (deficiency)	11,559,987	38,827	(292,217)

RESULT OF OPERATIONS

All references to 'loss' in the results of operations discussion below refers to the loss attributed to equity shareholders of the Company.

Quarter ended December 31, 2020

During the quarter ended December 31, 2020, the Company incurred a loss $1,919,251, compared to a loss of $17,523 for the quarter ended December 31, 2019. Significant expenses for the quarters ended December 31, 2020 and 2019 are as follows:

	2020	2019
Exploration expenditures	$ 326,401	$ -
Consulting and management fees	23,250	16,500
Legal and audit fees	22,944	20,000
Office and administration	19,628	10,242
Salaries and benefits	21,014	7,518
Share-based payments	1,458,521	-
Shareholder communications	58,438	1,008
Gain on debt settlement	-	38,406

The loss for the quarter ended December 31, 2020 was higher than the comparative quarter due to exploration expenditures of $326,401 relating to the Holly and Banderas properties and a share-based payments expense of $1,458,521 relating to the granting of stock options whereas no such expenditures were incurred in the comparative quarter. Consulting and management costs were higher for the current quarter because of more directors of the Company providing services to the Company. Office and administration, salaries and benefits, and shareholder communication costs were all higher in the current quarter due to the Company being more active than in the comparative quarter.

Consulting and management fees for the current quarter consisted of fees paid to Simon Ridgway, a Director and current CEO of the Company, fees paid to Michael Povey, a Director and Chairman of the Company, and fees to Charles Straw, the former CEO of the Company, whereas only fees paid to the current CEO were recorded in the comparative quarter. A portion of the Chairman's and former CEO's fees were allocated to exploration expenditures. Office and administration costs relate mostly to an administrative cost sharing agreement with Gold Group Management Inc. ("Gold Group"), a private company controlled by Mr. Ridgway which is reimbursed by the Company for certain shared rent and other corporate expenses paid by Gold Group on behalf of the Company. Salaries and benefits costs relate primarily to Gold Group which provides administrative personnel, including the Company's Chief Financial Officer and Corporate Secretary.

Year ended December 31, 2020

During the year ended December 31, 2020 the Company incurred a loss of $2,260,579, compared to a loss of $197,799 for the year ended December 31, 2019. Significant expenses for the years ended December 31, 2020 and 2019 are as follows:

	2020	**2019**
Exploration expenditures	$ 450,966	$ -
Consulting and management fees	96,992	69,000
Legal and audit fees	58,250	23,544
Office and administration	50,746	53,549
Salaries and benefits	52,583	60,707
Share-based payments	1,458,521	-
Shareholder communications	79,993	3,728
Transfer agent and regulatory fees	17,226	19,899
Gain on debt settlement	-	38,406

As described in the quarterly comparison, the current year incurred exploration expenditures and property investigation costs of $450,966 and recorded a share-base payments expense of $1,458,521 relating to the granting of stock options compared to no such expenses in the comparative year. The current year also recorded higher consulting and management fees due to the same reason as in the quarterly comparison. Shareholder communication costs were significantly higher during the current year as the Company utilized more promotional and investor relations services while legal and audit fees were higher due to the increase in business activity and finalizing the Holly and Banderas option agreement. Salaries and benefits costs and to a lesser extent, office and administrative costs, were lower during the current year due to cost cutting measures in response to the COVID-19 pandemic.

As with the quarterly comparison, consulting and management fees for the current year consisted of fees paid to the Mr. Ridgway, Mr. Povey, and Mr. Straw, whereas the comparative year consisted only of fees paid to Mr. Ridgway.

SUMMARY OF QUARTERLY RESULTS

The Company's quarterly total assets, working capital balance and operating results over the last eight quarters are summarized as follows:

	Dec '20	Sept '20	June '20	Mar '20	Dec '19	Sept '19	June '19	Mar '19
Total assets	$ 11,938,523	$ 4,665,141	$ 291,118	$ 193,686	$ 232,044	$ 275,737	$ 327,198	$ 132,437
Working capital (deficiency)	11,559,987	4,249,908	51,823	(6,164)	38,827	94,280	144,091	(161,519)
Loss and comprehensive loss attributed to equity shareholders of the Company	1,919,251	223,139	73,106	45,083	17,523	53,505	64,962	61,809
Basic and diluted loss per share attributed to equity shareholders of the Company	0.08	0.01	0.01	0.01	0.00	0.01	0.01	0.01

Total assets and working capital deficiency during the quarter ended March 31, 2019 reflected relatively low cash positions and higher current liabilities. Total assets and working capital positions thereafter improved due to financing and debt settlement transactions completed in the quarter ended June 30, 2019, and significantly increased in the third and fourth quarters of 2020 due to the completion of the July Financing and the October Financings, respectively. The loss amounts for the quarters reflect that there was a minimal amount of exploration expenditures incurred during the six quarters ended June 30, 2020 and then increased expenditures during the two most recently completed quarters on property investigations and then exploration activity in Guatemala. The loss for the quarter ended December 31, 2020 is significantly higher than all other quarters presented due to a share-based payments expense of $1,458,521.

