VOLCANIC
—Gold Mines Inc—

Management's Discussion and Analysis
For the year ended December 31, 2022

INTRODUCTION

This management's discussion and analysis ("MD&A") of Volcanic Gold Mines Inc. (the "Company") is the responsibility of management and covers the year ended December 31, 2022. The MD&A takes into account information available up to and including April 20, 2023 and should be read together with audited annual consolidated financial statements and accompanying notes for the year ended December 31, 2022 which are available on the SEDAR website at 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.

FORWARD-LOOKING INFORMATION

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

- the Company's planned exploration activities;
- the Holly property mineral resource estimate as it involves the implied assessment, based on estimates and assumptions, that the resources described exist in the quantities predicted or estimated;
- the intended use of proceeds received from past and possible future financing activities;
- the sufficiency of the Company's cash position and its ability to raise equity capital or access debt facilities; and
- maturities of the Company's financial liabilities or other contractual commitments.

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

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

- risks associated with mineral exploration and project development;
- uncertainty of mineral resource estimates;

- fluctuations in commodity prices;
- fluctuations in foreign exchange rates and interest rates;
- credit and liquidity risks;
- changes in national and local government legislation, taxation, controls, regulations and political or economic developments in countries in which the Company does or may carry on business;
- reliance on key personnel;
- property title matters;
- local community relationships;
- risks associated with potential legal claims generally or with respect to environmental matters;
- adequacy of insurance coverage;
- dilution from further equity financing;
- competition;
- uncertainties relating to general economic conditions; and
- risks relating to a global pandemic, including the coronavirus COVID-19, which could result in government imposed restrictions that could cause a slowdown in global economic growth and impact the Company's business, operations, financial condition and share price;

as well as those factors referred to in the "Risks and Uncertainties" section in this MD&A.

Forward-looking Statements contained in this 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. 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.

Corporate Activities

In July 2020, the Company completed a non-brokered private placement (the "July Financing") by issuing 20,000,000 units at $0.25 per unit, for gross proceeds of $5.0 million. Each unit consists of one common share in the capital of the Company and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at a price of $0.30. In July 2022, the expiry date of these warrants was extended from July 26, 2022 to July 26, 2023.

In October 2020, the Company completed a bought-deal public financing (the "Offering"), and a concurrent private placement (the "Concurrent Private Placement"), for aggregate gross proceeds of approximately $8.6 million (the "October

Financings"). Pursuant to the Offering, the Company issued 12,546,500 units at a price of $0.55 per unit for aggregate gross proceeds of $6.9 million. Pursuant to the exercise by Silvercorp of a participation right to maintain its 19.9% interest in the Company, the Company completed the Concurrent Private Placement with the issuance of 3,117,100 units to Silvercorp at $0.55 per unit for gross proceeds of $1.7 million. Each unit in the October Financings consists of one common share in the capital of the Company and one-half of a warrant. Each whole warrant entitles the holder thereof to purchase one common share at a price of $0.70. In April 2022, the expiry date of these warrants was extended from April 20, 2022 to April 20, 2023, and in April 2023, the expiry date was extended further by one year to April 19, 2024.

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

In December 2022, the Company appointed Luc English as Vice-President, Exploration, who is supervising the Company's property acquisitions and exploration programs. In January 2023, the Company announced the appointment of Adam Buchanan as Vice-President, Corporate Development, who is managing the Company's communications with shareholders and other stakeholders.

Property Review

Guatemala Properties

In May 2020, the Company signed an agreement whereby it was granted by Radius Gold Inc. ("Radius") the exclusive option (the "Option") to acquire a 60% interest in the Holly and Banderas gold-silver properties in Guatemala. The Company may exercise the Option by raising a minimum $3.0 million (completed on July 27, 2020) and spending US$7.0 million on exploration of the Properties within 48 months from the date drilling permits for the properties are granted (granted in March 2021). First year requirements of incurring at least US$1.0 million on exploration, including carrying out a minimum 3,000 metres of drilling, have been completed by the Company. The Company also made a cash payment to Radius of $100,000. Upon exercise of the Option, the Company will enter into a standard 60/40 joint venture with Radius in order to further develop the properties.

