



CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
(Unaudited)

FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2021

**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

In accordance with National Instrument 51-102 of the Canadian Securities Administrators, the Company discloses that its external auditors have not reviewed the unaudited condensed consolidated interim financial statements for the nine months ended September 30, 2021. These financial statements have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company.

VOLCANIC GOLD MINES INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION (UNAUDITED)
(Expressed in Canadian Dollars)

	September 30, 2021	December 31, 2020
ASSETS		
Current		
Cash	\$ 9,032,711	\$ 11,719,530
Receivables	12,394	15,315
Prepaid expenses and deposits (Note 8)	53,221	33,021
Exploration advances (Note 8)	-	8,796
Total current assets	9,098,326	11,776,662
Non-current		
Long-term deposits (Note 8)	61,000	61,000
Equipment (Notes 4 and 8)	173,967	861
Mineral properties (Note 6)	100,000	100,000
Total non-current assets	334,967	161,861
	\$ 9,433,293	\$ 11,938,523
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Note 8)	\$ 270,047	\$ 216,675
Total liabilities	270,047	216,675
Shareholders' equity		
Share capital (Note 9)	24,847,088	24,691,346
Other equity reserves (Note 9)	3,663,957	3,113,948
Deficit	(19,171,388)	(15,907,035)
Equity attributed to shareholders of the Company	9,339,657	11,898,259
Non-controlling interest (Note 5)	(176,411)	(176,411)
Total shareholders' equity	9,163,246	11,721,848
	\$ 9,433,293	\$ 11,938,523

Approved and authorized by the Board on November 24, 2021

"Simon Ridgway" Director
Simon Ridgway

"Scott Ackerman" Director
Scott Ackerman

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

VOLCANIC GOLD MINES INC.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS (UNAUDITED)**
(Expressed in Canadian Dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Exploration expenditures (Note 7)	\$ 1,055,638	\$ 100,852	\$ 2,324,864	\$ 124,565
General and administrative expenses				
Consulting and management fees (Note 8)	18,000	36,492	54,000	73,742
Depreciation (Note 4)	9,638	92	22,499	277
Legal and audit fees	2,121	34,450	2,121	35,306
Office and administration (Note 8)	22,450	12,547	62,819	31,118
Salaries and benefits (Note 8)	21,996	15,870	67,953	31,569
Share-based payments (Notes 8 and 10)	43,952	-	605,971	-
Shareholder communications (Note 8)	20,346	20,195	91,525	21,555
Transfer agent and regulatory fees (Note 8)	1,418	4,992	20,682	17,902
Travel (Note 8)	2,509	866	7,935	4,351
	142,430	125,504	935,505	215,820
Loss before other items	(1,198,068)	(226,356)	(3,260,369)	(340,385)
Other items				
Interest and other income	6,439	-	24,110	-
Foreign exchange gain (loss)	(6,038)	3,217	(28,094)	(943)
Loss and comprehensive loss for the period	\$ (1,197,667)	\$ (223,139)	\$ (3,264,353)	\$ (341,328)
Loss and comprehensive loss attributable to:				
Equity shareholders of the Company	\$ (1,197,667)	\$ (223,139)	\$ (3,264,353)	\$ (341,328)
Non-controlling interest (Note 5)	-	-	-	-
	\$ (1,197,667)	\$ (223,139)	\$ (3,264,353)	\$ (341,328)
Basic and diluted loss per common share attributable to equity shareholders of the Company	\$(0.03)	\$(0.01)	\$(0.07)	\$(0.02)
Weighted average number of common shares outstanding – basic and diluted	44,600,080	22,889,594	44,553,002	15,746,737

