



## Interim Management's Discussion and Analysis – Quarterly Highlights For the nine-month period ended September 30, 2022

### INTRODUCTION

This interim management's discussion and analysis ("Interim MD&A") of Volcanic Gold Mines Inc. (the "Company") is the responsibility of management and covers the nine-month period ended September 30, 2022. The Interim MD&A takes into account information available up to and including November 21, 2022 and should be read together with the unaudited condensed consolidated interim financial statements and accompanying notes for the nine-month period ended September 30, 2022 and the audited annual consolidated financial statements and accompanying notes for the year ended December 31, 2021 which are available on the SEDAR website at [www.sedar.com](http://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](http://www.sedar.com).

### FORWARD-LOOKING INFORMATION

This Interim 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 Interim MD&A include, without limitation, statements relating to:

- the Company's planned exploration activities;
- the Holly property mineral resource estimate as it involves the implied assessment, based on estimates and assumptions, that the resources described exist in the quantities predicted or estimated;
- 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;
- uncertainty of mineral resource estimates;

- 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 could result in government imposed restrictions that 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 Interim MD&A.

Forward-looking Statements contained in this Interim 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 labour, supply, power, damage to equipment or other matter;
- permitting, exploration and development activities proceeding on a basis consistent with the Company's current expectations;
- the accuracy of the Company's current mineral resource estimate;
- 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.

### Financings

In July 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. ("Silvercorp") acquired beneficial ownership of 19.9% of the Company's issued and outstanding common shares.

Net proceeds from the July Financing were used for exploration work on the Holly and Banderas properties located in Guatemala (see Property Review below), and for general working capital purposes.

In October 2020, the Company completed a bought-deal public financing (the "Offering"), 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 at a price of \$0.55 per unit for aggregate gross proceeds of \$6.9 million. Pursuant to the exercise by Silvercorp of a participation right to maintain its 19.9% interest in the Company, the Company completed the Concurrent Private Placement with the issuance of 3,117,100 units to Silvercorp at \$0.55 per unit for gross proceeds of \$1.7 million. Each unit in the October Financings 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.

Net proceeds from the October Financings are intended and continue to be used for the exploration and advancement of the Company's principal assets in Guatemala and for general working capital purposes.

In April 2022, the Company extended the expiry date of 6,273,250 unexercised warrants issued in the Offering and 1,558,550 unexercised warrants issued in the Concurrent Private Placement, from April 20, 2022 to April 20, 2023.

In July 2022, the Company extended the expiry date of 8,813,500 unexercised warrants issued in the July Financing, from July 26, 2022 to July 26, 2023.

## Property Review

### *Guatemala Properties*

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 (granted in March 2021). First year requirements of incurring at least US\$1.0 million on exploration, including carrying out a minimum 3,000 metres of drilling, have been completed by the Company. 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 was also granted the exclusive right until September 1, 2022 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. Pursuant to an amending agreement dated November 21, 2022, Radius has agreed, subject to stock exchange approval, to extend this right until September 1, 2023.

