



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

FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2018

**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

In accordance with National Instrument 51-102 of the Canadian Securities Administrators, the Company discloses that its external auditors have not reviewed the unaudited condensed consolidated interim financial statements for the nine months ended September 30, 2018. These financial statements have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company.

VOLCANIC GOLD MINES INC.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION (UNAUDITED)**

(Expressed in Canadian Dollars)

	September 30, 2018	December 31, 2017
ASSETS		
Current		
Cash	\$ 188,027	\$ 1,155,116
Receivables	15,830	9,858
Prepaid expenses and deposits	10,720	66,693
Total current assets	214,577	1,231,667
Non-current		
Long-term deposits (Note 10)	61,000	61,000
Property and equipment (Note 6)	15,765	17,375
Deferred acquisition costs (Note 8)	-	43,569
Mineral properties (Note 8)	-	2,605,605
Total non-current assets	76,765	2,727,549
	\$ 291,342	\$ 3,959,216
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Note 10)	\$ 331,452	\$ 182,991
Total liabilities	331,452	182,991
Shareholders' equity (deficiency)		
Share capital (Note 11)	13,191,847	13,191,847
Other equity reserves (Note 11)	2,143,227	2,143,227
Deficit	(15,210,407)	(12,049,692)
Equity attributed to shareholders of the Company	124,667	3,285,382
Non-controlling interest (Note 7)	(164,777)	490,843
Total shareholders' equity (deficiency)	(40,110)	3,776,225
	\$ 291,342	\$ 3,959,216

Approved and authorized by the Board on November 28, 2018.

 "Michael Iverson" Director
 Michael Iverson

 "Jeremy Crozier" Director
 Jeremy Crozier

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

VOLCANIC GOLD MINES INC.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS (UNAUDITED)**
(Expressed in Canadian Dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Exploration expenditures (Note 9)	\$ 186,109	\$ 594,473	\$ 535,824	\$ 2,592,773
General and administrative expenses				
Consulting and management fees (Note 10)	30,500	76,795	111,500	184,195
Depreciation	1,399	725	4,200	1,451
Investor relations (Note 10)	34,512	114,656	175,396	411,146
Office and administration (Note 10)	21,992	24,680	82,491	76,530
Professional fees (Note 10)	26,626	4,091	36,112	32,643
Regulatory and filing fees (Note 10)	1,076	1,805	12,587	21,607
Salaries and benefits (Note 10)	21,510	22,641	73,048	67,203
Share-based payments (Notes 10 and 12)	-	-	-	1,830,353
Travel (Note 10)	16,956	11,753	68,542	78,643
	154,571	257,146	563,876	2,703,771
Loss before other items	(340,680)	(851,619)	(1,099,700)	(5,296,544)
Other items				
Foreign exchange gain (loss)	1,847	(1,445)	(1,533)	18,301
Recovery on write-off of accounts payable (Note 10)	-	-	-	49,750
Write-off of mineral property costs (Note 8)	(2,671,533)	-	(2,671,533)	-
Write-off of deferred acquisition costs (Note 8)	-	-	(43,569)	-
Loss and comprehensive loss for the period	\$ (3,010,366)	\$ (853,064)	\$ (3,816,335)	\$ (5,228,493)
Loss and comprehensive loss attributable to:				
Equity shareholders of the Company	\$ (2,359,287)	\$ (857,938)	\$ (3,160,715)	\$ (5,115,007)
Non-controlling interest (Note 7)	(651,079)	4,874	(655,620)	(113,486)
	\$ (3,010,366)	\$ (853,064)	\$ (3,816,335)	\$ (5,228,493)
Basic and diluted loss per common share attributable to equity shareholders	\$ (0.05)	\$ (0.02)	\$ (0.07)	\$ (0.12)
Weighted average number of common shares outstanding	45,886,538	45,879,038	45,886,538	41,601,792

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)