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

VOLCANIC GOLD MINES INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS (UNAUDITED)
(Expressed in Canadian Dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss for the period	\$ (1,197,667)	\$ (223,139)	\$ (3,264,353)	\$ (341,328)
Item not affecting cash:				
Depreciation	9,638	92	22,499	277
Share-based payments	43,952	-	605,971	-
Non-cash working capital item changes:				
Amounts receivable	(1,998)	(4,801)	2,921	(3,655)
Prepaid expenses and deposits	(11,551)	(27,770)	(20,200)	(30,309)
Exploration advances	3,871	(54,463)	8,796	(54,463)
Accounts payable and accrued liabilities	(40,500)	76,030	53,372	122,293
Net cash used in operating activities	(1,194,255)	(234,051)	(2,590,994)	(307,185)
FINANCING ACTIVITIES				
Proceeds from issuance of common shares	-	4,869,000	99,780	5,000,000
Share issuance costs	-	(347,868)	-	(347,868)
Net cash provided by financing activities	-	4,521,132	99,780	4,652,132
INVESTING ACTIVITIES				
Purchase of equipment	(1,538)	-	(195,605)	-
Mineral property acquisitions	-	(100,000)	-	(100,000)
Net cash used in investing activities	(1,538)	(100,000)	(195,605)	(100,000)
Change in cash for the period	(1,195,793)	4,187,081	(2,686,819)	4,244,947
Cash, beginning of period	10,228,504	220,605	11,719,530	162,739
Cash, end of period	\$ 9,032,711	\$ 4,407,686	\$ 9,032,711	\$ 4,407,686

Supplemental disclosure with respect to cash flows (Note 14)

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

VOLCANIC GOLD MINES INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

For the nine months ended September 30, 2021 and 2020

(Expressed in Canadian Dollars)

	Equity (deficiency) attributed to shareholders of the Company								
	Number of common shares	Amount	Share subscriptions received	Warrants and compensation options reserve	Share-based payment reserve	Deficit	Total equity attributed to shareholders	Non-controlling interest	Total
Balance, December 31, 2019	8,603,880	\$ 13,746,875	\$ -	\$ 177,049	\$ 1,169,508	\$ (14,815,964)	\$ 277,468	\$ (176,411)	\$ 101,057
Loss for the period	-	-	-	-	-	(341,328)	(341,328)	-	(341,328)
Shares issued for private placement	20,000,000	5,000,000	-	-	-	-	5,000,000	-	5,000,000
Share issuance costs	-	(1,362,309)	-	1,014,441	-	-	(347,868)	-	(347,868)
Fair value of expired and forfeited options	-	-	-	-	(370,821)	370,821	-	-	-
Balance, September 30, 2020	28,603,880	17,384,566	-	1,191,490	798,687	(14,786,471)	4,588,272	(176,411)	4,411,861
Loss for the period	-	-	-	-	-	(1,919,251)	(1,919,251)	-	(1,919,251)
Shares issued for private placement	3,117,100	1,683,234	-	31,171	-	-	1,714,405	-	1,714,405
Shares issued for public offering	12,546,500	6,775,110	-	125,465	-	-	6,900,575	-	6,900,575
Share issuance costs	-	(1,151,564)	-	307,301	-	-	(844,263)	-	(844,263)
Fair value of expired and forfeited options	-	-	-	-	(798,687)	798,687	-	-	-
Share-based payments	-	-	-	-	1,458,521	-	1,458,521	-	1,458,521
Balance, December 31, 2020	44,267,480	24,691,346	-	1,655,427	1,458,521	(15,907,035)	11,898,259	(176,411)	11,721,848
Loss for the period	-	-	-	-	-	(3,264,353)	(3,264,353)	-	(3,264,353)
Warrants exercised	332,600	99,780	-	-	-	-	99,780	-	99,780
Transfer of other equity reserve on exercise of warrants	-	55,962	-	(55,962)	-	-	-	-	-
Share-based payments	-	-	-	-	605,971	-	605,971	-	605,971
Balance, September 30, 2021	44,600,080	\$ 24,847,088	\$ -	\$ 1,599,465	\$ 2,064,492	\$ (19,171,388)	\$ 9,339,657	\$ (176,411)	\$ 9,163,246

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

VOLCANIC GOLD MINES INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended September 30, 2021 and 2020

(Expressed in Canadian Dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

Volcanic Gold Mines Inc. is a publicly traded company incorporated under the Business Corporations Act (British Columbia) on April 25, 2007. The Company together with its subsidiaries (collectively referred to as the “Company”) is principally engaged in acquisition and exploration of resource properties. The Company currently trades under the symbol “VG” on the TSX Venture Exchange.

