



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

**FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2019**

**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, 2019. 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, 2019	December 31, 2018
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 205,477	\$ 82,675
Receivables	2,172	12,416
Prepaid expenses and deposits	5,382	5,115
Total current assets	213,031	100,206
<b>Non-current</b>		
Long-term deposits (Note 10)	61,000	61,000
Property and equipment (Note 6)	1,706	6,353
Total non-current assets	62,706	67,353
	<b>\$ 275,737</b>	<b>\$ 167,559</b>

**LIABILITIES AND SHAREHOLDERS' EQUITY**

<b>Current</b>		
Accounts payable and accrued liabilities (Note 10)	\$ 118,751	\$ 392,423
Total liabilities	118,751	392,423
<b>Shareholders' equity (deficiency)</b>		
Share capital (Note 11)	13,785,281	13,191,847
Other equity reserves	1,346,557	2,143,227
Deficit	(14,798,441)	(15,383,527)
Equity (deficiency) attributed to shareholders of the Company	333,397	(48,453)
Non-controlling interest (Note 7)	(176,411)	(176,411)
Total shareholders' equity (deficiency)	156,986	(224,864)
	<b>\$ 275,737</b>	<b>\$ 167,559</b>

Approved and authorized by the Board on November 13, 2019.

*"Simon Ridgway"*

Director

Simon Ridgway

*"Michael Iverson"*

Director

Michael Iverson

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,	
	2019	2018	2019	2018
<b>Exploration expenditures</b> (Note 9)	\$ -	\$ 186,109	\$ -	\$ 535,824
<b>General and administrative expenses</b>				
Consulting and management fees (Note 10)	19,500	30,500	52,500	111,500
Depreciation	3,694	1,399	4,647	4,200
Investor relations (Note 10)	1,158	34,512	2,720	175,396
Office and administration (Note 10)	13,013	21,992	43,307	82,491
Professional fees	-	26,626	3,544	36,112
Regulatory and filing fees (Note 10)	1,272	1,076	19,152	12,587
Salaries and benefits (Note 10)	11,277	21,510	53,189	73,048
Travel (Note 10)	2,570	16,956	3,756	68,542
	52,484	154,571	182,815	563,876
<b>Loss before other items</b>	(52,484)	(340,680)	(182,815)	(1,099,700)
<b>Other items</b>				
Foreign exchange gain (loss)	(1,021)	1,847	2,539	(1,533)
Write-off of mineral property costs (Note 8)	-	(2,671,533)	-	(2,671,533)
Write-off of deferred acquisition costs	-	-	-	(43,569)
<b>Loss and comprehensive loss for the period</b>	\$ (53,505)	\$ (3,010,366)	\$ (180,276)	\$ (3,816,335)
<b>Loss and comprehensive loss attributable to:</b>				
Equity shareholders of the Company	\$ (53,505)	\$ (2,359,287)	\$ (180,276)	\$ (3,160,715)
Non-controlling interest (Note 7)	-	(651,079)	-	(655,620)
	\$ (53,505)	\$ (3,010,366)	\$ (180,276)	\$ (3,816,335)
Basic and diluted loss per common share attributable to equity shareholders of the Company	\$(0.01)	\$(0.36)	\$(0.02)	\$(0.48)
Weighted average number of common shares outstanding	8,603,880	6,555,219	7,850,634	6,555,219

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)