LIQUIDITY AND CAPITAL RESOURCES

The Company has financed its operations to date primarily through the issuance of common shares. The Company's exploration activities do not provide a source of income and therefore the Company has a history of losses and an accumulated deficit.

As at December 31, 2020, the Company had current assets of $11,776,662 and current liabilities of $216,675, resulting in working capital of $11,559,987.

During the year ended December 31, 2020, the Company raised gross proceeds of $8.6 million from a bought deal public financing and concurrent private placement and gross proceeds of $5.0 million from a non-brokered private placement. Cash share issuance costs for these financings totaled $1,192,131. The net proceeds from these financings are being used for working capital purposes and to fund exploration efforts in Guatemala.

With the proceeds of the 2020 equity financings, the Company expects its capital resources to be sufficient to carry out its planned exploration expenditures and cover operating costs through the next twelve months.

Net cash used in operating activities during the year ended December 31, 2020 was $793,068 (2019: $290,031).

Net cash provided from financing activities during the year ended December 31, 2020 was $12,458,655 (2019: $370,095).

Net cash used in investing activities during the year ended December 31, 2020 was $108,796 (2019: $Nil).

The Company's consolidated 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 as and when needed.

FINANCIAL AND CAPITAL RISK MANAGEMENT

Financial assets and liabilities are classified in the in the fair value hierarchy according to the lowest level of input that is significant to the fair value measurement. Assessment of the significant of a particular input to the fair value measurement requires judgement and may affect placement within the fair value hierarchy levels. The hierarchy is as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quotes prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The carrying value of receivables, deposits and accounts payable and accrued liabilities approximates fair value due to the short-term nature of the financial instruments. Cash is valued at a level 1 fair value measurement and is classified as fair value through profit or loss. Receivables and long-term deposits are classified as amortized cost. Accounts payable and accrued liabilities are classified as amortized cost.

Risk management

The Company is exposed to varying degrees to a variety of financial instrument related risks:

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 a large Canadian financial institution in interest bearing accounts. The Company has no investment in asset backed commercial paper.

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, 2020, the Company is not exposed to significant interest rate risk.

b) Foreign currency risk

The Company is exposed to financial risk related to the fluctuation of foreign currency rates. The Company operates in Canada and Guatemala. A substantial portion of the Company's expenses are incurred in US dollars. A significant change in the currency exchange rate between the Canadian dollar relative to the US dollar could have an effect on the Company's results of operations, financial position, or cash flows. The Company has not hedged its exposure to currency fluctuations. As at December 31, 2020 and 2019, the Company is exposed to currency risk through the following financial assets and liabilities denominated in currencies other than the Canadian dollar:

As at December 31,	**2020** US Dollars (CDN equivalent)	**2019** US Dollars (CDN equivalent)
Cash	$ 10,848	$ 2,735
Accounts payable and accrued liabilities	(135,938)	(88,335)
Net exposure	**$ (125,090)**	**$ (85,600)**

Based on the above net exposure as at December 31, 2020, and assuming all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against the US dollar would result in an increase/decrease of approximately $12,500 in the Company's net loss and comprehensive loss for the year ended December 31, 2020 (2019: $8,600).

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.

OUTSTANDING SHARE, COMPENSATION OPTIONS, OPTIONS AND WARRANTS DATA

At the date of this MD&A, the Company had outstanding 44,600,080 common shares and the following compensation options, stock options, and warrants:

No. of compensation options(1)	Exercise price	Expiry date
741,870	$0.55	October 20, 2022

(1) Each compensation option is exercisable to purchase one common share and one-half warrant. Each whole warrant is exercisable to purchase one common share at $0.70 until October 20, 2022.