The Company was also granted the exclusive right until September 1, 2022 to evaluate the other property interests of Radius in eastern Guatemala and to enter into an agreement to acquire an interest in any of such other properties on reasonable mutually agreed upon terms. Pursuant to an amending agreement dated November 21, 2022 with Radius, this right has been extended to September 1, 2023.

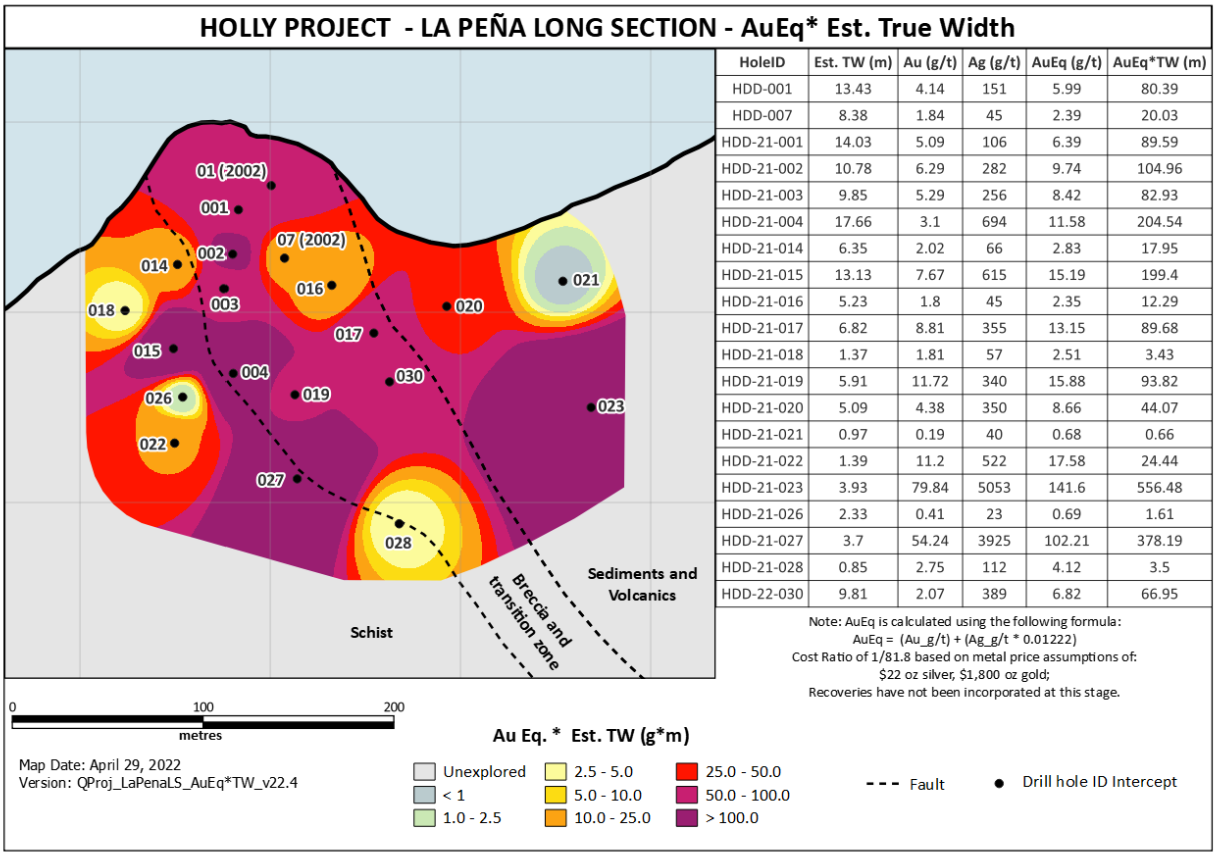
Holly Property

In April 2021, the Company commenced a diamond core drilling program at Holly, with the emphasis on exploring the high-grade shoots associated with the intersection of the Jocotan Fault Zone and the NW-SE trending high grade vein systems, La Peña, El Pino and Alpha. 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 Jocotan fault zone.
- 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 El Pino and Alpha confirmed mineralization.

