Interim Management's Discussion and Analysis – Quarterly Highlights
For the nine-month period ended September 30, 2025

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, 2025. The Interim MD&A takes into account information available up to and including November 24, 2025 and should be read together with the unaudited condensed consolidated interim financial statements and accompanying notes for the nine-month period ended September 30, 2025 and the audited annual consolidated financial statements and accompanying notes for the year ended December 31, 2024. The September 30, 2025 condensed consolidated interim financial statements have not been reviewed by the Company's auditors.

All financial information in this document is prepared in accordance with IFRS Accounting Standards and presented in Canadian dollars unless otherwise indicated. Additional information related to the Company, including its most recent unaudited and audited financial statements, is available for viewing on SEDAR+ at www.sedarplus.ca.

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 pandemics, epidemics and public health crises, which could impact the Company's business, operations, financial condition and/or 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 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;
- 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. The Company owns a 60% interest in the Holly and Motagua Norte gold-silver properties in Guatemala – see "Guatemala Properties" below. Management is also aggressively reviewing a number of exploration or development opportunities in Central America and other jurisdictions.

Corporate Activities

A total of 7,831,800 outstanding warrants exercisable to purchase common shares of the Company at $0.70 expired unexercised on April 18, 2025.

On July 17, 2025, the Company announced the completion of a private placement financing which raised $1.66 million with the issuance of 13,868,332 units at $0.12 per unit. Each unit consists of one common share of the Company and one warrant which entitles the holder to purchase one additional common share at a price of $0.16 for 24 months. The warrants have an exercise acceleration clause such that following the statutory hold period, if the closing price of the Company's shares exceeds $0.25 for any 10 consecutive trading days, the Company will have the right to accelerate the expiry date to 30 calendar days. The proceeds of this financing were intended to be used to fund the resumption of exploration activities at the Holly property in Guatemala (see "Holly Project – 2025 Exploration Status" below) and general working capital requirements.

Guatemala Properties

In August 2024, the Company announced that it had acquired a 60% interest in the Holly and Motagua Norte gold-silver properties in Guatemala from Radius Gold Inc. ("Radius"). As a result, the Company and Radius formed a standard 60/40 joint venture in order to further develop the properties.