No. of options	Exercise price	Expiry date
2,525,000	$0.57	October 6, 2030
325,000	$0.57	October 8, 2030
300,000	$0.45	January 6, 2031
800,000	$0.57	January 27, 2031
3,950,000		

No. of warrants	Exercise price	Expiry date
1,851,237	$5.60	March 8, 2022
8,073,797	$0.70	April 20, 2022
11,164,730	$0.30	July 26, 2022
21,089,764		

TRANSACTIONS WITH RELATED PARTIES

The Company had transactions during the years ended December 31, 2020 and 2019 with related parties consisting of directors, officers and the following companies with common directors or officers:

Related party	Nature of transactions
Gold Group Management Inc. ("Gold Group")	Shared office and administrative related charges
Mill Street Services Ltd. ("Mill Street")	Consulting services
Radius Gold Inc. ("Radius")	Property transaction and exploration support

Balances and transactions with related parties not disclosed elsewhere in this MD&A are as follows:

a) During the periods ended December 31, 2020 and 2019, the Company reimbursed Gold Group, a private company controlled by a director of the company, for the following costs:

	Three months ended December 31,				Year ended December 31,			
		2020		2019		2020		2019
General and administrative expenses:								
Consulting and management fees	$	-	$	-	$	-	$	3,000
Office and administration		17,465		8,180		45,055		42,083
Salaries and benefits		21,014		7,518		52,583		57,727
Shareholder communications		1,250		-		3,595		1,054
Transfer agent and regulatory fees		(2,787)		41		6,194		8,679
Travel and accommodation		758		924		3,654		4,684
	$	**37,700**	**$**	**16,663**	**$**	**111,081**	**$**	**117,227**

Gold Group is reimbursed by the Company for certain shared costs and other business-related expenses paid by Gold Group on behalf of the Company. Salaries and benefits for the years ended December 31, 2020 and 2019 include those for the Chief Financial Officer and the Corporate Secretary.

b) Prepaid expenses and deposits as of December 31, 2020 includes an amount of $231 (2019: $1,152) paid to Gold Group.

c) Exploration advances as of December 31, 2020 includes an amount of $8,796 (2019: $Nil) advanced to Radius for exploration expenditures to be incurred on the Company's behalf

d) Long-term deposits as of December 31, 2020 consists of $61,000 (2019: $61,000) paid to Gold Group as a deposit pursuant to the Company's office and administrative services agreement with Gold Group.

e) Included in accounts payable and accrued liabilities as of December 31, 2020 was $25,168 (2019: $5,089) owing to Gold Group and $2,000 (2019: $Nil) to Michael Povey, a Director and Chairman of the Company, for consulting fees. The amount for Gold Group is due on a monthly basis and secured by a deposit.

f) During the year ended December 31, 2019, the Company issued 548,660 common shares to related parties and a former related party to settle a total of $192,031 in debt.

The Company has identified certain of its directors and senior officers as its key management personnel. Included for the periods ended December 31, 2020 and 2019 are the following items paid or accrued to key management personnel and/or companies with common directors.

	Three months ended December 31,				Year ended December 31,			
		2020		2019		2020		2019
General and administrative expenses:								
Consulting and management fees	$	23,250	$	16,500	$	83,775	$	66,000
Salaries and benefits		7,333		2,750		18,516		16,042
Share-based payments (value of stock options granted and vested)		617,804		-		617,804		-
Exploration expenditures:								
Project management		14,250		-		35,475		-
	$	**662,637**	**$**	**19,250**	**$**	**755,570**	**$**	**82,042**

Key management compensation includes consulting fees paid in 2019 and 2020 to Mill Street, a company controlled by Simon Ridgway, a Director and Chief Executive Officer of the Company.

The value of stock option grants issued to directors not included in key management above during the year ended December 31, 2020 was $314,711 (2019: $Nil).

ACCOUNTING POLICIES AND BASIS OF PRESENTATION

The Company's significant accounting policies and future changes in accounting policies are presented in note 3 of the audited consolidated financial statements for the year ended December 31, 2020.

FUTURE ACCOUNTING CHANGES

The Company has reviewed upcoming policies and determined that none are expected to have an impact on the Company's consolidated financial statements.

RISKS AND UNCERTAINTIES

The operations of the Company are highly speculative due to the high-risk nature of its business in the mineral exploration 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 as, but not limited to, the following:

Global Pandemic

The Company faces risks related to health epidemics and other outbreaks of communicable diseases, which could significantly disrupt its operations and may materially and adversely affect its business and financial conditions. The Company's business could be adversely impacted by the effects of the COVID-19 coronavirus which was declared a global pandemic by the World Health Organization in March 2020. COVID-19 infections have been reported globally.

The extent to which COVID-19 may impact the Company's business, including its operations and the market for its securities, will depend on future developments which cannot be predicted, and include the duration, severity and scope of the outbreak and the actions taken to contain or treat the outbreak. The continued spread of COVID-19 globally could materially and adversely impact the Company's business, financial condition and results of operations including without limitation, employee health, workforce productivity, increased insurance premiums, limitations on travel, the availability of industry experts and personnel, restrictions to any drill programs and/or the timing to process drill and other metallurgical testing, and other factors that will depend on future developments beyond the Company's control.

