



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

**FOR THE THREE MONTHS ENDED MARCH 31, 2023**

**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 three months ended March 31, 2023. 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)

	<b>March 31, 2023</b>	<b>December 31, 2022</b>
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 4,989,460	\$ 5,595,923
Receivables (Note 8)	26,436	18,506
Prepaid expenses and deposits (Note 8)	36,230	28,264
<b>Total current assets</b>	<b>5,052,126</b>	<b>5,642,693</b>
<b>Non-current</b>		
Long-term deposits (Note 8)	61,000	61,000
Equipment (Note 4)	129,080	141,056
Mineral properties (Note 6)	100,000	100,000
<b>Total non-current assets</b>	<b>290,080</b>	<b>302,056</b>
	<b>\$ 5,342,206</b>	<b>\$ 5,944,749</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Note 8)	\$ 241,508	\$ 265,446
<b>Total liabilities</b>	<b>241,508</b>	<b>265,446</b>
<b>Shareholders' equity</b>		
Share capital (Note 9)	26,575,256	26,575,256
Other equity reserves	2,002,134	1,960,086
Deficit	(23,300,281)	(22,679,628)
Equity attributed to shareholders of the Company	5,277,109	5,855,714
Non-controlling interest (Note 5)	(176,411)	(176,411)
<b>Total shareholders' equity</b>	<b>5,100,698</b>	<b>5,679,303</b>
	<b>\$ 5,342,206</b>	<b>\$ 5,944,749</b>

Approved and authorized by the Board on May 25, 2023.

“Simon Ridgway” Director  
Simon Ridgway

“Scott Ackerman” Director  
Scott Ackerman

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)

	<b>Three months ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
<b>Exploration expenditures</b> (Notes 7 and 8)	\$ 490,614	\$ 661,031
<b>General and administrative expenses</b>		
Consulting and management fees (Note 8)	18,000	18,000
Depreciation (Note 4)	11,976	10,842
Legal and audit fees	449	-
Office and administration (Note 8)	27,507	19,438
Salaries and benefits (Note 8)	29,199	30,820
Share-based payments (Notes 8 and 10)	42,048	-
Shareholder communications (Note 8)	13,795	12,460
Transfer agent and regulatory fees (Note 8)	7,899	8,967
Travel (Note 8)	8,217	4,905
	159,090	105,432
<b>Loss before other items</b>	(649,704)	(766,463)
<b>Other items</b>		
Interest and other income	39,244	6,408
Foreign exchange loss	(10,193)	(9,712)
Loss on disposal of equipment	-	(152)
<b>Loss and comprehensive loss for the period</b>	<b>\$ (620,653)</b>	<b>\$ (769,919)</b>
Basic and diluted loss per common share	\$(0.01)	\$(0.02)
Weighted average number of common shares outstanding – basic and diluted	45,551,210	45,546,127

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 March 31,</b>	
	<b>2023</b>	<b>2022</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the period	\$ (620,653)	\$ (769,919)
Item not affecting cash:		
Depreciation	11,976	10,842
Share-based payments	42,048	-
Loss on disposal of equipment	-	152
Non-cash working capital item changes:		
Amounts receivable	(7,930)	(2,134)
Prepaid expenses and deposits	(7,966)	(1,850)
Exploration advances	-	5,271
Accounts payable and accrued liabilities	(23,938)	(65,989)
Net cash used in operating activities	(606,463)	(823,627)
<b>FINANCING ACTIVITIES</b>		
Net proceeds from issuance of common shares	-	2,250
Net cash provided by financing activities	-	2,250
<b>INVESTING ACTIVITIES</b>		
Purchase of equipment	-	(31,456)
Proceeds on disposal of equipment	-	20,730
Net cash used in investing activities	-	(10,726)
<b>Change in cash for the period</b>	<b>(606,463)</b>	<b>(832,103)</b>
Cash, beginning of period	5,595,923	8,224,420
<b>Cash, end of period</b>	<b>\$ 4,989,460</b>	<b>\$ 7,392,317</b>

Supplemental cash flow information (Note 14)

