



## Interim Management's Discussion and Analysis – Quarterly Highlights For the nine-month period ended September 30, 2021

### 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, 2021. This Interim MD&A takes into account information available up to and including November 24, 2021 and should be read together with the unaudited condensed consolidated interim financial statements and accompanying notes for the nine-month period ended September 30, 2021 and the audited annual consolidated financial statements and accompanying notes for the year ended December 31, 2020 which are available on the SEDAR website at [www.sedar.com](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 intended use of proceeds received from past and possible future financing activities;
- the sufficiency of the Company's cash position and its ability to raise equity capital or access debt facilities; and
- maturities of the Company's financial liabilities or other contractual commitments.

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

Forward-looking Statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any results, performance or achievements expressed or implied by the Forward-looking Statements. Such uncertainties and factors include, among others:

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

- changes in national and local government legislation, taxation, controls, regulations and political or economic developments in countries in which the Company does or may carry on business;
- reliance on key personnel;
- property title matters;
- local community relationships;
- risks associated with potential legal claims generally or with respect to environmental matters;
- adequacy of insurance coverage;
- dilution from further equity financing;
- competition;
- uncertainties relating to general economic conditions; and
- risks relating to a global pandemic, including the coronavirus COVID-19, which 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 labor, supply, power, damage to equipment or other matter;
- permitting, exploration and development activities proceeding on a basis consistent with the Company's current expectations;
- expected trends and specific assumptions regarding commodity prices and currency exchange rates; and
- prices for and availability of fuel, electricity, equipment and other key supplies remaining consistent with current levels.

These Forward-looking Statements are made as of the date hereof and the Company disclaims any obligation to update any Forward-looking Statements, whether as a result of new information, future events or results or otherwise, except as required by law. There can be no assurance that Forward-looking Statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, investors should not place undue reliance on Forward-looking Statements.

## **DESCRIPTION OF BUSINESS**

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

### Financings

On July 27, 2020, the Company completed a non-brokered private placement (the "July Financing") by issuing 20,000,000 units at \$0.25 per unit, for gross proceeds of \$5.0 million. Each unit consists of one common share in the capital of the Company and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at a price of \$0.30 for a period of two years from the closing date. With an investment of approximately \$1.42 million in the July Financing, Silvercorp Metals Inc. ("Silvercorp") acquired beneficial ownership of 19.9% of the Company's issued and outstanding common shares.

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

On October 20, 2020, the Company completed a bought-deal public financing (the "Offering"), 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 \$6,900,575. 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 \$1,714,405. 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 to be used for the exploration and advancement of the Company's principal assets in Guatemala and for general working capital purposes.

### Property Review

#### *Holly and Banderas Properties, Guatemala*

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

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

#### 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. As of the date of this Interim MD&A, results from the initial 23 holes completed on the La Peña target and the El Pino and Alpha structures have been received. Highlights include:

- 28 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.
- Veins appear to be increasing in size with depth.

#### *La Peña Target*

*Table 1. Diamond drill significant results from Holly Project La Peña Target. Drilled intervals are shown with true widths estimated to be 88% of drilled interval.*

Drill Hole	From	To	Interval (m)	Au (g/t)	Ag (g/t)
HDD21-001	46.10	47.70	1.6	24.10	568
HDD21-001	53.70	60.60	6.9	4.90	85
HDD21-002	95.15	106.27	11.12	6.29	282
including	95.15	98	2.85	15.50	342
& including	102.35	105.22	2.87	8.08	633
HDD21-003	101.85	112.50	10.65	5.29	256

HDD21-004	119.8	143.35	24.0	3.10	694
HDD21-014	51	79.3	28.3	NSR*	42
including	52.22	54.75	2.53	2.90	108
& including	57.7	59.8	2.1	3.60	92
HDD21-015	108.65	124.2	15.55	7.67	615
including	108.65	115.9	7.25	16.20	848
HDD-21-016	77.00	79.00	2.00	4.15	154
HDD-21-017	134.25	143.08	8.83	8.81	355
HDD-21-018	71.67	73.20	1.53	1.81	57
HDD-21-019	28.97	30.50	1.53	191.80	539
and	171.90	178.42	6.52	11.72	340
including	172.90	176.60	3.70	20.36	576
HDD-21-020	61.70	67.10	5.40	4.38	350
including	63.00	64.00	1.00	20.70	1616
and	131.00	134.20	3.20	-	255
HDD-21-021	53.37	54.55	1.18	0.19	40
HDD 21-022	21.35	22.87	1.52	7.00	48
and	27.45	32.02	4.57	1.05	14
including	28.97	30.90	1.93	1.86	12
And	50.32	51.85	1.53	5.34	5
HDD-21-023	196.72	198.25	1.53	1.93	171
and	202.82	207.40	4.58	79.84	5,053
including	204.45	205.7	1.25	289.50	18,329