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss for the period	\$ (3,010,366)	\$ (853,064)	\$ (3,816,335)	\$ (5,228,493)
Items not affecting cash:				
Recovery on write-off of accounts payable	-	-	-	(49,750)
Write-off of mineral property costs	2,671,533	-	2,671,533	-
Write-off of deferred acquisition costs	-	-	43,569	-
Depreciation	1,399	725	4,200	1,451
Share-based payments	-	-	-	1,830,353
	(337,434)	(852,339)	(1,097,033)	(3,446,439)
Non-cash working capital item changes:				
Amounts receivable	2,666	11,679	(5,972)	(12,941)
Prepaid expenses and deposits	4,446	213,002	55,973	(153,993)
Long-term deposits	-	-	-	(61,000)
Accounts payable and accrued liabilities	107,477	(462,485)	148,461	(9,366)
Net cash used in operating activities	(222,845)	(1,090,143)	(898,571)	(3,683,739)
FINANCING ACTIVITIES				
Proceeds from issuance of common shares	-	-	-	6,117,183
Share issuance costs	-	-	-	(236,831)
Net cash provided by financing activities	-	-	-	5,880,352
INVESTING ACTIVITIES				
Purchase of property and equipment	-	-	(2,590)	(19,350)
Deferred acquisition costs	-	-	-	(736,906)
Mineral property acquisitions	-	-	(65,928)	(193,417)
Net cash used in investing activities	-	-	(68,518)	(949,673)
Change in cash for the period	(222,845)	(1,090,143)	(967,089)	1,246,940
Cash, beginning of period	410,872	2,809,829	1,155,116	472,746
Cash, end of period	\$ 188,027	\$ 1,719,686	\$ 188,027	\$ 1,719,686

Supplemental disclosure with respect to cash flows (Note 16)

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

VOLCANIC GOLD MINES INC.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)***For the nine months ended September 30, 2018 and 2017**(Expressed in Canadian Dollars)*

Equity attributed to shareholders of the Company									
	Number	Amount	Share subscriptions received	Warrants reserve	Share- based payment reserve	Deficit	Total equity attributed to shareholders	Non- controlling interest	Total
Balance, December 31, 2016	14,629,266	\$ 5,408,551	\$ 301,567	\$ -	\$ 104,517	\$ (5,646,340)	\$ 168,295	\$ -	\$ 168,295
Loss for the period	-	-	-	-	-	(5,115,007)	(5,115,007)	(113,486)	(5,228,493)
Shares issued for mineral property acquisition	3,766,372	1,807,859	-	-	-	-	1,807,859	-	1,807,859
Shares issued for private placement	19,166,667	6,000,000	(301,567)	-	-	-	5,698,433	-	5,698,433
Shares issued for finders' fees	241,733	55,599	-	-	-	-	55,599	-	55,599
Share issuance costs	-	(500,787)	-	208,357	-	-	(292,430)	-	(292,430)
Warrants exercised	8,075,000	418,750	-	-	-	-	418,750	-	418,750
Share-based payments	-	-	-	-	1,830,353	-	1,830,353	-	1,830,353
Balance, September 30, 2017	45,879,038	13,189,972	-	208,357	1,934,870	(10,761,347)	4,571,852	(113,486)	4,458,366
Loss for the period	-	-	-	-	-	(1,288,345)	(1,288,345)	-	(1,288,345)
Warrants exercised	7,500	1,875	-	-	-	-	1,875	-	1,875
Acquired in an asset acquisition	-	-	-	-	-	-	-	604,329	604,329
Balance, December 31, 2017	45,886,538	13,191,847	-	208,357	1,934,870	(12,049,692)	3,285,382	490,843	3,776,225
Loss for the period	-	-	-	-	-	(3,160,715)	(3,160,715)	(655,620)	(3,816,335)
Balance, September 30, 2018	45,886,538	\$ 13,191,847	\$ -	\$ 208,357	\$1,934,870	\$ (15,210,407)	\$ 124,667	\$ (164,777)	\$ (40,110)

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)**

(Expressed in Canadian Dollars)

For the nine months ended September 30, 2018 and 2017

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.

