No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities.

*The securities offered under this short form prospectus have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**"), or any state securities laws. Accordingly, the securities offered hereby may not be offered, sold or delivered, directly or indirectly, within the United States of America, its territories and possessions, any state of the United States or the District of Columbia (the "**United States**") except in transactions exempt from registration under the U.S. Securities Act or any applicable state securities laws. This short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby within the United States. See "Plan of Distribution".*

***Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada**. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Corporate Secretary of Volcanic Gold Mines Inc.. at 200 Burrard Street, Suite 650 Vancouver, British Columbia V6C 3L6, telephone: (604) 801-5432 and are also available electronically on the Company's SEDAR profile located at www.sedar.com.*

NEW ISSUE **SHORT FORM PROSPECTUS** OCTOBER 15, 2020

Volcanic Gold Mines Inc.

$6,000,500
10,910,000 Units

Volcanic Gold Mines Inc. ("**Volcanic**" or the "**Company**") hereby qualifies for distribution in British Columbia, Alberta, Saskatchewan and Ontario an aggregate of 10,910,000 units (the "**Units**") for sale to the public at a price of $0.55 per Unit (the "**Offering Price**") for aggregate gross proceeds of the Company of $6,000,500 (the "**Offering**"). The Units are being sold pursuant to an underwriting agreement dated October 2, 2020 (the "**Underwriting Agreement**") among the Company, Haywood Securities Inc. (the "**Lead Underwriter**"), and Canaccord Genuity Corp. (together with the Lead Underwriter, the "**Underwriters**").

Each Unit is comprised of one common share of the Company (each, a "**Unit Share**") and one-half of one common share purchase warrant of the Company (each whole common share purchase warrant, a "**Warrant**"). Each Warrant is exercisable into one common share of the Company (each, a "**Warrant Share**") at an exercise price of $0.70 per Warrant Share at any time prior to 5:00 p.m. (Vancouver time) on the date that is 18 months following the closing of the Offering (the "**Warrant Expiry Date**"), subject to adjustment in certain events. The Warrants will be governed by a warrant indenture to be entered into on the Closing Date (as defined herein) between the Company and Computershare Trust Company of Canada, as warrant agent. The Units will immediately separate into Unit Shares and Warrants upon issuance. See "*Description of Securities Being Distributed*".

The outstanding common shares of the Company (the "**Common Shares**") are listed and posted for trading on the TSX Venture Exchange (the "**TSX-V**") under the symbol "VG". On September 25, 2020, the last full trading day prior to the announcement of the Offering the closing price of the Common shares on the TSX-V was $0.66. On October 14, 2020, the last day prior to filing this short form prospectus, the closing price of the Common Shares on the TSX-V was $0.60**.** The Company has applied to the TSX-V for the listing of the Unit Shares, the Warrant Shares, the Compensation Shares (as defined herein) and the Compensation Warrant Shares (as defined herein). The listing of the Unit Shares, the Warrant Shares, the Compensation Shares and the Compensation Warrant Shares will be subject to the Company fulfilling the listing requirements of the TSX-V.

Price: $0.55 per Unit

	Price to the Public	Underwriting Commission[(1)]	Net Proceeds to the Company[(2)]
Per Unit.....	$0.55	$0.03	$0.52
Total[(3)].....	$6,000,500	$330,030	$5,670,470

Notes:

(1) Pursuant to the Underwriting Agreement, the Company has agreed to pay the Underwriters a cash commission equal: (i) to 6% of the gross proceeds of the Offering (the "**Underwriters' Commission**"), including proceeds realized from the sale of any Units issued pursuant to the exercise of the Over-Allotment Option (as defined herein), other than the gross proceeds raised from the sales of the Units to "President List" purchasers in the amount of up to $1,000,000 (such sales the "**President's List Sales**") and (ii) 3% of the gross proceeds raised from the President's List Sales. In addition to the Underwriters' Commission the Company will issue to the Underwriters compensation options (the "**Compensation Options**") exercisable at any time prior to 5:00 p.m. (Vancouver time) on the date that is 24 months after the Closing Date at $0.55 per Compensation Option to purchase such number of units (the "**Compensation Units**") as is equal to 6% (3% in the case of President's List Sales) of the aggregate number of Units issued pursuant to the Offering, being up to 654,600 Compensation Units. Each Compensation Unit is comprised of one common share of the Company (each, a "**Compensation Share**") and one-half of one common share purchase warrant of the Company (each whole common share purchase warrant, a "**Compensation Warrant**") with each Compensation Warrant exercisable into one Common Share of the Company (each, a "**Compensation Warrant Share**") at any time prior to 5:00 p.m. (Vancouver time) on the date that is 24 months after the Closing Date at a price of $0.70 per Compensation Warrant Share, subject to adjustment in certain events. This short form prospectus also qualifies the distribution of the Compensation Options. See "*Plan of Distribution*".