### Holly Property

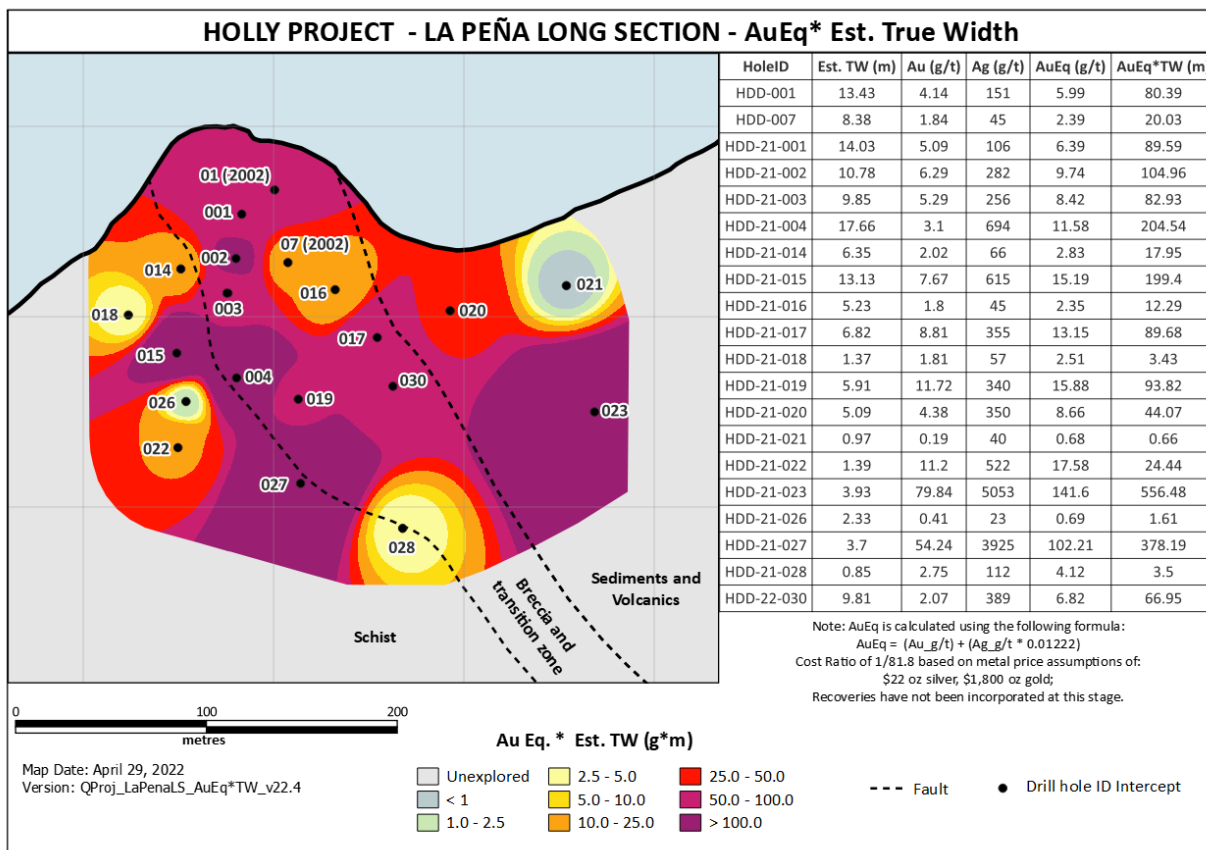
In April 2021, the Company commenced a 3,000 metre diamond core drilling program at Holly, with the emphasis on exploring for high grade shoots associated with the intersection of the Jocotan Fault Zone and the NW-SE trending high grade vein systems, El Pino and La Peña. To date, complete results have been received from the initial 30 diamond drill holes completed on the La Peña target and the El Pino and Alpha structures. Highlights include:

- 30 holes completed to date testing three distinct vein sets cutting the Jocotan fault zone.
- Drilling cuts high grade gold and silver at La Peña and confirms vein orientations.
- Recent high-grade intercepts demonstrate continuity within the La Peña vein system.

Drilling at Holly focused on extending the La Peña high-grade system at depth and along strike with a goal of establishing a significant high-grade resource and improving understanding of the controls on high-grade mineralization. The La Peña vein remains open in all directions. Several holes also cut high grade gold in the Amber vein and Pino target at a shallow

depth. The Amber vein, Pino veins, Alpha vein and Jocotan splay targets all have significant potential and will be tested in future drill programs.

Figure 1: Holly Project: La Peña target long section with assay results table.



On June 9, 2022, the Company announced a maiden Inferred Mineral Resource Estimate for the Holly property. The mineral resource estimate is reported in accordance with the Canadian Institute of Mining, Metallurgy and Petroleum Definition Standards (2014) incorporated by reference in National Instrument 43-101 - Standards of Disclosure for Mineral Projects.

Highlights

- A maiden Inferred Mineral Resource has been estimated for the first target, La Peña vein at the Holly project, Guatemala.
- The high grade La Peña vein remains open to expansion along strike and importantly at depth, where exceptionally high-grade results have been returned.
- Multiple other drill targets remain un-tested at Holly with potential for new discoveries.