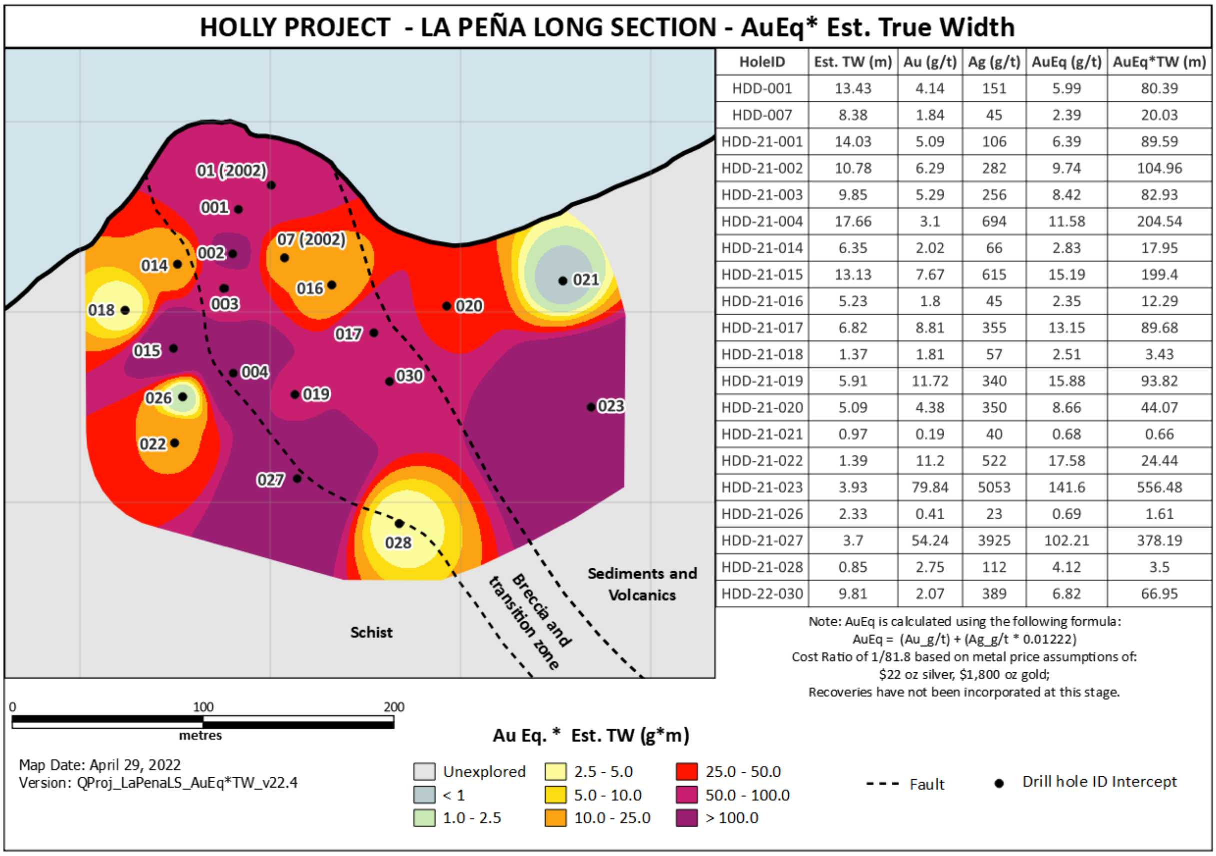
Holly Project

In 2021, the Company conducted a diamond core drilling program at the Holly Project to explore a series of high-grade northwest-striking veins cross-cutting a segment of the regional east-west trending Jocotán structure: the La Peña, Amber, El Pino and Alpha veins. A total of 32 drill holes for 5,259 metres of drill core were completed, with the following highlights:

- Drilling successfully tested three distinct vein sets cutting the Jocotán structure.
- High grade gold and silver intercepts confirmed and extended the La Peña vein system to at least 200 metres below surface.
- Exploratory drilling on the Amber, El Pino and Alpha veins confirmed mineralization.

The drilling successfully extended the high-grade La Peña vein to depth and along strike and improved understanding of the controls on high-grade mineralization, providing enough information for a maiden mineral resource estimation. The La Peña vein remains open in all directions. Several holes also cut high-grade gold in the Amber, Alpha and El Pino veins at a shallow depth, confirming that they all have significant potential which will be tested in future drill programs.

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



HoleID	Est. TW (m)	Au (g/t)	Ag (g/t)	AuEq (g/t)	AuEq*TW (m)
HDD-001	13.43	4.14	151	5.99	80.39
HDD-007	8.38	1.84	45	2.39	20.03
HDD-21-001	14.03	5.09	106	6.39	89.59
HDD-21-002	10.78	6.29	282	9.74	104.96
HDD-21-003	9.85	5.29	256	8.42	82.93
HDD-21-004	17.66	3.1	694	11.58	204.54
HDD-21-014	6.35	2.02	66	2.83	17.95
HDD-21-015	13.13	7.67	615	15.19	199.4
HDD-21-016	5.23	1.8	45	2.35	12.29
HDD-21-017	6.82	8.81	355	13.15	89.68
HDD-21-018	1.37	1.81	57	2.51	3.43
HDD-21-019	5.91	11.72	340	15.88	93.82
HDD-21-020	5.09	4.38	350	8.66	44.07
HDD-21-021	0.97	0.19	40	0.68	0.66
HDD-21-022	1.39	11.2	522	17.58	24.44
HDD-21-023	3.93	79.84	5053	141.6	556.48
HDD-21-026	2.33	0.41	23	0.69	1.61
HDD-21-027	3.7	54.24	3925	102.21	378.19
HDD-21-028	0.85	2.75	112	4.12	3.5
HDD-22-030	9.81	2.07	389	6.82	66.95

Note: AuEq is calculated using the following formula:
AuEq = (Au_g/t) + (Ag_g/t * 0.01222)
Cost Ratio of 1/81.8 based on metal price assumptions of:
$22 oz silver, $1,800 oz gold;
Recoveries have not been incorporated at this stage.