Drilling at Holly focused on extending the La Peña high-grade system at depth and along strike with a goal of establishing a significant high-grade resource and improving understanding of the controls on high-grade mineralization. The La Peña vein remains open in all directions. Several holes also cut high grade gold in the Amber vein and Pino target at a shallow depth. The Amber vein, Pino veins, Alpha vein and the untested Jocotan splay targets all have significant potential and will be tested in future drill programs.

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



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

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

Highlights

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

Table 1: Holly, Peña Vein Resource Estimate

(Effective date 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 and Ag US$22 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/m^3 and below this an average density of 2.52 t/m^3 was applied. The mineral resource estimate has been classified based on data density, data quality, confidence in the geological interpretation and confidence in the robustness of the grade interpolation.

The technical report for the mineral resource estimate was filed on July 27, 2022 and is available on SEDAR.

Community Relations

In the latter part of 2021 and the first months of 2022, a small group of individuals had been spreading misinformation about our activities and the effects they say mining can have in the region and on February 24, 2022, the Company reported that an incident had occurred at the Holly project, with a fire damaging the drill rig and equipment.

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

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

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

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

The Company is currently advancing various studies and reports for the Holly property including a hydrogeological study, an environmental monitoring report and a mine design and facility report. The Company intends to resume drilling at Holly once Bluestone Resources Inc. ("Bluestone") has been granted a permit to build a mine nearby at Cerro Blanco. Bluestone has issued an update on Cerro Blanco (see Bluestone news release October 3, 2022).

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

Current Work Program

In February 2023, the Company announced that it has commenced technical studies to support an upgrade of the Holly exploration licence to an exploitation licence. The Company continues to monitor and build environmental, hydrogeological, and social baseline studies for the Holly property. Guatemalan and Mexican-based engineering companies have been commissioned to compile the technical studies and civil engineering design for an underground mining project, with assumed processing off-site. This study will be submitted in the next few weeks. The mine design will be an early-stage concept for permitting purposes and will not meet the requirements of a preliminary economic assessment.

Motagua Norte Project

The Company conducted widespread exploration of Radius's large regional land position under the option agreement signed in May 2020. Motagua Norte is an area that has been identified with significant promise. The legal, environmental and community studies required to support the applications for the exploration licences have been submitted to the competent authorities. The Company is working with local community representatives, and local and national government authorities to have the exploration licences granted in the coming months.

Motagua Norte is interpreted as an orogenic vein and stockwork system with extensive areas of bonanza-grade quartz float, subcrop and outcrop. On the main Mila prospect quartz vein outcrop and locally displaced quartz boulders cover an area of 550 x 270 metres. In the last two years a total of 383 rock chip samples have been collected across this area of which 100 returned assays of over 10 g/t gold including 20 in excess of 100 g/t gold with a best of 692 g/t.

With these extremely high gold grades already defined at surface the Company intends to move quickly to drilling as soon as the exploration licenses are granted. The Company is currently considering terms for a possible option of the Project from Radius Gold.

Banderas Project

The Banderas project, located some 7 kilometres south of the Holly project, contains two styles of gold-silver mineralisation: the extensive Banderas gold-silver vein systems and the Zapote breccias.

The Banderas vein system is an approximately 500 metre wide corridor of gold-silver quartz veins and stockwork recognized along a 3.5 kilometre strike length. Shallow, wide-spaced drilling along the two principal veins returned best intercepts of 1.5 metres at 70 g/t gold and 516 g/t silver, and 6.7 metres at 4 g/t gold and 70 g/t silver.

The Zapote Zone is a less advanced exploration target located some 1.5 kilometres to the west of the Banderas veins. 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 a 150 metre-wide belt along an 800 metre length of this contact has returned strongly anomalous gold-silver mineralization. To the southeast, the mineralization disappears under an extensive area of thick colluvium. Recent sampling has identified the continuation of the Zapote system 850 metres along strike to the southeast with rock chip values up to 2.7 g/t gold and 14.7 g/t silver. No drilling has been conducted at Zapote target.