The international response to the spread of COVID-19 has led to significant restrictions on travel, temporary business closures, quarantines, global stock market volatility and a general reduction in consumer activity. Such public health crises can also result in operating and supply chain delays and disruptions, declining trade and market sentiment, reduced movement of people and labour shortages, and shipping disruption and shutdowns, including as a result of government regulation and prevention measures, or a fear of any of the foregoing, all of which could affect commodity prices, interest rates, credit ratings, credit risk and inflation.

Mineral Property Exploration and Mining Risks

The business of mineral deposit exploration and extraction involves a high degree of risk. Few properties that are explored ultimately become producing mines. At present, none of the Company's properties has a known commercial ore deposit. The main operating risks include: securing adequate funding to maintain and advance future exploration properties; ensuring ownership of and access to mineral properties by confirmation that option agreements, claims and leases are in good standing; and obtaining permits for drilling and other exploration activities.

Joint Venture Funding Risk

The Company's strategy may include seeking partners through joint ventures to fund future exploration and project development. The main risk of this strategy is that funding partners may not be able to raise sufficient capital in order to satisfy exploration and other expenditure terms in a particular joint venture agreement. As a result, exploration and development of future property interests may be delayed depending on whether the Company can find another partner or has enough capital resources to fund the exploration and development on its own.

Commodity Price Risk

The Company is exposed to commodity price risk. Declines in the market price of gold, base metals and other minerals may adversely affect the Company's ability to raise capital or attract joint venture partners in order to fund its ongoing operations. Commodity price declines could also reduce the amount the Company would receive on the disposition of any of its mineral properties to a third party.

Financing and Share Price Fluctuation Risks

The Company has limited financial resources, has no source of operating cash flow and has no assurance that additional funding will be available to it for further exploration and development of projects. Exploration and development of future projects may be dependent upon the Company's ability to obtain financing through equity or debt financing or other means. Failure to obtain this financing could result in delay or indefinite postponement of exploration and development which could result in the loss of properties.

Securities markets have at times in the past experienced a high degree of price and volume volatility, and the market price of securities of many companies, particularly those considered to be exploration stage companies such as the Company, have experienced wide fluctuations in share prices which have not necessarily been related to their operating performance, underlying asset values or prospects. There can be no assurance that these kinds of share price fluctuations will not occur in the future, and if they do occur, how severe the impact may be on the Company's ability to raise additional funds through equity issues and corresponding effect on the Company's financial position.

Political, Regulatory and Currency Risks

The Company's mineral property interests are located in Guatemala, an emerging nation. Properties in emerging nations may be subject to a higher level of risk compared to developed countries. Operations, the status of mineral property rights, title to the properties and the recoverability of amounts shown for mineral properties in emerging nations can be affected by changing economic, regulatory, and political situations. The Company's equity financings are sourced in Canadian dollars but for the most part it incurs its exploration and property maintenance expenditures in US dollars and Guatemalan quetzals. At this time there are no currency hedges in place. Therefore, a weakening of the Canadian dollar against the US dollar or Guatemalan quetzal could have an adverse impact on the amount of exploration conducted.

Insured and Uninsured Risks

In the course of exploration, development and production of mineral properties, the Company is subject to a number of hazards and risks in general, including adverse environmental conditions, operational accidents, labor disputes, unusual or unexpected geological conditions, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods, and earthquakes. Such occurrences could result in damage to properties, facilities and equipment of the Company, personal injury or death, environmental damage to properties of the Company or others, delays, monetary losses and possible legal liability.

Although the Company may maintain insurance to protect against certain risks in such amounts as it considers reasonable, its insurance may not cover all the potential risks associated with its operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums or for other reasons. Should such liabilities arise, they could reduce or eliminate future profitability and result in increased costs, have a material adverse effect on the Company's results and a decline in the value of the securities of the Company.

Environmental and Social Risks

The activities of the Company are subject to environmental regulations issued and enforced by government agencies. Environmental legislation is evolving in a manner that will require stricter standards and enforcement and involve increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects, and a heightened degree of responsibility for companies and their officers, directors, and employees. There can be no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations. Environmental hazards may exist on properties in which the Company holds interests which are unknown to the Company at present. Social risks may be fairly significant in the Company's areas of operations. Violence, kidnapping, theft and other criminal activities could disrupt supply chains and discourage qualified individuals from being involved with the Company's operations.

Competition

The Company competes with many companies and individuals that have substantially greater financial and technical resources than the Company for the acquisition and development of projects as well as for the recruitment and retention of qualified employees.