On June 9, 2022, the Company announced a maiden inferred mineral resource estimate for the La Peña vein system on 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 7th June, 2022)

Category	Cut-off grade AuEq (2) (g/t)	Tonnes above cutoff (millions)	Gold (g/t)	Silver (g/t)	Gold (oz)	Silver (oz)	Gold Equivalent(2) (g/t)	Gold Equivalent(2) (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$1,800 per troy ounce and Ag US$22 per troy ounce using formula (Au g/t + (Ag 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, Ludving Monroy and Shawn Rastad prior to being supplied to John Arthur, an independent UK based Resource Consultant. Geological domain modelling was completed by Bruce Smith and John Arthur. Mineral Resource domain modelling, grade interpolation, mineral resource classification and reporting of the mineral resource statement, was performed by 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 32 mE by 32 mN 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 2.33 t/m³. Below this an average density of 2.52 t/m³ 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+ at www.sedarplus.ca.

Technical studies and permitting

The Company considers that the demonstrated high-grade and good access to a nearby mine development project means that the Holly Project has a good chance of being developed. Further drilling will determine whether Holly will support a stand-alone mill, or if the ore should be processed elsewhere. Based on this positive outlook the Company is in the process of applying to upgrade the Holly exploration license to an exploitation license.

The initial technical studies to support the application, including a civil engineering design for an underground mine to exploit the principal La Peña vein, were submitted to and reviewed by the competent authorities. The application has advanced to the second stage and the Company is now responding to requests for additional information. The study envisages using transverse and longitudinal longhole stoping with cemented cavity fill on eleven levels, 30 metres apart, to a depth of 300 metres below surface with access via a spiral decline. Processing would be off-site. The mine design is an early-stage concept for permitting purposes and does not meet the requirements of a preliminary economic assessment. The Holly deposit is currently at an inferred level of confidence and open in all directions and further drilling is required to improve the level of confidence in the mineral resource estimation as well as define the full lateral and depth extent of any future mining operation. This study is the principal requirement to support the Company's current application to upgrade the Holly project licence from an exploration to exploitation licence.

2025 Exploration Status

On March 3, 2025, the Company announced the planned resumption of exploration activities on the Holly Property. The Company has drilling permits in place and has been working with landowners, local authorities and the local community for a social licence to operate.

On September 30, 2025, the Company announced that during a recent visit of the Company's President to the Holly Property, it was noted that there is still some resistance to mining activities in the area adjacent to the project. For this reason, Management of the Company considered it prudent to postpone the start of drilling until more favourable conditions are achieved. The Company is fully permitted to drill, has agreements with all landowners where the drilling would take place, and is maintaining dialogue with the local authorities and the community. It is important that the Company work through the concerns expressed by some groups within the local and municipal councils to obtain majority support and unilateral acceptance before proceeding with the planned drilling.

Motagua Norte Project

The Motagua Norte project area consists of one granted exploration licence and three exploration licence applications. The Cirilo 1 exploration licence which was granted in September 2023 covers an area of 13.5 square kilometres (4.5 x 3 km) and includes the Mila gold anomaly. The Company is continuing to work with the permitting authorities towards granting the remaining three licences which cover a combined area of 36.85 square kilometres.

The Company's initial prospecting on the Cirilo 1 licence returned exceptional gold grades at the Mila anomaly from a surface concentration of quartz boulders spread over a 250 x 570 metre area which included some visible gold and bonanza-grade. A first-pass exploratory drilling program at the Mila prospect was undertaken in the first half of 2024 to look for the source of the gold-bearing quartz boulder float.

As reported on May 23, 2024, a total of 13 holes were drilled testing a range of targets. The drilling tested beneath the gold-bearing quartz boulder float and the area immediately uphill. Drillholes were scissored on two orientations to test for the possibility of mineralization both parallel or oblique to the principal east-west trending structures. Whilst wide zones of quartz veining and stockwork were intercepted in several drillholes, assay results did not support the hypothesis that the gold-bearing quartz boulders originated from these structures, and no cross-cutting mineralized quartz veins or stockwork zones were encountered.

Technical Information

Luc English, Ph.D., Vice-President, Exploration of the Company, is a Chartered Geologist and Fellow of the Geological Society of London and is the Company's Qualified Person as defined by National Instrument 43-101. Dr. English has approved the disclosure of the technical information in this Interim MD&A.