The Company’s financial statements and those of its controlled subsidiaries (“condensed consolidated interim financial statements”) are presented in Canadian dollars.

The Company is in the process of exploring and evaluating its resource properties and has not yet determined whether the properties contain ore reserves that are economically recoverable.

These condensed consolidated interim financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from carrying values as shown and these condensed consolidated interim financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. Such adjustments could be material. At September 30, 2018, the Company had not yet achieved profitable operations, has accumulated losses of \$15,210,407 since its inception, and expects to incur further losses in the development of its business. This material uncertainty may cast significant doubt about the Company’s ability to continue as a going concern. The Company’s ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due.

2. BASIS OF PREPARATION**Statement of compliance**

These condensed consolidated interim financial statements are prepared in accordance with International Accounting Standard (“IAS”) 34 *Interim Financial Reporting* under International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”). These condensed consolidated interim financial statements follow the same accounting policies and methods of application as the most recent annual consolidated financial statements of the Company. These condensed consolidated interim financial statements do not contain all of the information required for full annual financial statements. Accordingly, these condensed consolidated interim financial statements should be read in conjunction with the Company’s most recent annual consolidated financial statements, which were prepared in accordance with IFRS as issued by the IASB.

Basis of Measurement

These condensed consolidated interim financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The condensed consolidated interim financial statements are presented in Canadian dollars (“CAD”).

The preparation of condensed consolidated interim financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the condensed consolidated interim financial statements are disclosed in Note 5.

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

(Expressed in Canadian Dollars)

*For the nine months ended September 30, 2018 and 2017***2. BASIS OF PREPARATION (cont'd...)****Basis of Consolidation**

These condensed consolidated interim financial statements include the accounts of the Company and its subsidiaries. A subsidiary is an entity in which the Company has control, directly or indirectly, where control is defined as the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. All material intercompany transactions and balances have been eliminated on consolidation.

Details of the Company's principal subsidiaries as at September 30, 2018 are as follows:

Name	Place of incorporation	Ownership	Principal activity
		%	
Sovereign Mines of Africa Limited	British Virgin Islands	100%	Holding company
Sovereign Mines of Guinea Limited	British Virgin Islands	75%	Holding company
Guiord SA	Republic of Guinea	75%	Exploration company

Foreign Currency Translation

The functional currency is the currency of the primary economic environment in which the entity operations and has been determined for each entity within the Company. The functional currency for all entities within the Company is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in International Accounting Standards ("IAS") 21, *The Effects of Changes in Foreign Exchange Rates*.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the statement of financial position date while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in the statement of loss and comprehensive loss.

3. ADOPTION OF NEW ACCOUNTING STANDARD

On January 1, 2018, the Company adopted IFRS 9 – Financial Instruments ("IFRS 9") which replaced IAS 39 – Financial Instruments: Recognition and Measurement. IFRS 9 provides a revised model for classification and measurement of financial assets, including a new expected credit loss ("ECL") impairment model. The revised model for classifying financial assets results in classification according to their contractual cash flow characteristics and the business models under which they are held. IFRS 9 also introduces a reformed approach to hedge accounting. IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. The standard is effective for annual periods beginning on or after January 1, 2018. IFRS 9 did not have a material impact on the Company's classification and measurement of financial assets and liabilities. The standard also had no impact on the carrying amounts of our financial instruments at the transition date.

VOLCANIC GOLD MINES INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

(Expressed in Canadian Dollars)

For the nine months ended September 30, 2018 and 2017

4. STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET EFFECTIVE

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

IFRS 16 Leases

Issued by IASB January 2016

Effective for annual periods beginning January 1, 2019

Earlier application permitted for entities that also apply IFRS 15 *Revenue from Contracts with Customers*.