	<b>Three months ended September 30,</b>		<b>Nine months ended September 30,</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Loss for the period	\$ (53,505)	\$ (3,010,366)	\$ (180,276)	\$ (3,816,335)
Items not affecting cash:				
Depreciation	3,694	1,399	4,647	4,200
Write-off of mineral property costs	-	2,671,533	-	2,671,533
Write-off of deferred acquisition costs	-	-	-	43,569
	(49,811)	(337,434)	(175,629)	(1,097,033)
Non-cash working capital item changes:				
Amounts receivable	1,964	2,666	10,244	(5,972)
Prepaid expenses and deposits	2,231	4,446	(267)	55,973
Accounts payable and accrued liabilities	2,044	107,477	(81,641)	148,461
Net cash used in operating activities	(43,572)	(222,845)	(247,293)	(898,571)
<b>FINANCING ACTIVITIES</b>				
Proceeds from issuance of common shares	-	-	375,000	-
Share issuance costs	-	-	(4,905)	-
Net cash provided by financing activities	-	-	370,095	-
<b>INVESTING ACTIVITIES</b>				
Purchase of property and equipment	-	-	-	(2,590)
Mineral property acquisitions	-	-	-	(65,928)
Net cash used in investing activities	-	-	-	(68,518)
<b>Change in cash for the period</b>	(43,572)	(222,845)	122,802	(967,089)
Cash, beginning of period	249,049	410,872	82,675	1,155,116
<b>Cash, end of period</b>	<b>\$ 205,477</b>	<b>\$ 188,027</b>	<b>\$ 205,477</b>	<b>\$ 188,027</b>

**Supplemental disclosure with respect to cash flows (Note 16)**

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 (DEFICIENCY)  
(UNAUDITED)**

For the nine months ended September 30, 2019 and 2018

(Expressed in Canadian Dollars)

	Equity (deficiency) attributed to shareholders of the Company						Total equity (deficiency) attributed to shareholders	Non- controlling interest	Total
	Number	Amount	Warrants reserve	Share-based payment reserve	Deficit				
Balance, December 31, 2017	6,555,219	\$ 13,191,847	\$ 208,357	\$ 1,934,870	\$ (12,049,692)	\$ 3,285,382	\$ 490,843	\$ 3,776,225	
Loss for the period	-	-	-	-	(3,160,715)	(3,160,715)	(655,620)	(3,816,335)	
Balance, September 30, 2018	6,555,219	13,191,847	208,357	1,934,870	(15,210,407)	124,667	(164,777)	(40,110)	
Loss for the period	-	-	-	-	(173,120)	(173,120)	(11,634)	(184,754)	
Balance, December 31, 2018	6,555,219	13,191,847	208,357	1,934,870	(15,383,527)	(48,453)	(176,411)	(224,864)	
Loss for the period	-	-	-	-	(180,276)	(180,276)	-	(180,276)	
Shares issued for debt settlement	548,661	192,031	-	-	-	192,031	-	192,031	
Shares issued for private placement	1,500,000	375,000	-	-	-	375,000	-	375,000	
Share issuance costs	-	(4,905)	-	-	-	(4,905)	-	(4,905)	
Fair value of expired and forfeited options	-	-	-	(765,362)	765,362	-	-	-	
Fair value of expired warrants	-	31,308	(31,308)	-	-	-	-	-	
<b>Balance, September 30, 2019</b>	<b>8,603,880</b>	<b>\$ 13,785,281</b>	<b>\$ 177,049</b>	<b>\$ 1,169,508</b>	<b>\$ (14,798,441)</b>	<b>\$ 333,397</b>	<b>\$ (176,411)</b>	<b>\$ 156,986</b>	

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, 2019 and 2018

(Expressed in Canadian Dollars)

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#### **1. NATURE AND CONTINUANCE OF OPERATIONS**

Volcanic Gold Mines Inc. (the “Company”) is a publicly traded company incorporated under the British Columbia Corporations Act 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.

On April 8, 2019, the Company completed a consolidation of the issued shares, warrants and stock options on a one new for seven old basis.

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 on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from carrying values as shown and these condensed consolidated interim financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. Such adjustments could be material. At September 30, 2019, the Company had not yet achieved profitable operations, has accumulated losses of \$14,798,441 since its inception, and expects to incur further losses in the development of its business. This material uncertainty may cast significant doubt about the Company’s ability to continue as a going concern. The Company’s ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due.

#### **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 International Financial Reporting Standards (“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 5.