SUMMARY OF QUARTERLY RESULTS

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

	Sept '25	June '25	Mar '25	Dec '24	Sept '24	June '24	Mar '24	Dec '23
Total assets	$ 2,063,521	$ 1,095,075	$ 994,872	$ 1,283,721	$ 1,362,800	$ 1,656,679	$ 2,934,717	$ 3,661,889
Working capital	1,604,372	642,353	554,859	737,828	989,247	1,213,528	2,286,050	2,966,255
Loss and comprehensive loss attributed to equity shareholders of the Company	307,875	293,061	196,902	249,496	232,095	1,288,887	869,193	532,889
Basic and diluted loss per share attributed to equity shareholders of the Company	0.01	0.01	0.00	0.01	0.00	0.03	0.02	0.01

Total assets and working capital position have trended downward over the first six quarters presented due to the Company funding its operations from the equity financing proceeds raised in 2020. Total assets and working capital increased for the quarter ended June 30, 2025 and then again for the quarter ended September 30, 2025 due to the receipt of $369,000 in private placement subscription proceeds received in advance of a $1,664,200 financing that closed in July 2025. The losses for the five most recent quarters are significantly lower than the other quarters presented due to the Company suspending and then limiting exploration activity in Guatemala while it assessed the Guatemalan government's intentions towards the mining industry. The loss for the quarter ended June 30, 2024 is higher than all other quarters presented due in part to a write-off of $204,873 in mineral property costs. The loss for that quarter and the quarter ended March 31, 2024 were also higher due in part to the Company conducting a drill program during those periods.

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, 2025

During the quarter ended September 30, 2025 the Company incurred a loss of $307,875, compared to a loss of $232,095 for the quarter ended September 30, 2024, an increase of $75,780. Significant expenses for the three-month periods are as follows:

	Three months ended	
	September 30, 2025	**September 30, 2024**
Exploration expenditures	$ 124,303	$ 113,360
Consulting and management fees	15,500	21,000
Depreciation	15,373	11,721
Office and administration	20,313	28,171
Salaries and benefits	27,014	40,051
Shareholder communications	102,131	24,688
Interest and other income	6,177	9,333

The loss for the quarter ended September 30, 2025 was higher than the comparative quarter due in large part to an increase of $77,443 in shareholder communications. Shareholder communications activity during the comparative quarter was minimal with the exception of one trade show participation whereas the current quarter included tradeshow participation and a publicity campaign. Consulting and management fees were less for the current quarter due to a decrease in the Chief Executive Officer's compensation, effective at the start of the 2025 fiscal year. Office and administration costs and salaries and benefits costs were less than the comparative quarter due to a decrease in shared administrative and personnel costs.

Exploration expenditures for the current quarter primarily involved preparation for resumption of exploration activity on the Holly property in addition to investigation of other property opportunities whereas the comparative quarter exploration activity mostly involved maintenance of the Company's Guatemalan operations and other property investigations.

Interest income for the current quarter was less than the comparative quarter due to a series of interest rate decreases since the comparative period.

Nine months ended September 30, 2025

During the nine-month period ended September 30, 2025 the Company incurred a loss of $797,838, compared to a loss of $2,390,175 for the nine-month period ended September 30, 2024, a decrease of $1,592,337. Significant expenses and income for the nine-month periods are as follows:

	September 30, 2025	September 30, 2024
Exploration expenditures	$ 331,187	$ 1,658,263
Consulting and management fees	36,500	63,000
Depreciation	47,455	35,167
Office and administration	69,561	76,502
Salaries and benefits	87,331	106,585
Share-based payments	-	177,034
Shareholder communications	173,999	37,733
Interest and other income	11,119	48,117
Write-off of mineral property costs	-	204,873

The loss for the current nine-month period was significantly less than the comparative period due in large part to exploration expenditures being lower by $1,327,076. Exploration expenditures for the current period primarily involved maintenance of the Company's Guatemalan operations and preparation for further exploration activity on the Holly property whereas the comparative period included a drill program on the Motagua Norte property. The net loss for the comparative period also included a $204,873 write-off of mineral property costs relating to a dropped surface rights option agreement whereas there were no such write-offs in the current period.

The comparative period's loss was also higher due to a share-based payments expense of $177,034 compared to no such expense for the current period. The share-based payment expense related to the granting of stock options that were vested immediately in the comparative period.