A 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. The Company is maintaining its application for an exploitation licence for the property which will be advanced when exploration is resumed.

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 MD&A.

SELECTED ANNUAL INFORMATION

The following table provides financial results for the years ended December 31, 2022, 2021 and 2020:

	2022	2021	2020
Exploration expenditures	$ 2,211,924	$ 3,217,977	$ 450,966
Loss and comprehensive loss attributed to equity shareholders of the Company	2,656,654	4,400,043	2,260,579
Basic and diluted loss per share attributed to equity shareholders of the Company	0.06	0.10	0.11
Total assets	5,944,749	8,620,791	11,938,523
Total liabilities	265,446	253,094	216,675
Non-controlling interest (deficiency)	(176,411)	(176,411)	(176,411)
Working capital	5,377,247	8,039,749	11,559,987

The Company's level of exploration activity significantly increased in fiscal 2021 as the Company entered into an option agreement in 2020 to acquire the Holly and Banderas properties and then received a drill permit in 2021 to conduct a drill program that extended into early 2022, thus resulting in higher exploration expenditures for the two most recently completed fiscal years. The loss and comprehensive loss for fiscal 2020 is significantly impacted by a share-based payments expense of $1,458,521 compared to an expense of $663,023 for fiscal 2021 and a recovery of $33,900 for fiscal 2022. Total assets were highest for the 2020 fiscal year due to the Company raising in excess of $13 million by way of equity financing during that period. These funds have been the primary source of capital to fund operations since then, resulting in total assets and working capital decreasing over the 2021 and 2022 fiscal years.

SUMMARY OF QUARTERLY RESULTS

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

	Dec '22	Sept '22	June '22	Mar '22	Dec '21	Sept '21	June '21	Mar '21
Total assets	$ 5,944,749	$ 6,526,654	$ 7,104,091	$ 7,787,133	$ 8,620,791	$ 9,433,293	$ 10,284,441	$ 11,550,808
Working capital	5,377,247	6,002,152	6,534,914	7,272,348	8,039,749	8,828,279	9,973,894	10,980,427
Loss and comprehensive loss attributed to equity shareholders of the Company	600,674	542,464	743,597	769,919	1,135,690	1,197,667	1,034,675	1,032,011
Basic and diluted loss per share attributed to equity shareholders of the Company	0.01	0.01	0.02	0.02	0.03	0.03	0.02	0.02

Total assets and working capital position have trended downward over the past eight quarters due to the Company funding its operations from the equity financing proceeds raised in 2020. The losses for the last three quarters of the 2021 fiscal year were higher than all other quarters presented due to more exploration activity while the loss for the quarter ended March 31, 2021 was significantly impacted by a share-based payments expense of $518,545. The losses for quarters during the 2022 fiscal year are less than the other quarters presented due to the Company scaling back exploration activity during 2022 as it focused more on community relations in Guatemala, acquiring access agreements, and regional property investigation.

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 December 31, 2022

During the quarter ended December 31, 2022, the Company incurred a loss of $600,674, compared to a loss of $1,135,690 for the quarter ended December 31, 2021. Significant expenses for the quarters ended December 31, 2022 and 2021 are as follows:

	2022	**2021**
Exploration expenditures	$ 513,795	$ 893,113
Consulting and management fees	18,000	18,000
Legal and audit fees	36,000	30,000
Office and administration	23,901	19,475
Salaries and benefits	41,577	22,034
Share-based payments expense (recovery)	(33,990)	57,052
Shareholder communications	8,175	40,912

The loss for the quarter ended December 31, 2022 was $535,016 lower than the comparative quarter due in part to exploration expenditures being $379,318 less for the current quarter. Exploration expenditures for the current quarter involved activity on the Holly and Banderas properties and regional exploration which includes the Motagua Norte Project whereas most exploration expenditures for the comparative quarter were incurred on the Holly and Banderas properties. The current quarter exploration expense was significantly lower due to no drilling taking place while efforts were focused on community relations and acquiring access agreements. The comparative quarter recorded a share-based payments expense recovery of $33,990 relating to stock options that were forfeited before they became vested during the 2022 fiscal year compared to a share-based payments expense of $57,052 in the comparative quarter relating to stock options that were granted during the 2021 fiscal year. Salaries and benefits were higher for the current quarter due to an increase in the number and requirement of shared personnel since the comparative quarter.