Table 1: Holly, Peña Vein Resource Estimate

(Effective date 7<sup>th</sup> June, 2022)

Category	Cut-off grade AuEq <sup>(2)</sup> (g/t)	Tonnes above cutoff (millions)	Gold (g/t)	Silver (g/t)	Gold (oz)	Silver (oz)	Gold Equivalent <sup>(2)</sup> (g/t)	Gold Equivalent <sup>(2)</sup> (oz)
Inferred	3.00	1.32	6.46	256	272,110	10,913,360	9.57	406,316

## Notes:

1. Resources estimated using a 3.0 g/t Gold equivalent cut-off grade and a top cap grade of 100 g/t Gold and 2,000 g/t Silver and presented on a 100%-basis
2. Gold Equivalent Au(eq) values based on Au US\$1800 and Ag US\$22 using formula  $(Au \text{ g/t} + (Ag \text{ g/t} * 0.01222))$
3. Mineral Resources which are not Mineral Reserves have not demonstrated economic viability. The estimate of Mineral Resources may be materially affected by environmental, permitting, legal, marketing, or other relevant issues. The mineral resources in this report were estimated using the Canadian Institute of Mining, Metallurgy and Petroleum standards on mineral resources and reserves, definitions, and guidelines prepared by the CIM standing committee on reserve definitions and adopted by the CIM council. Notwithstanding, to meet the requirement that the reported Mineral Resources show "reasonable prospects for eventual economic extraction".
4. The quantity and grade of reported Inferred resources in this estimation are uncertain in nature and there has been insufficient exploration to define these Inferred Resources as an Indicated or Measured Mineral Resource. It is uncertain if further exploration will result in upgrading them to an Indicated or Measured Mineral Resource category.
5. Contained metal and tonnes figures in totals may differ due to rounding.

The Mineral Resource Estimate is underpinned by data from 21 diamond drillholes totalling 3,707 metres of drilling. Drill spacing ranges between 20 and 100 metres. All sample data was composited to a 2D dataset (linear grade and true thickness values) prior to analysis and estimation. The sample database and the topographic survey were reviewed and validated by Bruce Smith, Ludvig Monroy and Shawn Rastad prior to being supplied to John Arthur, an independent UK based Resource Consultant. Such review and validation help to support the reliability of the estimate. Geological domain modelling was completed by Bruce Smith and Dr John Arthur. Mineral Resource domain modelling, grade interpolation, Mineral Resource classification and reporting of the Mineral Resource statement, was performed by Dr John Arthur. Dr Arthur, Mr Smith, Mr Monroy and Mr Rastad are "qualified persons" within the meaning of National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101"). Block modelling was carried out using cell dimensions of 32mE by 32mN by 8 mRL and was coded to reflect the surface topography and mineralised zones. Density values were globally assigned into two zones, an upper zone between 50 to 100 metres from surface had an average density of 2.33t/m<sup>3</sup> and below this an average density of 2.52t/m<sup>3</sup> was applied. The Mineral Resource Estimate has been classified based on data density, data quality, confidence in the geological interpretation and confidence in the robustness of the grade interpolation.

The technical report for the Mineral Resource Estimate was filed on July 27, 2022 and is available on SEDAR.

### *Community Relations*

On February 24, 2022, the Company reported that an incident had occurred at the Holly project, with a fire damaging the drill rig and equipment. In the latter part of 2021 and the first months of 2022, a small group of individuals have been spreading misinformation about our activities and the effects they say mining can have in the region. The main communities covering the Holly project expressed their support of the project and the Company has access agreements with community development councils and private landowners.

Despite significant effort, the anti-mining group has been unable to gain wide community support or halt the project. During the last 12 months approximately 70% of local residents (approximately 1,000 people) have attended Company informative tours of the project site and core shed, keeping people educated about mining and informed of the Company's activities which employ many people, gaining general support for the project.