This new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. The new standard introduces a single lessee accounting model that requires the recognition of all assets and liabilities arising from a lease.

The new standard supersedes the requirements in IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The Company is in the process of evaluating the impact of IFRS 16 on its Company's consolidated financial statements.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in profit or loss in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

The key areas of judgment applied in the preparation of the condensed consolidated interim financial statements that could result in a material adjustment to the carrying amounts of assets and liabilities are as follows:

- a) The determination of the Company's and its subsidiaries' functional currency are determined based on management's assessment of the economic environment in which the entities operate.
- b) The application of the Company's accounting policy for mineral property expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company.

Assets or cash-generating units are evaluated at each reporting date to determine whether there are any indications of impairment. The Company considers both internal and external sources of information when making the assessment of whether there are indications of impairment for the Company's mineral property assets.

In respect of costs incurred for its investment in mineral property assets, management has determined there are indicators of impairment. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefit, including geologic and metallurgic information, economics assessment/studies, accessible facilities and existing permits.

- c) Although the Company has taken steps to 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.
- d) 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.

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

(Expressed in Canadian Dollars)

*For the nine months ended September 30, 2018 and 2017***5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (cont'd...)**

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) Share-based payments are subject to estimation of the value of the award at the date of grant using pricing models such as the Black-Scholes option valuation model. The option valuation model requires the input of highly subjective assumptions including the expected stock price volatility. Because the Company's stock options have characteristics significantly different from those of traded options and because the subjective input assumptions can materially affect the calculated fair value, such value is subject to measurement uncertainty.

6. PROPERTY AND EQUIPMENT

	Computer equipment	Field equipment	Total
Cost			
Balance, December 31, 2016	\$ -	\$ -	\$ -
Additions	9,038	10,312	19,350
Balance, December 31, 2017	9,038	10,312	19,350
Additions	2,590	-	2,590
Balance, September 30, 2018	\$ 11,628	\$ 10,312	\$ 21,940
Accumulated amortization			
Balance, December 31, 2016	\$ -	\$ -	\$ -
Charge for period	1,202	773	1,975
Balance, December 31, 2017	1,202	773	1,975
Charge for period	2,054	2,146	4,200
Balance, September 30, 2018	\$ 3,256	\$ 2,919	\$ 6,175
Carrying amounts			
At December 31, 2017	\$ 7,836	\$ 9,539	\$ 17,375
At September 30, 2018	\$ 8,372	\$ 7,393	\$ 15,765

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

(Expressed in Canadian Dollars)

*For the nine months ended September 30, 2018 and 2017***7. NON-CONTROLLING INTEREST**

Non-controlling interests (“NCI”s) in the net assets of consolidated subsidiaries are identified separately from the Company’s equity therein. Total comprehensive loss of the Company’s subsidiary is attributed to the equity holders of the Company and to the non-controlling interests even if this results in the non-controlling interest having a deficit balance. For the period ended September 30, 2018, 25% of the net assets of the Company’s consolidated subsidiaries, Sovereign Mines of Guinea Limited and Guiord SA (“Guiord”), which holds the Mandiana mineral property, were attributable to its non-controlling interest. The value of the NCI at September 30, 2018 was a deficiency of \$164,777 (December 31, 2017: value of \$490,843) after accounting for losses allocated to NCI during the nine month period ended September 30, 2018 of \$655,620.

The Company adjusts the non-controlling interest by attributing a proportionate amount of the subsidiaries net identifiable assets. The Company also adjusts other comprehensive loss to reflect the new ownership interest. These adjustments are also recognized in equity.