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 (UNAUDITED)**

For the three months ended March 31, 2023 and 2022

(Expressed in Canadian Dollars)

	Equity attributed to shareholders of the Company							Non-controlling interest	Total
	Number of common shares	Amount	Warrants and compensation options reserve	Share-based payment reserve	Deficit	Total equity attributed to shareholders			
Balance, December 31, 2021	45,543,710	\$ 25,140,089	\$ 1,589,553	\$ 1,965,090	\$ (20,150,624)	\$ 8,544,108	\$ (176,411)	\$ 8,367,697	
Loss for the period	-	-	-	-	(769,919)	(769,919)	-	(769,919)	
Warrants exercised	7,500	2,250	-	-	-	2,250	-	2,250	
Fair value of expired and forfeited options	-	-	-	(147,457)	147,457	-	-	-	
Balance, March 31, 2022	45,551,210	25,142,339	1,589,553	1,817,633	(20,773,086)	7,776,439	(176,411)	7,600,028	
Loss for the period	-	-	-	-	(1,886,735)	(1,886,735)	-	(1,886,735)	
Transfer of other equity reserve on expiry of warrants	-	1,181,275	(1,181,275)	-	-	-	-	-	
Fair value of expired and forfeited options	-	-	-	19,807	(19,807)	-	-	-	
Transfer of other equity reserve on expiry of compensation options	-	251,642	(251,642)	-	-	-	-	-	
Reversal of share-based payments	-	-	-	(33,990)	-	(33,990)	-	(33,990)	
Balance, December 31, 2022	45,551,210	26,575,256	156,636	1,803,450	(22,679,628)	5,855,714	(176,411)	5,679,303	
Loss for the period	-	-	-	-	(620,653)	(620,653)	-	(620,653)	
Share-based payments	-	-	-	42,048	-	42,048	-	42,048	
<b>Balance, March 31, 2023</b>	<b>45,551,210</b>	<b>\$ 26,575,256</b>	<b>\$ 156,636</b>	<b>\$ 1,845,498</b>	<b>\$ (23,300,281)</b>	<b>\$ 5,277,109</b>	<b>\$ (176,411)</b>	<b>\$ 5,100,698</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 three months ended March 31, 2023 and 2022

(Expressed in Canadian Dollars)

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

Volcanic Gold Mines Inc. 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.

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.

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company has incurred losses from inception and, despite a strong current working capital position, does not currently have the financial resources to sustain operations in the long-term. While the Company has been successful in obtaining its required funding in the past, there is no assurance that such future financing will be available or be available on favorable terms. Management believes the Company has sufficient current working capital to operate for at least the next year at the current level of operations.

#### **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 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 3.

## **VOLCANIC GOLD MINES INC.**

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

For the three months ended March 31, 2023 and 2022

(Expressed in Canadian Dollars)

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## **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 intercompany transactions and balances have been eliminated on consolidation.

Details of the Company's principal subsidiary as at March 31, 2023 is as follows:

<b>Name</b>	<b>Place of incorporation</b>	<b>Ownership %</b>	<b>Principal activity</b>
Recursos del Golfo S.A.	Guatemala	100%	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 corporate group 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. 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 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 no 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.



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

For the three months ended March 31, 2023 and 2022

(Expressed in Canadian Dollars)

**3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (cont'd)**

- b) Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.
- 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 estimates 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 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.
- b) In estimating the fair value of share-based payments, using the Black-Scholes option pricing model, management is required to make certain assumptions and estimates. Changes in assumptions used to estimate fair value could result in materially different results.