The head office, principal address and records office of the Company are located at 200 Burrard Street, Suite 650, Vancouver, British Columbia, V6C 3L6, Canada.

The Company’s financial statements and those of its controlled subsidiaries (“condensed consolidated interim financial statements”) are presented in Canadian dollars.

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company has incurred losses from inception and, despite a strong current working capital position, does not currently have the financial resources to sustain operations in the long-term. While the Company has been successful in obtaining its required funding in the past, there is no assurance that such future financing will be available or be available on favorable terms. Management believes the Company has sufficient current working capital to operate for at least the next year at the current level of operations.

At the time these condensed consolidated interim financial statements were prepared, the COVID-19 pandemic has caused significant disruptions to the global economy and increased volatility in the global financial markets. The extent to which COVID-19 may adversely impact the Company’s business and financing opportunities will depend on future developments such as the geographic spread of the disease, the duration of the outbreak, travel restrictions and social distancing at the properties, business closures or business disruptions, and the effectiveness of actions taken in Canada, and other countries to contain and treat the disease.

2. BASIS OF PREPARATION

Statement of compliance

These condensed consolidated interim financial statements are prepared in accordance with International Accounting Standard (“IAS”) 34 *Interim Financial Reporting* under IFRS issued by the International Accounting Standards Board (“IASB”). These condensed consolidated interim financial statements follow the same accounting policies and methods of application as the most recent annual consolidated financial statements of the Company. These condensed consolidated interim financial statements do not contain all of the information required for full annual financial statements. Accordingly, these condensed consolidated interim financial statements should be read in conjunction with the Company’s most recent annual consolidated financial statements, which were prepared in accordance with IFRS as issued by the IASB.

Basis of Measurement

These condensed consolidated interim financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The condensed consolidated interim financial statements are presented in Canadian dollars (“CAD”).

The preparation of condensed consolidated interim financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the condensed consolidated interim financial statements are disclosed in Note 3.

VOLCANIC GOLD MINES INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**

For the nine months ended September 30, 2021 and 2020

(Expressed in Canadian Dollars)

2. BASIS OF PREPARATION (cont'd)**Basis of Consolidation**

These condensed consolidated interim financial statements include the accounts of the Company and its subsidiaries. A subsidiary is an entity in which the Company has control, directly or indirectly, where control is defined as the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. All material intercompany transactions and balances have been eliminated on consolidation.

Details of the Company's principal subsidiary as at September 30, 2021 is as follows:

Name	Place of incorporation	Ownership %	Principal activity
Recursos del Golfo S.A.	Guatemala	100%	Exploration company

Foreign Currency Translation

The functional currency is the currency of the primary economic environment in which the entity operations and has been determined for each entity within the Company. The functional currency for all entities within the Company is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in International Accounting Standards ("IAS") 21, *The Effects of Changes in Foreign Exchange Rates*.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the statement of financial position date while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in the statement of loss and comprehensive loss.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in profit or loss in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

The key areas of judgment applied in the preparation of the condensed consolidated interim financial statements that could result in a material adjustment to the carrying amounts of assets and liabilities are as follows:

- a) The application of the Company's accounting policy for mineral property expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company.

Assets or cash-generating units are evaluated at each reporting date to determine whether there are any indications of impairment. The Company considers both internal and external sources of information when making the assessment of whether there are indications of impairment for the Company's mineral property assets.

In respect of costs incurred for its investment in mineral property assets, management has determined there are no indicators of impairment. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefit, including geologic and metallurgic information, economics assessment/studies, accessible facilities and existing permits.