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

	Nine months ended September 30,	
	2018	2017
Exploration expenses	\$ (11,319)	\$ (478,818)
Amortization	(2,575)	(928)
Foreign exchange gain (loss)	(2,981)	25,803
Write-down of mineral property interest	(2,605,605)	-
Loss after tax	\$ (2,622,480)	\$ (453,943)
Total loss and comprehensive loss allocated to NCI	\$ (655,620)	\$ (113,486)
Dividends paid to NCI	\$ -	\$ -
Cash flows from operating activities	\$ (14,300)	\$ (453,015)
Net cash outflows	\$ (14,300)	\$ (453,015)
As at	September 30, 2018	December 31, 2017
Current assets	\$ 2,655	\$ 3,087
Non-current assets	8,869	2,617,049
	11,524	2,620,136
Non-current liabilities	(670,633)	(656,764)
Net assets	\$ (659,109)	\$ 1,963,372
Accumulated non-controlling interests	\$ (164,777)	\$ 490,843

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

(Expressed in Canadian Dollars)

*For the nine months ended September 30, 2018 and 2017***8. MINERAL PROPERTIES**

The Company has capitalized the following acquisition costs of its mineral property interests during the period from January 1, 2017 to September 30, 2018:

	Guinea Mandiana	Ivory Coast La Debo	Total
Balance, December 31, 2016	\$ -	\$ -	\$ -
Acquisition costs	2,605,605	-	2,605,605
Balance, December 31, 2017	2,605,605	-	2,605,605
Acquisition costs	-	65,928	65,928
Write-down of acquisition costs	(2,605,605)	(65,928)	(2,671,533)
Balance, September 30, 2018	\$ -	\$ -	\$ -

Details of the Company's mineral property interests are disclosed in full in the consolidated financial statements for the year ended December 31, 2017. Significant exploration and evaluation asset transactions that have occurred since December 31, 2017 are as follows:

Mandiana Project - Guinea

In January 2017, the Company acquired all of the outstanding share capital of Sovereign Mines of Africa Limited which, through its holdings in Guiord, owns an indirect 75% interest in a series of exploration licences located in Guinea commonly referred to as the Mandiana Project. The remaining 25% indirect interest in the Mandiana Project is held by SOGUIPAMI, a Guinea government-owned business entity which conducts exploration of mineral projects in Guinea. The 25% interest held by SOGUIPAMI is accounted for as a non-controlling interest (Note 7).

All but one of the exploration licences comprising Guiord's landholding at Mandiana were in good standing until October 2018. The licence covering the northern portion of the Mandiana Project, in which the mineral resource occurs, had an expiry date of March 30, 2018. The Company submitted a two-year renewal application in advance of the expiry date, but the renewal process with the mining authority has been hindered by a lack of administrative clarity and a high degree of uncertainty on the part of the Guinea authorities. With no improvement expected in dealing with the Guinea mining authority, the Company decided subsequent to September 30, 2018 to discontinue operations in Guinea. Acquisition costs for the Mandiana Project totalling \$2,605,605 were written off and charged to operations for the period ended September 30, 2018.

La Debo and Soubre Properties - Ivory Coast

During the period ended September 30, 2018, the Company entered into a binding and exclusive Memorandum of Understanding (the "MOU") to acquire up to 100% of JOFEMA Mineral Resources SARL ("JOFEMA"), a private company registered in the Ivory Coast. The assets of JOFEMA under option consisted of exploration permits and exploration permit renewals known as La Debo and Soubre (the "Properties"). Proceeding with the acquisition was subject to the execution of a Definitive Agreement and renewal of the mineral tenures that collectively comprise the Properties. Subsequent to September 30, 2018, based on the results of the Company's due diligence procedures, the Company decided to terminate the MOU. Acquisition costs for the Properties totalling \$65,928 were written off and charged to operations for the period ended September 30, 2018.

Seimana Project - Guinea

During the year ended December 31, 2017, the Company entered into a binding and exclusive Memorandum of Understanding (the "MOU") to acquire up to a 100% interest in the Seimana Project in Guinea. The Seimana Project is comprised of four exploration permits, which together adjoin the Mandiana Project. Based on the results of the Company's due diligence procedures, the Company determined in July 2018 to terminate the MOU and write off deferred acquisition costs totalling \$43,569 during the period ended September 30, 2018.