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

For the nine months ended September 30, 2019 and 2018

(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 subsidiaries as at September 30, 2019 are as follows:

<b>Name</b>	<b>Place of incorporation</b>	<b>Ownership %</b>	<b>Principal activity</b>
Sovereign Mines of Africa Limited	British Virgin Islands	100%	Holding company
Guiord SA	Republic of Guinea	75%	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. ADOPTION OF NEW ACCOUNTING STANDARD**

On January 1, 2019, the Company adopted IFRS 16 – Leases ("IFRS 16") which requires lessees to recognize assets and liabilities for most leases. For lessors, there is little change to the existing accounting in IAS 17 Leases. The adoption of IFRS 16 did not have a material impact on the Company's condensed consolidated interim financial statements.

**4. STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET EFFECTIVE**

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

*IFRS 17 Insurance Contracts*

IFRS 17 is a new standard that requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4, *Insurance Contracts*, and related interpretations.

This standard will be effective for the Company's annual period beginning January 1, 2021. The Company has yet to assess the impact of IFRS 17 on its financial statements.



**VOLCANIC GOLD MINES INC.**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**

For the nine months ended September 30, 2019 and 2018

(Expressed in Canadian Dollars)

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**5. 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 determination of the Company's and its subsidiaries' functional currency are determined based on management's assessment of the economic environment in which the entities operate.
- b) 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 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.

- 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 estimate 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 is 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.

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

For the nine months ended September 30, 2019 and 2018

(Expressed in Canadian Dollars)

**6. PROPERTY AND EQUIPMENT**

	<b>Computer equipment</b>	<b>Field equipment</b>	<b>Total</b>
<b>Cost</b>			
Balance, December 31, 2017	\$ 9,308	\$ 10,312	\$ 19,350
Additions	2,590	-	2,590
Balance, December 31, 2018	11,628	10,312	21,940
<b>Balance, September 30, 2019</b>	<b>\$ 11,628</b>	<b>\$ 10,312</b>	<b>\$ 21,940</b>
<b>Accumulated amortization</b>			
Balance, December 31, 2017	\$ 1,202	\$ 773	\$ 1,975
Charge for period	4,073	9,539	13,612
Balance, December 31, 2018	5,275	10,312	15,587
Charge for period	4,647	-	4,647
<b>Balance, September 30, 2019</b>	<b>\$ 9,922</b>	<b>\$ 10,312</b>	<b>\$ 20,234</b>
<b>Carrying amounts</b>			
At December 31, 2018	\$ 6,353	\$ -	\$ 6,353
<b>At September 30, 2019</b>	<b>\$ 1,706</b>	<b>\$ -</b>	<b>\$ 1,706</b>

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

For the nine months ended September 30, 2019 and 2018

(Expressed in Canadian Dollars)

**7. 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. For the period ended September 30, 2019, 25% of the net assets of the Company’s subsidiary Guiord SA (“Guiord”) were attributable to its non-controlling interest. The value of the NCI at September 30, 2019 was a deficiency of \$176,411 (December 31, 2018: \$176,411). There was no income or loss allocated to NCI during the period ended September 30, 2019 (2018: loss of \$655,620).

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.

Summarized financial information in relation to Guiord, before intra-group eliminations, is presented below together with amounts attributed to NCI:

	<b>Nine months ended September 30,</b>	
	<b>2019</b>	<b>2018</b>
Exploration expenses	\$ -	\$ (11,319)
Amortization		(2,575)
Foreign exchange loss		(2,981)
Write-down of mineral property interest	-	(2,605,605)
Loss after tax	\$ -	\$ (2,622,480)
<b>Total loss and comprehensive income allocated to NCI</b>	<b>\$ -</b>	<b>\$ (655,620)</b>
<b>Dividends paid to NCI</b>	<b>\$ -</b>	<b>\$ -</b>
Cash flows from operating activities	\$ -	\$ (14,300)
Net cash outflows	\$ -	\$ (14,300)
<b>As at</b>	<b>September 30,</b>	<b>December 31,</b>
	<b>2019</b>	<b>2018</b>
Current assets	\$ -	\$ -
Non-current assets	-	-
Non-current liabilities	(705,643)	(705,643)
Net assets	\$ (705,643)	\$ (705,643)
Accumulated non-controlling interests	\$ (176,411)	\$ (176,411)