Similar to the quarterly comparison, consulting and management fees were less for the current period due to a reduction in the Chief Executive Officer's compensation for the current period in addition to the comparative period expense including consulting fees for services performed by a former Director. Shareholder communication costs were significantly higher for the current period and office and administration and salaries and benefits costs lower for the current period due to the same reasons as in the quarterly comparison. Depreciation expense was higher for the current period due primarily to depreciation associated with an office lease being a right-of-use asset. The office lease was entered into during the latter part of the 2024 fiscal year.

Interest income for the current period was less than the comparative period due to the level of capital resources subject to earning interest being lower in conjunction with a series of interest rate decreases since the comparative period.

For both the current quarterly and nine-month periods, fees paid to the Chief Executive Officer of the Company were charged entirely to consulting and management fees whereas his fees for the comparative periods were allocated partly to exploration expenditures and partly to consulting and management fees. The nine-month comparative period also included fees paid to a former Director and Chairman of the Company, that 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 the Chief Executive Officer of the Company 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 shared Gold Group administrative personnel, including the Company's Chief Financial Officer and Corporate Secretary for both the current and comparative periods and also the former Vice President of Corporate Development during the comparative periods.

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, 2025, the Company had current assets of $1,802,561 and current liabilities of $198,189, resulting in working capital of $1,604,372.

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. The net proceeds from the 2020 financings were used for working capital purposes and to fund exploration and maintenance activities in Guatemala up to the latter part of the current period. In July 2025, the Company closed a private placement financing for gross proceeds of $1,664,200. The net proceeds from this financing are being used for maintenance of the Company's properties in Guatemala, other property investigations, and general working capital requirements. A portion of the proceeds was spent on preparation for resumption of exploration activities at the Holly Project; however, in late September 2025, the Company suspended such work.

The Company expects its current capital resources to be sufficient to cover its corporate operating costs but may not be sufficient to cover potential mineral property acquisitions or significant exploration expenditures through the next twelve months. As such, the Company will continue to seek to raise additional capital as needed and believes it will be able to do so, but recognizes the uncertainty attached thereto. Actual funding requirements may vary from those planned due to a number of factors, including expanded exploration activity and property acquisition opportunities.

Commitment

The Company and two other related publicly listed companies, Radius and Rackla Metals Inc. (together, the "Lessees") are party to a five-year operating lease agreement for office premises that commences on January 1, 2025 and expires on December 31, 2029. The Lessees have the option to terminate the lease after three years with an early termination payment equivalent to two months gross rent. The Company's annual commitments under this lease, if the early termination option is not exercised, are as follows:

2025	$	8,645
2026		40,798
2027		43,759
2028		41,612
2029		44,648
	$	179,462

OUTSTANDING SHARES, WARRANTS, AND OPTIONS DATA

At the date of this Interim MD&A, the Company had outstanding 59,419,542 common shares and the following share purchase warrants and stock options:

No. of warrants	Exercise price	Expiry date
14,065,931	$0.16	July 14, 2027

No. of options	Exercise price	Expiry date
1,575,000	$0.57	October 6, 2030
325,000	$0.57	October 8, 2030
800,000	$0.57	January 27, 2031
150,000	$0.205	January 9, 2033
690,000	$0.23	February 28, 2034
3,540,000		

TRANSACTIONS WITH RELATED PARTIES

See Note 9 of the condensed consolidated interim financial statements for the nine months ended September 30, 2025 for details of other related party transactions which occurred in the normal course of business.

ACCOUNTING POLICIES AND BASIS OF PRESENTATION

The Company's material accounting policies are presented in the audited consolidated financial statements for the year ended December 31, 2024.

FUTURE ACCOUNTING CHANGES

The Company will be required to adopt the following standards and amendments issued by the IASB as described below:

IFRS 18, *Presentation and Disclosure in Financial Statements*

IFRS 18 is a new standard that will replace *IAS 1 Presentation of Financial Statements*, setting out a new presentation requirement for the statement of profit or loss, and providing new definitions and disclosures related to non-IFRS performance measures.

This standard will be effective for the Company's annual period beginning January 1, 2027 with early application permitted. The Company is currently assessing the impact of IFRS 18 on its 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:

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 extent of which is yet to be determined with the new political leadership.

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, and community protests could disrupt the Company's exploration activities or 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.