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

(Expressed in Canadian Dollars)

*For the nine months ended September 30, 2018 and 2017***9. EXPLORATION EXPENDITURES**

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

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

During the nine month period ended September 30, 2017, the Company incurred the following exploration expenditures:

	Guinea				Total
	Mandiana	WAMA	Seimana	Other	
Assaying	\$ 52,869	\$ 44,153	\$ -	\$ -	\$ 97,022
Drilling	759,540	490,899	-	-	1,250,439
Field expenses	245,654	57,023	9,142	-	311,819
Geophysics	116,287	-	-	-	116,287
Geological and other consulting	282,105	43,443	15,636	15,442	356,626
Licenses, permitting and taxes	42,627	-	-	-	42,627
Office and administration	37,032	355	-	20,471	57,858
Project management	62,400	31,500	9,000	-	102,900
Salaries and benefits	101,137	-	-	-	101,137
Travel	124,546	30,195	-	1,317	156,058
	\$ 1,824,197	\$ 697,568	\$ 33,778	\$ 37,230	\$ 2,592,773

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

(Expressed in Canadian Dollars)

*For the nine months ended September 30, 2018 and 2017***10. RELATED PARTY TRANSACTIONS**

The Company had transactions during the periods ended September 30, 2018 and 2017 with related parties consisting of directors, officers and the following companies with common directors:

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

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

- a) During the periods ended September 30, 2018 and 2017, the Company reimbursed Gold Group, a private company controlled by a director of the company, for the following costs:

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
General and administrative expenses:				
Office and administration	\$ 15,725	\$ 17,866	\$ 54,314	\$ 50,069
Salaries and benefits	21,510	22,641	69,235	63,468
Investor relations	-	266	1,515	2,420
Transfer agent and regulatory fees	-	522	3,392	7,949
Travel and accommodation	3,962	1,386	13,467	27,804
	\$ 41,197	\$ 42,681	\$ 141,923	\$ 151,710

Gold Group is reimbursed by the Company for certain shared costs and other business related expenses paid by Gold Group on behalf of the Company. Salaries and benefits for the periods ended September 30, 2018 and 2017 include those for the Chief Financial Officer and the Corporate Secretary.

- b) During the period ended September 30, 2018, the Company reimbursed Radius, a company with a common director, \$Nil (2017: \$55,051) for personnel, investor relations and travel costs incurred on the Company's behalf.
- c) During the period ended September 30, 2017, an amount of \$49,750 owing to a director for past services was waived by the director and written off by the Company.
- d) Long-term deposits as of September 30, 2018 consists of \$61,000 (December 31, 2017: \$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 September 30, 2018 was \$43,868 (December 31, 2017: \$18,411) owing to Gold Group and \$174,117 (December 31, 2017: \$76,197) owing to directors and officers of the Company. The amount for Gold Group is due on a monthly basis and secured by a deposit. The amounts owing to directors and officers are unsecured, interest-free and have no specific terms of repayment.

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

(Expressed in Canadian Dollars)

*For the nine months ended September 30, 2018 and 2017***10. RELATED PARTY TRANSACTIONS (cont'd...)**

The Company has identified certain of its directors and senior officers as its key management personnel. Included for the periods ended September 30, 2018 and 2017 are the following items paid or accrued to key management personnel and/or companies with common directors.

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
General and administrative expenses:				
Consulting and management fees	\$ 30,500	\$ 40,500	\$ 111,500	\$ 122,700
Salaries and benefits	7,333	6,875	21,542	16,959
Professional fees - accounting	-	-	-	5,000
Share-based compensation (value of stock option grants)	-	-	-	1,034,838
Exploration expenditures:				
Project management	36,000	36,000	108,000	102,900
	\$ 73,833	\$ 83,375	\$ 241,042	\$ 1,282,397

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

The value of stock option grants recorded as share-based compensation made to directors not specified as key management personnel during the period ended September 30, 2018 was \$Nil (2017: \$134,979).