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

For the nine months ended September 30, 2019 and 2018

(Expressed in Canadian Dollars)

**8. MINERAL PROPERTIES**

The Company has capitalized the following acquisition costs for mineral property interests during the period from January 1, 2018 to September 30, 2019:

	<b>Guinea Mandiana</b>	<b>Ivory Coast La Debo</b>	<b>Total</b>
Balance, December 31, 2017	\$ 2,605,605	\$ -	\$ 2,605,605
Acquisition costs	-	65,928	65,928
Write-down of acquisition costs	(2,605,605)	(65,928)	(2,671,533)
Balance, December 31, 2018	-	-	-
<b>Balance, September 30, 2019</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**9. EXPLORATION EXPENDITURES**

No exploration expenditures were incurred during the nine month period ended September 30, 2019.

During the nine month period ended September 30, 2018, the Company incurred the following exploration expenditures:

	<b>Guinea</b>		<b>Ivory Coast</b>		
	<b>Mandiana</b>	<b>Other</b>	<b>La Debo</b>		<b>Total</b>
Field expenses	\$ 2,361	\$ -	\$ 36,373	\$	38,734
Geological and other consulting	66,220	5,415	35,425		107,060
Licenses, permitting and taxes	91,211	-	-		91,211
Office and administration	2,794	7,185	-		9,979
Project management	54,000	-	54,000		108,000
Travel	135,342	1,666	43,832		180,840
	<b>\$ 351,928</b>	<b>\$ 14,266</b>	<b>\$ 169,630</b>	<b>\$</b>	<b>535,824</b>

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

For the nine months ended September 30, 2019 and 2018

(Expressed in Canadian Dollars)

**10. RELATED PARTY TRANSACTIONS**

The Company had transactions during the periods ended September 30, 2019 and 2018 with related parties consisting of directors, officers and the following companies with common directors:

<b>Related party</b>	<b>Nature of transactions</b>
Radius Gold Inc. ("Radius")	Shared administrative and exploration related charges
Gold Group Management Inc. ("Gold Group")	Shared office and administrative related charges
Mill Street Services Ltd. ("Mill Street")	Consulting services
Andros Capital Corp. ("Andros")	Consulting services

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, 2019 and 2018, the Company reimbursed Gold Group, a private company controlled by the Chief Executive Officer of the Company, for the following costs:

	<b>Three months ended September 30,</b>		<b>Nine months ended September 30,</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
General and administrative expenses:				
Consulting and management fees	\$ 3,000	\$ -	\$ 3,000	\$ -
Office and administration	8,919	15,725	33,903	54,314
Salaries and benefits	11,277	21,510	50,209	69,235
Investor relations	36	-	1,054	1,515
Transfer agent and regulatory fees	123	-	8,638	3,392
Travel and accommodation	2,574	3,962	3,760	13,467
	<b>\$ 25,929</b>	<b>\$ 41,197</b>	<b>\$ 100,564</b>	<b>\$ 141,923</b>

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, 2019 and 2018 include those for the Chief Financial Officer and the Corporate Secretary.

- b) Prepaid expenses and deposits as of September 30, 2019 includes an amount of \$1,382 (December 31, 2018: \$2,074) paid to Gold Group.
- c) Long-term deposits as of September 30, 2019 consists of \$61,000 (December 31, 2018: \$61,000) paid to Gold Group as a deposit pursuant to the Company's office and administrative services agreement with Gold Group.
- d) Included in accounts payable and accrued liabilities as of September 30, 2019 was \$11,660 (December 31, 2018: \$60,302) owing to Gold Group and \$Nil (December 31, 2018: \$194,590) owing to directors and officers of the Company. The amount for Gold Group is due on a monthly basis and secured by a deposit.
- e) During the period ended September 30, 2019, the Company issued 548,661 common shares to related parties and a former related party to settle a total of \$192,031 in debt.