Year ended December 31, 2022

During the year ended December 31, 2022 the Company incurred a loss of $2,656,654, compared to a loss of $4,400,043 for the year ended December 31, 2021. Significant expenses for the years ended December 31, 2022 and 2021 are as follows:

		2022		2021
Exploration expenditures	$	2,211,924	$	3,217,977
Consulting and management fees		72,000		72,000
Depreciation		44,904		29,518
Legal and audit fees		53,330		32,121
Office and administration		86,295		82,294
Salaries and benefits		139,245		89,987
Share-based payments expense (recovery)		(33,990)		663,023
Shareholder communications		75,631		132,437
Transfer agent and regulatory fees		27,380		26,292
Interest and other income		94,702		29,888

The loss for the current year was $1,743,389 lower than the comparative year. This was due in part to exploration expenditures for the current year being less by $1,006,053. The comparative year also recorded a share-based payments expense of $663,023 compared to a share-based payments expense recovery of $33,990 for the current year. As with the quarterly comparison, the comparative year expense related to the granting of stock options while the current expense recovery related to the forfeiture of options before they were vested. The amount of consulting and management fees, office and administration costs, and transfer agent and regulatory fees incurred were similar between the current and comparative years. Salaries and benefits were higher for the current year due to an increase in the salaries paid to shared personnel that took effect in the last quarter of the comparative year and an increase in the number of personnel shared since the comparative year. Shareholder communications costs were lower in the current year due to less investor relations consulting services being used. Legal and audit fees were higher for the current year due to increased auditor and legal services for tax and other corporate matters than the comparative year. Depreciation expense was lower for the comparative year due to a significant portion of equipment purchases occurring towards the end of that year. Interest income for the current year was significantly higher than the comparative year even though the Company's capital resources subject to earning interest had decreased during the current year. This was due to the periodic increase in interest rates throughout 2022.

For both the current quarterly and annual periods, the fees paid to Simon Ridgway, a Director and CEO of the Company, and to Michael Povey, a Director and Chairman of the Company were allocated partly to exploration expenditures and partly to consulting and management fees. Office and administration costs relate mostly to an administrative cost sharing agreement with Gold Group Management Inc. ("Gold Group"), a private company controlled by Mr. Ridgway which is reimbursed by the Company for certain shared rent and other corporate expenses paid by Gold Group on behalf of the Company. Salaries and benefits costs relate primarily to Gold Group which provides administrative personnel, including the Company's Chief Financial Officer and Corporate Secretary throughout 2021 and 2022, and the addition of the Company's Vice President of Corporate Development during the fourth quarter of the current year.

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 December 31, 2022, the Company had current assets of $5,642,693 and current liabilities of $265,446, resulting in working capital of $5,377,247.

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

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

FINANCIAL AND CAPITAL RISK MANAGEMENT

Financial assets and liabilities are classified in the in the fair value hierarchy according to the lowest level of input that is significant to the fair value measurement. Assessment of the significant of a particular input to the fair value measurement requires judgement and may affect placement within the fair value hierarchy levels. The hierarchy is as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quotes prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The carrying value of receivables, deposits and accounts payable and accrued liabilities approximates fair value due to the short-term nature of the financial instruments. Cash is valued at a level 1 fair value measurement and is classified as fair value through profit or loss. Receivables and long-term deposits are classified as amortized cost. Accounts payable and accrued liabilities are classified as amortized cost.