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

During the period ended September 30, 2018, there was no share capital activity.

b) Warrants

A summary of share purchase warrants activity from January 1, 2017 to September 30, 2018 is as follows:

	Number of warrants	Weighted average exercise price
Balance, December 31, 2016	10,000,000	\$0.05
Issued on private placement	16,719,709	\$0.68
Exercised during the year	(8,082,500)	\$0.05
Balance, December 31, 2017	18,637,209	\$0.05
Expired during the period	(3,678,534)	\$0.25
Balance, September 30, 2018	14,958,675	\$0.70

Details of warrants outstanding as of September 30, 2018 are:

Expiry date	Number of warrants	Exercise price
January 17, 2019 ⁽¹⁾	2,000,000	\$0.05
March 8, 2022	12,958,675	\$0.80
	14,958,675	

⁽¹⁾ In 2016, the Company extended the expiry date from January 17, 2017 to January 17, 2019

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

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*For the nine months ended September 30, 2018 and 2017***12. SHARE-BASED PAYMENTS****Option Plan Details**

The Company has a stock option plan whereby options may be granted to directors, employees, consultants and certain other service providers to encourage ownership of the Company's common shares. The Company may grant options for up to 10% of the issued and outstanding common shares. The term of any option granted under the plan may not exceed 10 years. The vesting periods for all options granted pursuant to the plan will be determined at the discretion of the Board of Directors at the time of the grant. The number of options granted to any one person may not exceed 5% of the outstanding listed common shares in a 12 month period.

The following is a summary of stock option activity during the period ended September 30, 2018:

Grant date	Expiry date	Exercise price	Opening balance	During the period		Forfeited / cancelled	Closing balance	Vested and exercisable
				Granted	Exercised			
March 15, 2017	March 14, 2027	\$0.60	3,850,000	-	-	(250,000)	3,600,000	3,600,000
June 27, 2017	June 26, 2027	\$0.60	225,000	-	-	-	225,000	225,000
			4,075,000	-	-	(250,000)	3,825,000	3,825,000
Weighted average exercise price			\$0.60	-	-	\$0.60	\$0.60	\$0.60

The weighted average remaining contractual life of the options outstanding at September 30, 2018 is 8.47 years.

Fair Value of Options Issued*Options Issued to Employees*

The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date, the expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

Options Issued to Non-Employees

Options issued to non-employees are measured based on the fair value of the goods or services received, at the date of receiving those goods or services. If the fair value of the goods or services received cannot be estimated reliably, the options are measured by determining the fair value of the options granted using the Black-Scholes option pricing model.

There were no options granted during the period ended September 30, 2018. The weighted average fair value at grant date of options granted during the period ended September 30, 2017 was \$0.45 per option. The model inputs for options granted during the period ended September 30, 2017 included a risk-free interest rate of 1.21%, dividend yield of 0%, volatility of 108% and expected life of five 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 September 30, 2018 and recorded as share-based compensation expense was \$Nil (2017: \$1,830,353).

Amounts Capitalized Arising from Share-based Payment Transactions

Share-based payment transactions that were capitalized as part of mineral property assets during the period ended September 30, 2018 totaled \$Nil (2017: \$1,807,859).