The Presidential Commission for Peace and Human Rights held coordination meetings with institutions and authorities at the national, departmental, and municipal levels regarding the February incident at Holly and to address concerns of the small minority. From these meetings it is clear that the Central government and Departmental government of Chiquimula support the Holly project. The Radius / Volcanic project team held meetings with the local communities during July and August and the community has requested we continue with exploration work.

The Company is currently advancing various studies and reports for the Holly property including a hydrogeological study, an environmental monitoring report and a mine design and facility report. The Company intends to resume drilling at Holly

once Bluestone Resources Inc. ("Bluestone") has been granted a permit to build a mine at Cerro Blanco. Bluestone has issued an update on Cerro Blanco (see Bluestone news release [September 19, 2022](#)).

Bluestone has made significant progress in advancing its Cerro Blanco Project and as a result has drawn attention from certain anti-mining groups known in the region for spreading misinformation. According to the Company's research, the lead anti-mining organization brought together opposition groups from El Salvador and other parts of Guatemala to unfairly portray public opinion on future mining activities within the municipal limits of Asuncion Mitta where the Cerro Blanco deposit is located. However, according to local news reports (Prensa Libre/26 September), the constitutional court of Guatemala has annulled the illegitimate community consultation carried out by the anti-development groups, thereby establishing legal certainty that only the Guatemala mining ministry is competent to perform such consultations.

The Company continues to work closely with the local communities whose primary areas of interest are employment and positive projects. The Company is diligently working with the various community participants and is encouraged by steps taken by the Community Councils for Urban and Rural Development (COCODE) of Guatemala to look for further discussion. The COCODE is configured as the coordinating entity for participation at the community level and is made up of residents of the corresponding communities.

The gold and silver discovery made at Holly is significant. It is a high-grade vein deposit that could be mined from underground, causing very little surface disruption. It will not require a processing plant as in the near future there will likely be two mills in operation within trucking distance. Further, the deposit is open in all directions. We will continue to move forward at a pace that will protect the investment we have made and the value we have created.

#### Motagua Norte Project

The Company conducted widespread exploration of Radius's large regional land position under the option agreement signed in May 2020. Motagua Norte is one area of significant promise identified and the required legal, environmental and community studies have been submitted in support of a mineral exploration permit application. We expect that the exploration application will be approved with concessions and drill permits granted in the coming months.

Motagua Norte is an orogenic vein and stockwork system with extensive areas of bonanza grade float and subcrop. The main Mila target covers 550 x 270 metres where 257 rock chip samples had grades between 0.001 and 698 g/t Au with:

62% >0.5 g/t Au (159 samples)  
35% >10 g/t Au (94 samples)  
20% >30 g/t Au (59 samples)

As a result of the extremely high gold numbers coming from the surface sampling, the Company's next step after the property concessions are granted will be a trenching campaign in advance of drilling. The Company is currently considering terms for a possible option of the Project from Radius Gold.

#### Banderas Property

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

- Pyramid Hill vein systems extended for over 1,800 metres 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 Company is working with the towns within the Banderas basin to gain social acceptance to conducting further exploration within the region. Real progress is being made, but the process remains ongoing.

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.

Mapping by the Company 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:

DRILLING RESULTS - HOLLY PROJECT						
DRILLHOLE	FROM (m)	TO (m)	INTERVAL (m)	Ag (g/t)	Au (g/t)	AuEq* (g/t)
BDD-003	12.20	38.10	25.90	34	0.74	1.19
BDD-004	53.10	74.70	21.60	30	1.25	1.64
BDD-005	24.40	40.20	15.80	22	0.89	1.18
BDD-007	67.10	83.70	16.60	22	1.22	1.52
BDD-008	81.70	114.00	32.30	30	1.25	1.64
BDD-014	36.30	58.50	22.20	48	0.90	1.54
BDD-015	79.20	114.30	35.10	7	0.50	0.60
BDD-016	126.50	156.10	29.60	3	0.70	0.74
BDD-018	65.20	89.90	24.70	42	0.68	1.23
BDD-019	74.70	94.50	19.80	42	1.05	1.61
BDD05-031	152.50	188.80	36.30	2	1.03	1.06
BDD11-013	61.50	82.30	20.80	38	2.10	2.61
BRC04-024	167.00	171.50	4.50	185	24.60	27.10
BRC04-027	67.50	85.50	18.00	5	0.40	0.47
BRC04-028	85.50	129.00	43.50	6	0.40	0.48
*AuEq calculated using a 75:1 Ag to Au ratio						

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.