VOLCANIC GOLD MINES INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**

For the nine months ended September 30, 2021 and 2020

(Expressed in Canadian Dollars)

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (cont'd)

- b) Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.
- c) Although the Company has taken steps to identify any decommissioning liabilities related to mineral properties in which it has an interest, there may be unidentified decommissioning liabilities present.

The key estimates applied in the preparation of the condensed consolidated interim financial statements that could result in a material adjustment to the carrying amounts of assets and liabilities are as follows:

- a) The Company may be subject to income tax in several jurisdictions and significant judgment is required in determining the provision for income taxes. During the ordinary course of business and on dispositions of mineral property or interests therein, there are transactions and calculations for which the ultimate tax determination is uncertain. As a result, the Company recognizes tax liabilities based on estimates of whether additional taxes and interest will be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events, and interpretation of tax law. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact income tax expense in the period in which such determination is made.
- b) In estimating the fair value of share-based payments, using the Black-Scholes option pricing model, management is required to make certain assumptions and estimates. Changes in assumptions used to estimate fair value could result in materially different results.

4. EQUIPMENT

	Computer equipment	Furniture and equipment	Vehicles	Total
Cost				
Balance, December 31, 2019	\$ 11,628	\$ -	\$ -	\$ 11,628
Balance, December 31, 2020	11,628	-	-	11,628
Additions	-	9,450	186,155	195,605
Balance, September 30, 2021	\$ 11,628	\$ 9,450	\$ 186,155	\$ 207,233
Accumulated amortization				
Balance, December 31, 2019	\$ 10,398	\$ -	\$ -	\$ 10,398
Charge for period	369	-	-	369
Balance, December 31, 2020	10,767	-	-	10,767
Charge for period	645	709	21,145	22,499
Balance, September 30, 2021	\$ 11,412	\$ 709	\$ 21,145	\$ 33,266
Carrying amounts				
At December 31, 2020	\$ 861	\$ -	\$ -	\$ 861
At September 30, 2021	\$ 216	\$ 8,741	\$ 165,010	\$ 173,967

VOLCANIC GOLD MINES INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended September 30, 2021 and 2020

(Expressed in Canadian Dollars)

5. NON-CONTROLLING INTEREST

Non-controlling interests (“NCI”s) in the net assets of consolidated subsidiaries are identified separately from the Company’s equity therein. Total comprehensive loss of the Company’s subsidiary is attributed to the equity holders of the Company and to the non-controlling interests even if this results in the non-controlling interest having a deficit balance.

The Company adjusts the non-controlling interest by attributing a proportionate amount of the subsidiaries net identifiable assets. The Company also adjusts other comprehensive loss to reflect the new ownership interest. These adjustments are also recognized in equity.

For the period ended September 30, 2021, 25% of the net assets of the Company’s consolidated subsidiary, Guiord SA (“Guiord”), were attributable to its non-controlling interest. The value of the NCI at September 30, 2021 was a deficiency of \$176,411 (December 31, 2020: \$176,411). There was no income or loss allocated to NCI during the periods ended September 30, 2021 and 2020.

6. MINERAL PROPERTIES

The Company capitalized the following acquisition costs of its mineral property interests during the period from January 1, 2020 to September 30, 2021:

	Holly and Banderas
Balance, December 31, 2019	\$ -
Acquisition costs	100,000
Balance, December 31, 2020	100,000
Balance, September 30, 2021	\$ 100,000

Holly and Banderas Properties - Guatemala

In May 2020, the Company signed an agreement whereby it has been 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 “Properties”). 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 (granted in March 2021). 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 of \$100,000 to Radius during the 2020 fiscal year which was recorded as a mineral property acquisition cost. 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.

The Company and Radius have one common director, namely, Simon Ridgway.