Risk management

The Company is exposed to varying degrees to a variety of financial instrument related risks:

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The Company's cash is held at a 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 December 31, 2022, 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 Guatemala. A substantial portion of the Company's expenses are incurred in US dollars and Guatemalan quetzals. A significant change in the currency exchange rate between the Canadian dollar relative to the US dollar and quetzal could have an effect on the Company's results of operations, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations. As at December 31, 2022 and 2021, the Company is exposed to currency risk through the following financial assets and liabilities denominated in currencies other than the Canadian dollar:

	2022		2021	
	US Dollars (CDN equivalent)	Guatemalan Quetzal (CDN equivalent)	US Dollars (CDN equivalent)	Guatemalan Quetzal (CDN equivalent)
Cash	$ 83,085	$ 50,898	$ 166,431	$ 5,385
Receivables	-	994	-	4,006
Accounts payable and accrued liabilities	(127,953)	(8,190)	(153,178)	(1,939)
Net exposure	**$ (44,868)**	**$ 43,702**	**$ 13,253**	**$ 7,452**

Based on the above net exposure as at December 31, 2022, and assuming all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against the US dollar and Guatemalan quetzal would result in an increase/decrease of approximately $100 in the Company's loss and comprehensive loss for the year ended December 31, 2022 (2021: $,2100).

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.

OUTSTANDING SHARE, COMPENSATION OPTIONS, OPTIONS AND WARRANTS DATA

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

No. of options	Exercise price	Expiry date
2,300,000	$0.57	October 6, 2030
325,000	$0.57	October 8, 2030
800,000	$0.57	January 27, 2031
225,000	$0.205	January 9, 2033
3,650,000		

No. of warrants	Exercise price	Expiry date
8,813,500	$0.30	July 26, 2023(1) (3)
7,831,800	$0.70	April 19, 2024(2) (3)
16,645,300		

(1) During the year ended December 31, 2022, the expiry date for these warrants was extended by one year to July 26, 2023.

(2) During the year ended December 31, 2022, the expiry date for these warrants was extended by one year to April 20, 2023. Subsequent to December 31, 2022, the expiry date of these warrants was extended further by one year to April 19, 2024.

(3) There was no additional value attributed to the warrants upon modification.

TRANSACTIONS WITH RELATED PARTIES

The Company had transactions during the years ended December 31, 2022 and 2021 with related parties consisting of directors, officers and the following companies with common directors or officers:

Related party	Nature of transactions
Gold Group Management Inc. ("Gold Group")	Shared office and administrative related charges
Mill Street Services Ltd. ("Mill Street")	Consulting services
Radius Gold Inc. ("Radius")	Property transaction and exploration support

Balances and transactions with related parties not disclosed elsewhere in this MD&A are as follows:

a) During the periods ended December 31, 2022 and 2021, the Company reimbursed Gold Group, a private company controlled by Simon Ridgway, a Director and Chief Executive Officer of the Company, for the following costs:

	Three months ended December 31,		Year ended December 31,	
	2022	2021	2022	2021
General and administrative expenses:				
Office and administration	$ 19,201	$ 16,406	$ 67,033	$ 64,661
Salaries and benefits	41,577	22,034	139,245	89,987
Shareholder communications	15,435	10,321	33,218	12,903
Transfer agent and regulatory fees	2,362	-	8,004	7,490
Travel and accommodation	3,150	5,786	21,862	11,751
	$ 81,725	**$ 54,547**	**$ 269,362**	**$ 186,792**
Exploration expenditures	**$ -**	**$ -**	**$ -**	**$ 10,395**

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 year ended December 31, 2022 include those for the Chief Financial Officer, Vice President Corporate Development, and the Corporate Secretary (2021: includes those for the Chief Financial Officer and the Corporate Secretary).

b) Receivables as of December 31, 2022 includes an amount of $9,556 (2021: $Nil) due from Radius for shared exploration costs.

c) Prepaid expenses and deposits as of December 31, 2022 includes an amount of $10,973 (2021: $6,825) paid to Gold Group.