The planned drill program at Banderas has been suspended while the Company works on access agreements with an adjoining community. The Company has access agreements in place with the community covering the drill project at Banderas, but further consultation and work is required with the adjoining community to ensure the benefits of the project are spread out and all affected communities in the area consent. At the same time, the Company has advanced its application for an exploitation licence for the property. This includes preparing a work plan and a Mining Environmental Management plan.

### **Technical Information**

Bruce A. Smith, M.Sc., MAIG., a member of the Australian Institute of Geoscientists, is a Qualified Person as defined by National Instrument 43-101, and has approved the disclosure of the technical information in this Interim MD&A.

**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 September 30, 2022*

During the quarter ended September 30, 2022 the Company incurred a loss \$542,464, compared to a loss of \$1,197,667 for the quarter ended September 30, 2021. Significant expenses for the three-month periods are as follows:

	September 30, 2022	September 30, 2021
Exploration expenditures	\$ 445,666	\$ 1,055,638
Consulting and management fees	18,000	18,000
Depreciation	11,094	9,638
Office and administration	21,846	22,450
Salaries and benefits	33,708	21,996
Share-based payments	-	43,952
Shareholder communications	26,270	20,346

The loss for the quarter ended September 30, 2022 was \$655,203 lower than the comparative quarter due primarily to exploration expenditures being \$609,972 less for the current quarter. Exploration expenditures for both the current and comparative quarters relate primarily to the Holly and Banderas properties. The current quarter expenses were significantly lower due to no drilling taking place while efforts were focused on community relations and acquiring access agreements. The comparative quarter recorded a share-based payments expense of \$43,952 relating to the granting of stock options compared to no such expense for the current quarter. Salaries and benefits were higher for the current quarter due to an increase in the salaries paid to shared personnel and in the number of personnel shared since the comparative quarter.

*Nine months ended September 30, 2022*

During the nine-month period ended September 30, 2022 the Company incurred a loss of \$2,055,980, compared to a loss of \$3,264,353 for the nine-month period ended September 30, 2021. Significant revenue and expenses for the nine-month periods are as follows:

	September 30, 2022	September 30, 2021
Exploration expenditures	\$ 1,698,129	\$ 2,324,864
Consulting and management fees	54,000	54,000
Depreciation	32,501	22,499
Legal and audit fees	17,330	2,121
Office and administration	62,394	62,819
Salaries and benefits	97,668	67,953
Share-based payments	-	605,971
Shareholder communications	67,456	91,525
Transfer agent and regulatory fees	21,562	20,682

The loss for the nine-month period ended September 30, 2022 was \$1,208,373 lower than the comparative period. This was due in part to exploration expenditures for the current period being less by \$626,735. The comparative period also recorded a share-based payments expense of \$605,971 compared to no such charge for the current period. As with the quarterly comparison, this expense related to the granting of stock options. The amounts of consulting and management fees, office and administration costs, and transfer agent and regulatory fees incurred were consistent between the current and comparative periods. As with the quarterly comparison, salaries and benefits costs were higher for the current period and for the same reason. Shareholder communications costs were lower in the current period due to less investor relations consulting services being used. Legal and audit fees were higher for the current period due to increased auditor and legal services for tax and other corporate matters than the comparative period. Depreciation expense was lower for the comparative period due to equipment purchases that occurred towards the end of that period.



For both the current quarterly and nine-month periods, the fees paid to Simon Ridgway, a Director and CEO of the Company, and to Michael Povey, a Director and Chairman of the Company were allocated partly to exploration expenditures and partly to consulting and management fees. 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.