VOLCANIC GOLD MINES INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**

For the nine months ended September 30, 2021 and 2020

(Expressed in Canadian Dollars)

7. EXPLORATION EXPENDITURES

During the periods ended September 30, 2021 and 2020, the Company incurred the following exploration expenditures on the Holly and Banderas properties:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Assaying	\$ 97,144	\$ -	\$ 162,432	\$ -
Community relations	37,839	-	60,215	-
Drilling	413,261	-	730,502	-
Environmental	2,153	-	26,056	-
Field expenses	115,595	5,192	256,517	5,192
Geological and other consulting	211,159	64,741	594,610	81,421
Legal and accounting	8,497	-	18,560	-
Licenses, permitting and taxes	4,827	-	11,172	-
Office and administration	55,692	3,154	167,806	3,154
Project management	27,785	23,884	82,791	30,917
Salaries and benefits	40,598	-	100,046	-
Travel	41,088	3,881	114,157	3,881
	\$ 1,055,638	\$ 100,852	\$ 2,324,864	\$ 124,565

8. RELATED PARTY TRANSACTIONS

The Company had transactions during the periods ended September 30, 2021 and 2020 with related parties consisting of directors, officers and the following companies with common directors:

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	Property transaction and exploration support

Balances and transactions with related parties not disclosed elsewhere in these condensed consolidated interim financial statements are as follows:

- a) During the periods ended September 30, 2021 and 2020, the Company reimbursed Gold Group, a private company controlled by Simon Ridgway, a Director and Chief Executive Officer of the Company, for the following costs:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
General and administrative expenses:				
Office and administration	\$ 18,866	\$ 11,377	\$ 48,255	\$ 27,590
Salaries and benefits	21,996	15,870	67,953	31,569
Shareholder communications	1,020	1,575	2,582	2,345
Transfer agent and regulatory fees	100	3,090	7,490	8,981
Travel and accommodation	2,384	867	5,965	2,896
	\$ 42,366	\$ 32,779	\$ 132,245	\$ 73,381
Exploration expenditures	\$ 5,660	\$ -	\$ 10,395	\$ -

VOLCANIC GOLD MINES INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**

For the nine months ended September 30, 2021 and 2020

(Expressed in Canadian Dollars)

8. RELATED PARTY TRANSACTIONS (cont'd)

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 periods ended September 30, 2021 and 2020 include those for the Chief Financial Officer and the Corporate Secretary

- b) Prepaid expenses and deposits as of September 30, 2021 includes an amount of \$12,885 (December 31, 2020: \$231) paid to Gold Group.
- c) Exploration advances as of September 30, 2021 includes an amount of \$Nil (December 31, 2020: \$8,796) advanced to Radius for exploration expenditures to be incurred on the Company's behalf.
- d) Long-term deposits as of September 30, 2021 consists of \$61,000 (December 31, 2020: \$61,000) paid to Gold Group as a deposit pursuant to the Company's office and administrative services agreement with Gold Group.
- e) During the period ended September 30, 2021, the Company purchased Radius' Guatemalan exploration equipment and supplies for a total cost of \$50,000, of which \$25,117 was capitalized as equipment.
- f) Included in accounts payable and accrued liabilities as of September 30, 2021 was \$36,601 (December 31, 2020: \$25,168) owing to Gold Group, \$25,091 was owing to Radius (December 31, 2020: \$Nil), and \$4,000 (December 31, 2020: \$2,000) 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.

The Company has identified certain of its directors and senior officers as its key management personnel. Included for the periods ended September 30, 2021 and 2020 are the following items paid or accrued to key management personnel and/or companies with common directors.

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
General and administrative expenses:				
Consulting and management fees	\$ 18,000	\$ 23,275	\$ 54,000	\$ 60,525
Salaries and benefits	6,375	5,408	18,750	11,183
Share-based payments (value of stock options granted and vested)	-	-	249,263	-
Exploration expenditures:				
Consulting and management fees	28,500	14,225	85,500	21,225
	\$ 52,875	\$ 42,908	\$ 407,513	\$ 92,933

Key management compensation includes consulting fees paid 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 non-key management directors during the period ended September 30, 2021 was \$99,705 (2020: \$Nil).