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

(Expressed in Canadian Dollars)

*For the nine months ended September 30, 2018 and 2017***13. SEGMENT INFORMATION**

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

Details of identifiable assets by geographic segments are as follows:

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

Nine months ended September 30, 2017	Canada	Guinea	Consolidated
Exploration expenditures	\$ -	\$ 2,592,773	\$ 2,592,773
Net loss	(2,660,595)	(2,567,898)	(5,228,493)
Capital expenditures*	6,978	2,750,554	2,757,532

*Capital expenditures consists of additions of property and equipment, mineral property acquisition costs, and deferred acquisition costs

As at September 30, 2018	Canada	Guinea	Consolidated
Total current assets	\$ 211,922	\$ 2,655	\$ 214,577
Total non-current assets	67,896	8,869	76,765
Total assets	\$ 279,818	\$ 11,524	\$ 291,342
Total liabilities	\$ 331,452	\$ -	\$ 331,452

As at December 31, 2017	Canada	Guinea	Consolidated
Total current assets	\$ 1,228,580	\$ 3,087	\$ 1,231,667
Total non-current assets	66,931	2,660,618	2,727,549
Total assets	\$ 1,295,511	\$ 2,663,705	\$ 3,959,216
Total liabilities	\$ 182,991	\$ -	\$ 182,991

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

(Expressed in Canadian Dollars)

For the nine months ended September 30, 2018 and 2017

14. FINANCIAL AND CAPITAL RISK MANAGEMENT

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

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

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

Risk management

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

Credit risk

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

The Company's cash is held at large Canadian financial institution in interest bearing accounts. The Company has no investment in asset backed commercial paper.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company manages liquidity risk through its capital management as outlined below. Accounts payable and accrued liabilities are due within one year.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

a) Interest rate risk

The Company's exposure to interest rate risk arises from the interest rate impact on cash. The Company's practice has been to invest cash at floating rates of interest, in order to maintain liquidity, while achieving a satisfactory return for shareholders. There is minimal risk that the Company would recognize any loss as a result of a decrease in the fair value of any guaranteed bank investment certificates included in cash as they are generally held with large financial institutions. As at September 30, 2018, 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 the Republic of Guinea. A substantial portion of the Company's expenses are incurred in US dollars. A significant change in the currency exchange rate between the Canadian dollar relative to the US dollar could have an effect on the Company's results of operations, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations. As at September 30, 2018, the Company is exposed to currency risk through the following financial assets and liabilities denominated in currencies other than the Canadian dollar:

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

(Expressed in Canadian Dollars)

*For the nine months ended September 30, 2018 and 2017***14. FINANCIAL AND CAPITAL RISK MANAGEMENT (cont'd...)**

As at	September 30, 2018		December 31, 2017	
	US Dollars (CDN equivalent)	Guinea Franc (CDN equivalent)	US Dollars (CDN equivalent)	Guinea Franc (CDN equivalent)
Cash	\$ 6,318	\$ -	\$ 20,134	\$ -
Amounts receivable	-	2,655	-	2,638
Accounts payable and accrued liabilities	(108,505)	-	(56,997)	-
Net exposure	\$ (102,187)	\$ 2,655	\$ (36,863)	\$ 2,638

Based on the above net exposure as at September 30, 2018, 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 \$10,000 in the Company's net loss and comprehensive loss for the period ended September 30, 2018 (December 31, 2017: \$3,400).

c) Price risk

The Company is exposed to price risk with respect to commodity prices, particularly gold. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

15. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue acquisition, exploration and development of mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes its components of shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash.

The Company currently is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management.

The Company does not expect its capital resources as of September 30, 2018 to be sufficient to cover its corporate operating costs and carry out planned exploration activities for the next twelve months. As such, the Company will seek to raise additional capital and believes it will be able to do so, but recognizes the uncertainty attached thereto.

16. SUPPLEMENTARY CASH FLOW INFORMATION

No cash was paid for interest or taxes for the periods ended September 30, 2018 and 2017.

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

During the period ended September 30, 2017, significant non-cash investing and financing transactions included 3,766,372 common shares with a fair value of \$1,807,859 issued for the purchase of the Mandiana Project and 241,733 common shares with a fair value of \$55,599 issued for private placement finders' fees.