**4. EQUIPMENT**

	Computer equipment	Furniture and equipment	Field equipment	Vehicles	Total
<b>Cost</b>					
Balance, December 31, 2021	\$ 18,516	\$ 2,562	\$ -	\$ 186,155	\$ 207,233
Additions	8,231	-	32,072	-	40,303
Disposals	(2,060)	-	-	(25,048)	(27,108)
Balance, December 31, 2022	24,687	2,562	32,072	161,107	220,428
<b>Balance, March 31, 2023</b>	<b>\$ 24,687</b>	<b>\$ 2,562</b>	<b>\$ 32,072</b>	<b>\$ 161,107</b>	<b>\$ 220,428</b>
<b>Accumulated amortization</b>					
Balance, December 31, 2021	\$ 12,318	\$ 256	\$ -	\$ 27,711	\$ 40,285
Charge for year	3,473	692	8,018	32,721	44,904
Disposals	(2,060)	-	-	(3,757)	(5,817)
Balance, December 31, 2022	13,731	948	8,018	56,675	79,372
Charge for period	1,318	121	2,065	8,472	11,976
<b>Balance, March 31, 2023</b>	<b>\$ 15,049</b>	<b>\$ 1,069</b>	<b>\$ 10,083</b>	<b>\$ 65,147</b>	<b>\$ 91,348</b>
<b>Carrying amounts</b>					
At December 31, 2022	\$ 10,956	\$ 1,614	\$ 24,054	\$ 104,432	\$ 141,056
<b>At March 31, 2023</b>	<b>\$ 9,638</b>	<b>\$ 1,493</b>	<b>\$ 21,989</b>	<b>\$ 95,960</b>	<b>\$ 129,080</b>

**VOLCANIC GOLD MINES INC.**

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

For the three months ended March 31, 2023 and 2022

(Expressed in Canadian Dollars)

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**5. 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.

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.

For the period ended March 31, 2023, 25% of the net assets of the Company’s consolidated subsidiary, Guiord SA (“Guiord”), were attributable to its non-controlling interest. The value of the NCI at March 31, 2023 was a deficiency of \$176,411 (December 31, 2022: \$176,411). There was no income or loss allocated to NCI during the periods ended March 31, 2023 and 2022.

**6. MINERAL PROPERTIES**

Capitalized acquisition costs as of March 31, 2023 consist of \$100,000 (December 31, 2022: \$100,000) relating to its Guatemalan mineral property interests.

**Holly and Banderas Properties - Guatemala**

In May 2020, the Company signed an agreement whereby it has been 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 “Properties”). 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). An initial US\$1.0 million must be spent on exploration within 12 months of receiving the required drill permits (incurred), including a minimum 3,000 metres of drilling (completed). The Company also made a cash payment of \$100,000 to Radius during the 2020 fiscal year which was recorded as a mineral property acquisition cost. Upon exercise of the Option, the Company will enter into a standard 60/40 joint venture with Radius in order to further develop the properties.

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

The Company and Radius have one common director, namely, Simon Ridgway.

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

For the three months ended March 31, 2023 and 2022

(Expressed in Canadian Dollars)

**7. EXPLORATION EXPENDITURES**

During the periods ended March 31, 2023 and 2022, the Company incurred the following exploration expenditures on the Holly and Banderas properties:

	<b>Three months ended March 31, 2023</b>		
	<b>Holly and Banderas</b>	<b>Regional</b>	<b>Total</b>
Assaying	\$ -	\$ 16,186	\$ 16,186
Community relations	35,625	-	35,625
Environmental	760	132	892
Field expenses	14,718	15,845	30,563
Geological and other consulting	119,536	91,401	210,937
Legal and accounting	25,474	22,044	47,518
Office and administration	19,641	23,071	42,712
Project management	22,357	7,450	29,807
Salaries and benefits	34,497	12,644	47,141
Travel	24,491	14,572	39,063
	297,099	203,345	500,444
Expense recoveries	(7,864)	(1,966)	(9,830)
	<b>\$ 289,235</b>	<b>\$ 201,379</b>	<b>\$ 490,614</b>

	<b>Three months ended March 31, 2022</b>		
	<b>Holly and Banderas</b>	<b>Regional</b>	<b>Total</b>
Assaying	\$ 56,731	\$ 2,402	\$ 59,133
Community relations	33,934	-	33,934
Drilling	102,479	-	102,479
Environmental	703	-	703
Field expenses	68,381	-	68,381
Geological and other consulting	182,461	27,089	209,550
Legal and accounting	20,767	-	20,767
Licenses, permitting and taxes	3,214	-	3,214
Office and administration	56,731	60	56,791
Project management	23,734	-	23,734
Salaries and benefits	48,364	-	48,364
Travel	33,981	-	33,981
	<b>\$ 631,480</b>	<b>\$ 29,551</b>	<b>\$ 661,031</b>