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

For the nine months ended September 30, 2019 and 2018

(Expressed in Canadian Dollars)

**10. RELATED PARTY TRANSACTIONS (cont'd...)**

The Company has identified certain of its directors and senior officers as its key management personnel. Included for the periods ended September 30, 2019 and 2018 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,	
	2019	2018	2019	2018
General and administrative expenses:				
Consulting and management fees	\$ 16,500	\$ 30,500	\$ 49,500	\$ 111,500
Salaries and benefits	3,208	7,333	13,292	21,542
Exploration expenditures:				
Project management	-	36,000	-	108,000
	<b>\$ 19,708</b>	<b>\$ 73,833</b>	<b>\$ 62,792</b>	<b>\$ 241,042</b>

Key management compensation includes consulting fees paid to Mill Street, a company controlled by the Chief Executive Officer of the Company, and to Andros, a company controlled by the former Vice President, Capital Markets.

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

During the period ended September 30, 2019, the Company completed a consolidation of the issued shares, warrants and stock options outstanding at April 8, 2019 on a one new for seven old basis. As a result, the Company's issued shares were reduced to 7,103,880. All references to common shares, warrants, stock options, and per share amounts in these condensed consolidated interim financial statements have been updated to reflect the share consolidation.

During the period ended September 30, 2019, the following share capital activity occurred:

- i) 548,661 common shares were issued to related parties and a former related party to settle a total of \$192,031 in debt. Share issuance costs associated with this transaction totalled \$1,660.
- ii) The Company closed a private placement of 1,500,000 units at \$0.25 per unit for gross proceeds of \$375,000. Each unit consisted of one common share of the Company and one warrant, each warrant entitling the holder to purchase one additional common share of the Company at \$0.35 for one year from closing. Share issuance costs associated with this financing totalled \$3,245.

**b) Warrants**

A summary of share purchase warrants activity from January 1, 2018 to September 30, 2019 is as follows:

	Number of warrants	Weighted average exercise price
Balance, December 31, 2017	2,662,456	\$4.28
Expired during the year	(525,505)	\$1.75
Balance, December 31, 2018	2,136,951	\$4.90
Issued on private placement	1,500,000	\$0.35
Expired during the period	(285,714)	\$0.35
<b>Balance, September 30, 2019</b>	<b>3,351,237</b>	<b>\$3.25</b>

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

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**11. SHAREHOLDERS EQUITY (cont'd...)****b) Warrants (cont'd...)**

Details of warrants outstanding as of September 30, 2019 are:

<u>Expiry date</u>	<u>Number of warrants</u>	<u>Exercise price</u>
April 15, 2020	1,500,000	\$0.35
March 8, 2022	1,851,237	\$5.60
	<b>3,351,237</b>	

**12. 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, 2019:

<u>Grant date</u>	<u>Expiry date</u>	<u>Exercise price</u>	<u>Opening balance</u>	<u>During the period</u>			<u>Closing balance</u>	<u>Vested and exercisable</u>
				<u>Granted</u>	<u>Exercised</u>	<u>Forfeited / cancelled</u>		
March 15, 2017	March 14, 2027	\$4.20	514,284	-	-	(146,429)	367,855	367,855
June 27, 2017	June 26, 2027	\$4.20	32,143	-	-	(28,572)	3,571	3,571
			<b>546,427</b>	-	-	<b>(175,001)</b>	<b>371,426</b>	<b>371,426</b>
<b>Weighted average exercise price</b>			\$4.20	-	-	\$4.20	\$4.20	\$4.20

The weighted average remaining contractual life of the options outstanding at September 30, 2019 is 7.46 years.

**Fair Value of Options Issued***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.

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.