*Some minor variations in the numbers and interval reported are due to rounding.*

*\* NSR = no significant result.*

The initial focus at the Peña vein system was to define the vein within the broad zone of the Jocotan fault breccia, extending the mineralization down dip to the zone with consistent high grades that were intersected in holes HDD-21-017 and 019. HDD-21-021 and HDD-21-023 were drilled to cut the Peña vein to the south of the Jocotan fault zone. HDD-21-021 cut minor upper-level veining with weaker mineralization including 1.18 metres of 0.19 g/t Au and 40 g/t Ag from 53.37 to 54.55 metres within felsic tuffs. Roughly 80 metres down dip, HDD-21-023 cut the structure hosted in laminated mudstones where the vein returned 4.58 metres @ 79.84 g/t Au and 5,053 g/t Ag. This hole confirms the strike extent of the Peña vein to the south and demonstrates that the inter-bedded volcanics and sediments are potentially good hosts for high grade gold and silver mineralization at Holly.

HDD-21-022 was drilled within the footwall of Peña and did not intersect the main structure. The significant results from 022 are footwall splay veins off Peña. It appears some fault offsets made it more challenging to extend mineralization to the north in the Paleozoic Phyllites, although results on holes HDD-21-026 and 027 to the north are still pending.

#### *El Pino and Alpha Structures*

Drill holes HDD21-005 to HDD21-013 tested the El Pino vein system. Narrow intercepts of medium and anomalous grade gold/silver were intersected. These holes tested historic surface anomalies. Drilling at El Pino cut the vein zone significantly higher than intercepts at La Peña and that may account for the narrow results. At the Alpha zone, the system was not

targeted within the 200 metre wide Jocotan fault breccia, which drilling at La Peña indicates may be a key control on the mineralizing system.

#### *Current Status*

Field crews have continued detailed mapping and sampling at Holly project. This work has identified new drill targets on splay structures of the Jocotan fault where two large zones of mineralized breccia have been mapped and are coincident with high grade soil and rock chip results.

The Company plans systematic drill testing of these new targets including the Jocotan splay faults and to continue testing the extensions, both strike and dip, of La Peña vein system. Assays are still pending on drill holes HDD-21-024 to 028 and the samples from the detailed rock chip sampling of the Jocotan splay targets. Drilling is planned to recommence at Holly once outstanding assays have been received and interpreted.

As part of the ongoing community support programs, the Company is also currently working with the local communities around Holly to increase water supply. Several wells in the region are dry and good water supply is a significant issue for the local villages. In co-operation with the local communities, the Company is running water resource and hydrogeological studies and assisting with improving the water infrastructure of the communities at the Holly project.

#### *Banderas Property*

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

- Pyramid Hill vein systems extended for over 1,800 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 Banderas Property is located 7 kilometres south of the Holly Property. Previous work on the Banderas property has identified two extensive gold/silver bearing vein systems, the Pyramid Hill and the Zapote Zones.

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

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

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

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

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

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

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

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.

### **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, 2021*

During the quarter ended September 30, 2021 the Company incurred a loss of \$1,197,667, compared to a loss of \$223,139 for the quarter ended September 30, 2020. Significant expenses for the three-month periods are as follows:

	September 30, 2021	September 30, 2020
Exploration expenditures	\$ 1,055,638	\$ 100,852
Consulting and management fees	18,000	36,492
Depreciation	9,638	92
Legal and audit fees	2,121	34,450
Office and administration	22,450	12,547
Salaries and benefits	21,996	15,870
Share-based payments	43,952	-
Shareholder communications	20,346	20,195

The loss for the quarter ended September 30, 2021 was significantly higher than the comparative quarter due to exploration expenditures of \$1,055,638 relating to the Holly and Banderas properties compared to \$100,852 for the comparative quarter. The current quarter also recorded a share-based payments expense of \$43,952 relating to the granting of stock options whereas no such expense was recorded in the comparative quarter. Office and administration and salaries and benefits costs were both higher in the current quarter due to the Company being more active than in the comparative quarter. Depreciation expense for the current quarter is higher due to the acquisition of exploration equipment during the current fiscal year, the most significant being vehicles. Consulting and management fees were lower in the current quarter due in part to no third-party advisory fees being incurred compared to \$13,217 in the comparative quarter. The significantly higher legal and audit fees incurred during the comparative quarter were related to finalizing the Holly and Banderas option agreement.