d) Exploration advances to Radius for exploration expenditures to be incurred on the Company's behalf as of December 31, 2022 were $Nil (2021: $5,271).

e) Long-term deposits as of December 31, 2022 consists of $61,000 (2021: $61,000) paid to Gold Group as a deposit pursuant to the Company's office and administrative services agreement with Gold Group.

f) Included in accounts payable and accrued liabilities as of December 31, 2022 was $73,708 (2021: $33,260) owing to Gold Group, $4,000 (2021: $4,000) owing to Michael Povey, a Director and Chairman of the Company, for consulting fees, $Nil owing to Radius (2021: $2,500), and $Nil (2021: $21,640) owing to Daniel Brost, the former Vice President of Exploration of the Company, for consulting fees. The amount for Gold Group is due on a monthly basis and secured by a deposit.

g) During the 2021 fiscal year, the Company purchased Radius' Guatemalan exploration equipment and supplies for a total cost of $50,000, of which $25,117 was capitalized as equipment.

h) During the 2021 fiscal year, the Company acquired Recursos del Golfo S.A., a previously dormant Guatemalan entity with no assets, from Radius for a nominal value.

The Company has identified certain of its directors and senior officers as its key management personnel. Included for the periods ended December 31, 2022 and 2021 are the following items paid or accrued to key management personnel and/or companies with common directors.

	Three months ended December 31, 2022	Three months ended December 31, 2021	Year ended December 31, 2022	Year ended December 31, 2021
General and administrative expenses:				
Consulting and management fees	$ 18,000	$ 18,000	$ 72,000	$ 72,000
Salaries and benefits	9,642	6,717	29,684	25,467
Share-based payments (value of stock options granted and vested)	-	33,990	-	283,253
Exploration expenditures:				
Consulting and management fees	37,195	48,331	181,580	133,831
	$ 64,837	**$ 107,038**	**$ 283,264**	**$ 514,551**

Key management compensation includes consulting fees paid in 2021 and 2022 to Mill Street, a company controlled by Simon Ridgway, a Director and Chief Executive Officer of the Company.

There were no stock options granted to key or non-key management directors during the year ended December 31, 2022. The value of stock options granted to non-key management directors during the year ended December 31, 2021 was $99,705.

ACCOUNTING POLICIES AND BASIS OF PRESENTATION

The Company's significant accounting policies and future changes in accounting policies are presented in note 3 of the audited consolidated financial statements for the year ended December 31, 2022.

FUTURE ACCOUNTING CHANGES

The Company has reviewed upcoming policies and amendments and determined that none are expected to have an impact on the Company's 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 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.

Global Pandemic

The Company faces risks related to health epidemics and other outbreaks of communicable diseases, which could significantly disrupt its operations and may materially and adversely affect its business and financial conditions. The Company's business could be adversely impacted by the effects of the COVID-19 coronavirus which was declared a global pandemic by the World Health Organization in March 2020 and continues to be to the present time. The COVID-19 pandemic did not have a significant impact on the Company's operations during the current year.

The extent to which COVID-19 may impact the Company's business, including its operations and the market for its securities, will continue to depend on future developments which cannot be predicted, and include the duration, severity and scope of the outbreak and the actions taken to contain or treat the outbreak. The continued spread of COVID-19 globally could materially and adversely impact the Company's business, financial condition and results of operations including without limitation, employee health, workforce productivity, increased insurance premiums, limitations on travel, the availability of industry experts and personnel, restrictions to any drill programs and/or the timing to process drill and other metallurgical testing, and other factors that will depend on future developments beyond the Company's control.

The international response to the spread of COVID-19 has led to periods of significant restrictions on travel, temporary business closures, quarantines, global stock market volatility and a general reduction in consumer activity. Such public health crises can result in operating and supply chain delays and disruptions, global stock market and financial market volatility, declining trade and market sentiment, reduced movement of people and labour shortages, and travel and shipping disruption and shutdowns, including as a result of government regulation and prevention measures, or a fear of any of the foregoing, all of which could affect commodity prices, interest rates, credit ratings, credit risk and inflation.