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

For the three months ended March 31, 2023 and 2022

(Expressed in Canadian Dollars)

**8. RELATED PARTY TRANSACTIONS**

The Company had transactions during the periods ended March 31, 2023 and 2022 with related parties consisting of directors, officers and the following companies with common directors:

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

Balances and transactions with related parties not disclosed elsewhere in these condensed consolidated interim financial statements are as follows:

- a) During the periods ended March 31, 2023 and 2022, 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:

	<b>Three months ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
General and administrative expenses:		
Office and administration	\$ 22,482	\$ 14,719
Salaries and benefits	29,199	30,820
Shareholder communications	9,518	3,281
Transfer agent and regulatory fees	-	525
Travel and accommodation	7,978	3,574
	<b>\$ 69,177</b>	<b>\$ 52,919</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 three months ended March 31, 2023 include those for the Chief Financial Officer, Vice President of Corporate Development, and the Corporate Secretary (2022: includes those for the Chief Financial Officer and the Corporate Secretary).

- b) Receivables as of March 31, 2023 include an amount of \$19,699 (December 31, 2022: \$9,556) due from Radius for shared exploration costs.
- c) Prepaid expenses and deposits as of March 31, 2023 include an amount of \$19,147 (December 31, 2022: \$10,973) paid to Gold Group.
- d) Long-term deposits as of March 31, 2023 consists of \$61,000 (December 31, 2022: \$61,000) paid to Gold Group as a deposit pursuant to the Company’s office and administrative services agreement with Gold Group.
- e) Included in accounts payable and accrued liabilities as of March 31, 2023 was \$45,832 (December 31, 2022: \$73,708) owing to Gold Group, \$2,000 (December 31, 2022: \$4,000) owing to Michael Povey, a Director and Chairman of the Company, for consulting fees, and \$11,461 (December 31, 2022: \$Nil) owing to Luc English, the Vice President of Exploration of the Company for consulting fees and expense reimbursement. The amount for Gold Group is due on a monthly basis and secured by a deposit.

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

For the three months ended March 31, 2023 and 2022

(Expressed in Canadian Dollars)

**8. 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 March 31, 2023 and 2022 are the following items paid or accrued to key management personnel and/or companies with common directors.

	<b>Three months ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
General and administrative expenses:		
Consulting and management fees	\$ 18,000	\$ 18,000
Salaries and benefits	11,924	6,500
Share-based payments (value of stock options granted and vested)	42,048	-
Exploration expenditures:		
Geological and other consulting fees	54,118	87,385
	<b>\$ 126,090</b>	<b>\$ 111,885</b>

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

There were no stock option grants issued to non-key management directors during the periods ended March 31, 2023 and 2022.

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

The Company is authorized to issue an unlimited number of common and preferred shares without par value.

As at March 31, 2023, 45,551,210 (December 31, 2022: 45,551,210) common shares and nil preferred shares were issued and outstanding.

There was no share capital activity during the period ended March 31, 2023.

During the period ended March 31, 2022, a total of 7,500 share purchase warrants were exercised at a price of \$0.30 per share for proceeds of \$2,250.

**b) Warrants**

A summary of share purchase warrants activity from January 1, 2022 to March 31, 2023 is as follows:

	<b>Number of warrants</b>	<b>Weighted average exercise price</b>
Balance, December 31, 2021	20,146,134	\$0.95
Exercised during the year	(7,500)	\$0.30
Expired during the year	(3,493,334)	\$3.14
Balance, December 31, 2022	16,645,300	\$0.49
<b>Balance, March 31, 2023</b>	<b>16,645,300</b>	<b>\$0.49</b>

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

For the three months ended March 31, 2023 and 2022

(Expressed in Canadian Dollars)

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

Details of warrants outstanding as of March 31, 2023 are:

<u>Expiry date</u>	<u>Number of warrants</u>	<u>Exercise price</u>
July 26, 2023 <sup>(1)(3)</sup>	8,813,500	\$0.30
April 19, 2024 <sup>(2)(3)</sup>	7,831,800	\$0.70
	<b>16,645,300</b>	

(1) During the 2022 fiscal year, the expiry date for 8,813,500 of these warrants was extended by one year to July 26, 2023, and 1,400,100 warrants expired unexercised.