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**13. SEGMENT INFORMATION**

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision-making group, in deciding how to allocate resources and in assessing performance. All of the Company's operations are within the mining sector relating to precious metals exploration. Due to the geographic and political diversity, the Company's exploration operations were decentralized whereby exploration managers were responsible for business results and regional corporate offices provide support to the exploration programs in addressing local and regional issues. The Company's operations were therefore segmented on a district basis. The Company's assets were located in Canada during the period ended September 30, 2019 and in Canada, the Republic of Guinea, and Ivory Coast during the prior fiscal year.

Details of identifiable assets by geographic segments are as follows:

<b>Nine months ended September 30, 2019</b>	<b>Canada</b>	<b>Consolidated</b>
Net loss	\$ (180,276)	\$ (180,276)

<b>Nine months ended September 30, 2018</b>	<b>Guinea</b>	<b>Ivory Coast</b>	<b>Canada</b>	<b>Consolidated</b>
Exploration expenditures	\$ 366,194	\$ 169,630	\$ -	\$ 535,824
Mineral property costs written off	2,605,605	65,928	-	2,671,533
Net loss	(3,020,924)	(235,558)	(559,853)	(3,816,335)
Capital expenditures*	-	65,928	2,590	68,518

\* Capital expenditures consist of additions of property and equipment, mineral property acquisition costs, and deferred acquisition costs.

<b>As at September 30, 2019</b>	<b>Canada</b>	<b>Consolidated</b>
Total current assets	\$ 213,031	\$ 213,031
Total non-current assets	62,706	62,706
<b>Total assets</b>	<b>\$ 275,737</b>	<b>\$ 275,737</b>
<b>Total liabilities</b>	<b>\$ 118,751</b>	<b>\$ 118,751</b>

<b>As at December 31, 2018</b>	<b>Canada</b>	<b>Consolidated</b>
Total current assets	\$ 100,206	\$ 100,206
Total non-current assets	67,353	67,353
<b>Total assets</b>	<b>\$ 167,559</b>	<b>\$ 167,559</b>
<b>Total liabilities</b>	<b>\$ 392,423</b>	<b>\$ 392,423</b>



## **VOLCANIC GOLD MINES INC.**

### **NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**

For the nine months ended September 30, 2019 and 2018

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#### **14. 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 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, 2019, the Company is not exposed to significant interest rate risk.

##### b) Foreign currency risk

The Company is exposed to financial risk related to the fluctuation of foreign currency rates. The Company operates in Canada and formerly the Republic of Guinea. A substantial portion of the Company's expenses have been incurred in US dollars. A significant change in the currency exchange rate between the Canadian dollar relative to the US dollar could have an effect on the Company's results of operations, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations. As at September 30, 2019, the Company is exposed to currency risk through the following financial assets and liabilities denominated in currencies other than the Canadian dollar:

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**14. FINANCIAL AND CAPITAL RISK MANAGEMENT (cont'd...)**

As at	September 30, 2019	December 31, 2018
	US Dollars (CDN equivalent)	US Dollars (CDN equivalent)
Cash	\$ 3,009	\$ 5,308
Accounts payable and accrued liabilities	(90,070)	(107,515)
<b>Net exposure</b>	<b>\$ (87,061)</b>	<b>\$ (102,207)</b>

Based on the above net exposure as at September 30, 2019, and assuming all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against the US dollar would result in an increase/decrease of approximately \$8,700 in the Company's net loss and comprehensive loss for the period ended September 30, 2019 (2018: \$10,000).

## 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.

**15. 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 does not expect its capital resources as of September 30, 2019 to be sufficient to cover its corporate operating costs and carry out exploration activities for the next twelve months. As such, the Company will seek to raise additional capital and believes it will be able to do so, but recognizes the uncertainty attached thereto.

**16. SUPPLEMENTARY CASH FLOW INFORMATION**

No cash was paid for interest or taxes for the periods ended September 30, 2019 and 2018.

During the period ended September 30, 2019, significant non-cash investing and financing transactions included the Company issuing 548,661 common shares to related parties and a former related party to settle a total of \$192,031 in debt.

There were no significant non-cash investing and financing transactions during the period ended September 30, 2018.