*Nine months ended September 30, 2021*

During the nine-month period ended September 30, 2021 the Company incurred a loss of \$3,264,353, compared to a loss of \$341,328 for the nine-month period ended September 30, 2020. Significant revenue and expenses for the nine-month periods are as follows:

	September 30, 2021	September 30, 2020
Exploration expenditures	\$ 2,324,864	\$ 124,565
Consulting and management fees	54,000	73,742
Depreciation	22,499	277
Legal and audit fees	2,121	35,306
Office and administration	62,819	31,118
Salaries and benefits	67,953	31,569
Share-based payments	605,971	-
Shareholder communications	91,525	21,555
Transfer agent and regulatory fees	20,682	17,902

Similar to the quarterly comparison, the loss for the current nine-month period was significantly higher than the comparative period due to exploration expenditures of \$2,324,864 and a share-based payments expense of \$605,971 relating to the granting of stock options compared to exploration costs of \$124,565 and no share-based payment expense for the comparative period. Also similar to the quarterly comparison were higher office and administration, salaries and benefits, and depreciation expenses due to a higher level of corporate activity and equipment purchases. The higher shareholder communication expense for the current period relates to investor relations and promotional activities that

took place throughout the entire nine-month period while such activities were not significant until the latter part of the comparative period. Legal and audit fees were higher during the comparative period for the same reason as in the quarterly comparison.

For both the current quarterly and nine-month periods, exploration expenditures include a portion of fees paid to Simon Ridgway, a Director and CEO of the Company, and fees paid to Michael Povey, a Director and Chairman of the Company. Consulting and management fees for the current periods also consisted of a portion of fees paid to Mr. Ridgway and Mr. Povey whereas the cost for the comparative periods also included fees paid to Charles Straw, a Director and former Chief Executive Officer of the Company. 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 '21	June '21	Mar '21	Dec '20	Sept '20	June '20	Mar '20	Dec '19
Total assets	\$ 9,433,293	\$ 10,284,441	\$ 11,550,808	\$ 11,938,523	\$ 4,665,141	\$ 291,118	\$ 193,686	\$ 232,044
Working capital (deficiency)	8,828,279	9,973,894	10,980,427	11,559,987	4,249,908	51,823	(6,164)	38,827
Loss and comprehensive loss attributed to equity shareholders of the Company	1,197,667	1,034,675	1,032,011	1,919,251	223,139	73,106	45,083	17,523
Basic and diluted loss per share attributed to equity shareholders of the Company	0.03	0.02	0.02	0.08	0.01	0.01	0.01	0.00

Total assets and working capital positions increased significantly in the third and fourth quarters of 2020 due to the completion of private placement and public offering financings. The loss amounts for the three quarters ended June 30, 2020 reflect that there was a minimal amount of exploration expenditures incurred during those periods. Increased expenditures during the four most recently completed quarters relate to exploration activity in Guatemala. 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.

## 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, 2021, the Company had current assets of \$9,098,326 and current liabilities of \$270,047, resulting in working capital of \$8.83 million.

During the 2020 fiscal year, the Company raised gross proceeds of \$8.6 million from a bought deal public financing and concurrent non-brokered private placement and gross proceeds of \$5.0 million from a non-brokered private placement. Cash share issuance costs for these financings totaled \$1,192,131. During the period ended September 30, 2021, the Company received proceeds of \$99,780 from the exercise of 332,600 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 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 44,933,710 common shares and the following compensation options, stock options, and warrants:

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

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

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

No. of warrants	Exercise price	Expiry date
1,851,237	\$5.60	March 8, 2022
8,073,797	\$0.70	April 20, 2022
10,831,100	\$0.30	July 26, 2022
20,756,134		

#### TRANSACTIONS WITH RELATED PARTIES

See Note 8 of the condensed consolidated interim financial statements for the nine months ended September 30, 2021 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, 2020.

#### 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.

The international governmental restrictions imposed due to COVID-19 have led to significant restrictions on travel, temporary business closures, quarantines, global stock market volatility and a general reduction in consumer activity. Such public health restrictions can also result in operating and supply chain delays and disruptions, declining trade and market sentiment, reduced movement of people and labour shortages, and shipping disruption and shutdowns, 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.