(2) During the 2022 fiscal year, the expiry date for these warrants was extended by one year to April 20, 2023, and 241,997 warrants expired unexercised. Subsequent to March 31, 2023, the expiry date of the 7,831,800 warrants was extended further by one year to April 19, 2024.

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

**10. 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 March 31, 2023:

<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>		
Oct 7, 2020	Oct 6, 2030	\$0.57	2,300,000	-	-	-	2,300,000	2,300,000
Oct 9, 2020	Oct 8, 2030	\$0.57	325,000	-	-	-	325,000	325,000
Jan 28, 2021	Jan 27, 2031	\$0.57	800,000	-	-	-	800,000	800,000
Jan 10, 2023	Jan 9, 2033	\$0.205	-	225,000	-	-	225,000	225,000
			<b>3,425,000</b>	<b>225,000</b>	<b>-</b>	<b>-</b>	<b>3,650,000</b>	<b>3,650,000</b>
		<u>Weighted average exercise price</u>	<u>\$0.57</u>	<u>\$0.21</u>	<u>-</u>	<u>-</u>	<u>\$0.55</u>	<u>\$0.55</u>

The fair value at grant date of 225,000 options granted during the period ended March 31, 2023 was \$0.19 per option. There were no options granted during the period ended March 31, 2022.

The weighted average remaining contractual life of the options outstanding at March 31, 2023 is 7.73 (December 31, 2022: 7.84) years.

*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.

## **VOLCANIC GOLD MINES INC.**

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#### **10. SHARE-BASED PAYMENTS (cont'd)**

##### *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.

The model inputs for options granted during the period ended March 31, 2023 included a risk-free interest rate of 3.1%, dividend yield of 0%, volatility of 103% and expected life of ten years.

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.

##### **Expenses Arising from Share-based Payment Transactions**

Total expenses arising from stock option grants during the period ended March 31, 2023 and recorded as share-based payments expense was \$42,048. There was no share-based payments expense recorded for the period ended March 31, 2022.

#### **11. SEGMENT INFORMATION**

The Company operates in a single reportable operating segment, being the exploration and evaluation of mineral properties. The mineral property interests and substantially all property and equipment are located in Guatemala and substantially all of the exploration expenditures are incurred in Guatemala. Substantially all of the Company's other assets and expenditures are located and incurred in Canada.

#### **12. 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 large Canadian financial institution in interest bearing accounts. The Company has no investment in asset backed commercial paper.

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**12. FINANCIAL AND CAPITAL RISK MANAGEMENT (cont'd)****Risk management (cont'd)***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 March 31, 2023, 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 March 31, 2023, the Company is exposed to currency risk through the following financial assets and liabilities denominated in currencies other than the Canadian dollar:

As at	March 31, 2023		December 31, 2022	
	US Dollars (CDN equivalent)	Guatemala Quetzal (CDN equivalent)	US Dollars (CDN equivalent)	Guatemala Quetzal (CDN equivalent)
Cash	\$ 40,704	\$ 43,648	\$ 83,085	\$ 50,898
Amounts receivable	-	-	-	994
Accounts payable and accrued liabilities	(141,443)	(4,601)	(127,953)	(8,190)
<b>Net exposure</b>	<b>\$ (100,739)</b>	<b>\$ 39,047</b>	<b>\$ (44,868)</b>	<b>\$ 43,702</b>

Based on the above net exposure as at March 31, 2023, 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 \$6,200 (December 31, 2022: \$100) in the Company's profit or loss, respectively.

## 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.



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

**14. SUPPLEMENTARY CASH FLOW INFORMATION**

No cash was paid for interest or taxes for the periods ended March 31, 2023 and 2022.

There were no significant non-cash investing and financing transactions during the periods ended March 31, 2023 and 2022.