9. SHAREHOLDERS EQUITY**a) Common shares**

The Company is authorized to issue an unlimited number of common and preferred shares without par value.

As at September 30, 2021, 44,600,080 (December 31, 2020: 44,267,480) common shares and nil preferred shares were issued and outstanding.

During the period ended September 30, 2021, a total of 332,600 share purchase warrants with an exercise of \$0.30 per share were exercised for proceeds of \$99,780.

VOLCANIC GOLD MINES INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**

For the nine months ended September 30, 2021 and 2020

(Expressed in Canadian Dollars)

9. SHAREHOLDERS EQUITY (cont'd)**a) Common shares (cont'd)**

During the period ended September 30, 2020, the Company closed a non-brokered private placement consisting of 20,000,000 units at \$0.25 per unit, for gross proceeds of \$5.0 million. Each unit consisted 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. In connection with this financing, the Company paid finders' fees of \$312,083 cash and issued 1,497,330 finders' fee warrants with the same terms as the private placement warrants. The fair value of the finders' fee warrants was \$1,014,441 and was recorded as share issuance costs and an offset to other equity reserve. The fair value of each finders' fee warrant has been estimated as of the date of the issuance using the Black-Scholes pricing model with the following assumptions: risk-free interest rate of 0.24%, dividend yield of 0%, volatility of 126% and expected life of two years. Other share issuance costs associated with this financing totalled \$35,785.

b) Warrants

A summary of share purchase warrants activity from January 1, 2020 to September 30, 2021 is as follows:

	Number of warrants	Weighted average exercise price
Balance, December 31, 2019	3,351,237	\$3.25
Issued on private placement	13,274,077	\$0.35
Issued on public offering	6,297,050	\$0.70
Expired during the year	(1,500,000)	\$0.35
Balance, December 31, 2020	21,422,364	\$0.91
Exercised during the period	(332,600)	\$0.30
Balance, September 30, 2021	21,089,764	\$0.92

Details of warrants outstanding as of September 30, 2021 are:

Expiry date	Number of warrants	Exercise price
March 8, 2022	1,851,237	\$5.60
April 20, 2022	8,073,797	\$0.70
July 26, 2022	11,164,730	\$0.30
	21,089,764	

c) Compensation options

During the 2020 fiscal year, a total of 741,870 compensation options with an exercise price \$0.55 and expiry date of October 20, 2022 were granted. Each compensation option is exercisable to purchase one common share of the Company and one-half of a warrant. Each whole warrant is exercisable to purchase one common share of the Company at \$0.70 until October 20, 2022.

Compensation options outstanding as of September 30, 2021 totalled 741,870 (December 31, 2020: 741,870)

VOLCANIC GOLD MINES INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**

For the nine months ended September 30, 2021 and 2020

(Expressed in Canadian Dollars)

10. SHARE-BASED PAYMENTS**Option Plan Details**

The Company has a stock option plan whereby options may be granted to directors, employees, consultants and certain other service providers to encourage ownership of the Company's common shares. The Company may grant options for up to 10% of the issued and outstanding common shares. The term of any option granted under the plan may not exceed 10 years. The vesting periods for all options granted pursuant to the plan will be determined at the discretion of the Board of Directors at the time of the grant. The number of options granted to any one person may not exceed 5% of the outstanding listed common shares in a 12 month period.