## 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:

	Sept '22	June '22	Mar '22	Dec '21	Sept '21	June '21	Mar '21	Dec '20
Total assets	\$ 6,526,654	\$ 7,104,091	\$ 7,787,133	\$ 8,620,791	\$ 9,433,293	\$ 10,284,441	\$ 11,550,808	\$ 11,938,523
Working capital	6,002,152	6,534,914	7,272,348	8,039,749	8,828,279	9,973,894	10,980,427	11,559,987
Loss and comprehensive loss attributed to equity shareholders of the Company	542,464	743,597	769,919	1,135,690	1,197,667	1,034,675	1,032,011	1,919,251
Basic and diluted loss per share attributed to equity shareholders of the Company	0.01	0.02	0.02	0.03	0.03	0.02	0.02	0.08

Total assets and working capital position have trended downward over the past eight quarters due to the Company funding its operations from the equity financing proceeds raised in 2020. The loss for the quarter ended December 31, 2020 was significantly higher than all other quarters presented due to a share-based payments expense of \$1,458,521 relating to the granting of stock options. The loss for the quarter ended March 31, 2021 also included a share-based payments expense of \$518,545. The loss for the three most recently completed quarters are less than the other quarters presented due to the Company scaling back exploration activity during the current fiscal year as it focused more on community relations in Guatemala.

## 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 September 30, 2022, the Company had current assets of \$6,214,839 and current liabilities of \$212,687, resulting in working capital of \$6,002,152.

During the 2020 fiscal year, the Company raised gross proceeds of \$5.0 million from a non-brokered private placement, and gross proceeds of \$8.6 million from a bought deal public financing and concurrent non-brokered private placement. Cash share issuance costs for these financings totaled \$1.2 million. During the 2021 fiscal year, the Company received proceeds of \$0.38 million from the exercise of 1,276,230 share purchase warrants. The net proceeds from the 2020 financings continue to be used for working capital purposes and to fund exploration activities in Guatemala.

The Company expects its current capital resources to be sufficient to carry out its planned exploration expenditures and cover operating costs through the next twelve months.

The Company's condensed consolidated interim 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.

### OUTSTANDING SHARE, COMPENSATION OPTIONS, OPTIONS AND WARRANTS DATA

At the date of this Interim MD&A, the Company had outstanding 45,551,210 common shares and the following stock options and warrants:

No. of options	Exercise price	Expiry date
2,300,000	\$0.57	October 6, 2030
325,000	\$0.57	October 8, 2030
800,000	\$0.57	January 27, 2031
3,425,000		

No. of warrants	Exercise price	Expiry date
7,831,800	\$0.70	April 20, 2023 <sup>(1)</sup>
8,813,500	\$0.30	July 26, 2023 <sup>(2)</sup>
16,645,300		

<sup>(1)</sup> During the period ended September 30, 2022, the expiry date for these warrants was extended by one year to April 20, 2023.

<sup>(2)</sup> During the period ended September 30, 2022, the expiry date for these warrants was extended by one year to July 26, 2023.

### TRANSACTIONS WITH RELATED PARTIES

See Note 8 of the condensed consolidated interim financial statements for the nine months ended September 30, 2022 for details of other related party transactions which occurred in the normal course of business.

### ACCOUNTING POLICIES AND BASIS OF PRESENTATION

The Company's significant accounting policies are presented in the audited consolidated financial statements for the year ended December 31, 2021.

### FUTURE ACCOUNTING CHANGES

The Company has reviewed upcoming policies and determined that none are expected to have an impact on the Company's condensed consolidated interim 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 and continues to be to the present time. The COVID-19 pandemic did not have a significant impact on the Company's operations during the current period.

The extent to which COVID-19 may impact the Company's business, including its operations and the market for its securities, will continue to 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 periods of significant restrictions on travel, temporary business closures, quarantines, global stock market volatility and a general reduction in consumer activity. Such public health crises can result in operating and supply chain delays and disruptions, global stock market and financial market volatility, declining trade and market sentiment, reduced movement of people and labour shortages, and travel 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.