The following is a summary of stock option activity during the period ended September 30, 2021:

Grant date	Expiry date	Exercise price	Opening balance	During the period			Closing balance	Vested and exercisable
				Granted	Exercised	Forfeited / cancelled		
Oct 7, 2020	Oct 6, 2030	\$0.57	2,525,000	-	-	-	2,525,000	2,425,000
Oct 9, 2020	Oct 8, 2030	\$0.57	325,000	-	-	-	325,000	325,000
Jan 7, 2021	Jan 6, 2031	\$0.45	-	300,000	-	-	300,000	150,000
Jan 28, 2021	Jan 27, 2031	\$0.57	-	800,000	-	-	800,000	800,000
			2,850,000	1,100,000	-	-	3,950,000	3,700,000
Weighted average exercise price			\$0.57	\$0.54	-	-	\$0.56	\$0.57

The weighted average fair value at grant date of options granted during the period ended September 30, 2021 was \$0.50 per option. There were no options granted during the period ended September 30, 2020.

The weighted average remaining contractual life of the options outstanding at September 30, 2021 is 9.10 (December 31, 2020: 9.77) years.

Options Issued to Employees

The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date, the expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

Options Issued to Non-Employees

Options issued to non-employees are measured based on the fair value of the goods or services received, at the date of receiving those goods or services. If the fair value of the goods or services received cannot be estimated reliably, the options are measured by determining the fair value of the options granted using the Black-Scholes option pricing model.

The weighted average model inputs for options granted during the period ended September 30, 2021 included a risk-free interest rate of 0.87%, dividend yield of 0%, volatility of 119% and expected life of ten years.

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate.

Expenses Arising from Share-based Payment Transactions

Total expenses arising from stock option grants during the period ended September 30, 2021 and recorded as share-based payments expense was \$605,971 (2020: \$Nil).

VOLCANIC GOLD MINES INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended September 30, 2021 and 2020

(Expressed in Canadian Dollars)

11. SEGMENT INFORMATION

The Company operates in a single reportable operating segment, being the exploration and evaluation of mineral properties. The mineral property interests are located in Guatemala and substantially all of the exploration expenditures are incurred in Guatemala. Substantially all of the Company's other assets and expenditures are located and incurred in Canada.

12. 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 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 September 30, 2021, the Company is not exposed to significant interest rate risk.

VOLCANIC GOLD MINES INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**

For the nine months ended September 30, 2021 and 2020

(Expressed in Canadian Dollars)

12. FINANCIAL AND CAPITAL RISK MANAGEMENT (cont'd)

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 and Guatemalan quetzals. A significant change in the currency exchange rate between the Canadian dollar relative to the US dollar and quetzal 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 September 30, 2021, the Company is exposed to currency risk through the following financial assets and liabilities denominated in currencies other than the Canadian dollar:

	<u>September 30, 2021</u>		<u>December 31, 2020</u>
	<u>US Dollars (CDN equivalent)</u>	<u>Guatemala Quetzal (CDN equivalent)</u>	<u>US Dollars (CDN equivalent)</u>
Cash	\$ 257,591	\$ 3,622	\$ 10,848
Accounts payable and accrued liabilities	(114,252)	(2,115)	(135,938)
Net exposure	\$ 143,339	\$ 1,507	\$ (125,090)

Based on the above net exposure as at September 30, 2021, and assuming all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against the US dollar and Guatemalan quetzals would result in an increase/decrease of approximately \$14,500 (December 31, 2020: \$12,500) in the Company's profit or loss, respectively.

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.

13. 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.

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

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.

14. SUPPLEMENTARY CASH FLOW INFORMATION

No cash was paid for interest or taxes for the periods ended September 30, 2021 and 2020.

There were no significant non-cash investing and financing transactions during the period ended September 30, 2021.

During the period ended September 30, 2020, significant non-cash investing and financing transactions included the issuance of 1,497,330 finders' fee warrants valued at \$1,014,441.

VOLCANIC GOLD MINES INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended September 30, 2021 and 2020

(Expressed in Canadian Dollars)

15. SUBSEQUENT EVENTS

Subsequent to September 30, 2021, the following events which have not been disclosed elsewhere in these condensed consolidated interim financial statements have occurred:

A total of 333,630 warrants with an exercise price of \$0.30 per share were exercised for proceeds of \$100,089.