(2) After deducting the Underwriters' Commission, but before deducting expenses related to the Offering estimated at $200,000 which will be paid from the proceeds of the Offering, the net proceeds to the Company will be $5,670,470 (prior to giving effect to the exercise of the Over-Allotment Option and assuming President's List Sales of $1,000,000). See "*Use of Proceeds*".

(3) The Company has granted to the Underwriters an option (the "**Over-Allotment Option**"), exercisable in whole or in part in the sole discretion of the Underwriters at any time until the 48 hours prior to the Closing Date (as defined herein), to purchase up to an additional 1,636,500 Units (the "**Over-Allotment Units**") at a price of $0.55 per Over Allotment Unit to cover over allotments, if any. If the Over Allotment Option is exercised in full, the total "Price to the Public", the "Underwriters' Commission" and the "Net Proceeds to the Company" (before deducting expenses of the Offering and assuming President's List Sales of $1,000,000) will be $6,900,575, $384,034.50 and $6,516,540.50 respectively.

The following table sets forth the number of securities that may be issued by the Company to the Underwriters on exercise of the Compensation Options.

Underwriters' Position	Maximum Size or Number of Securities Available	Exercise Period	Exercise Price
Compensation Options	Up to 654,600 Compensation Units	Exercisable for a period of 2-years following the Closing Date	$0.55 per Compensation Unit

This short form prospectus also qualifies the grant of the Over-Allotment Option and the distribution of the Over-Allotment Units upon exercise of the Over-Allotment Option. See "*Plan of Distribution*".

The following table sets out the number of Over-Allotment Units that may be issued by the Company to the Underwriters pursuant to the Over-Allotment Option:

Underwriters' Position	Maximum Size	Exercise Period	Exercise Price
Over-Allotment Option	1,636,500 Over-Allotment Units	Up to 48 hours prior to the Closing Date	$0.55 per Over-Allotment Unit

Silvercorp Metals Inc. ("**Silvercorp**") holds indirectly 19.9% of the issued and outstanding Common Shares as of the date of this short form prospectus, on a non-diluted basis. Silvercorp has the right to maintain its pro rata ownership of the Company in connection with the Offering. The Company expects Silvercorp or an affiliate thereof will subscribe for, by way of a non-brokered private placement (expected to close concurrently with the Offering) (the "**Concurrent Private Placement**"), such number of Units that results in Silvercorp, directly or indirectly, holding 19.9% of the Common Shares on a non-diluted basis following closing of the Offering and the Concurrent Private Placement. Closing of the Concurrent Private Placement is subject to TSX-V approval. The closing of the Offering is not conditional upon the completion of the Concurrent Private Placement.

The Underwriters, as principals, conditionally offer the Units, subject to prior sale, if, as and when issued by the Company and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under "Plan of Distribution" and subject to approval of certain legal matters relating to the Offering by Blake, Cassels & Graydon LLP, on behalf of the Company, and by Miller Thomson LLP, on behalf of the Underwriters.

Subscriptions for Units will be received subject to rejection or allotment in whole or in part and the Underwriters reserve the right to close the subscription books at any time without notice. **The Underwriters may decrease the price at which the Units are distributed from the Offering Price. See "*Plan of Distribution*".**

It is expected that the closing of the Offering will take place on or about October 20, 2020 or such other date as may be agreed upon by the Company and the Lead Underwriter (the "**Closing Date**"), but in any event no later than 42 days after the date of the final receipt for this short form prospectus.

Except in limited circumstances including, but not limited to, certain securities offered or sold to purchasers in the United States or who are U.S. Persons, global certificates or an instant deposit through the noncertificated inventory system representing the Unit Shares and Warrants comprising the Units will be issued and deposited with CDS Clearing and Depository Services Inc. ("**CDS**"). Except as set forth herein, a subscriber who purchases Units will receive only a customer confirmation from the registered dealer who is a CDS participant (a "**CDS Participant**") from or through whom Units are purchased. CDS will record the CDS participants who hold the Unit Shares and Warrants on behalf of owners who have purchased or transferred Unit Shares or Warrants in accordance with the book entry only system of CDS. Physical certificates evidencing Unit Shares and Warrants will not be issued except in limited circumstance and unless a request for a certificate is made to the Company.

The Company has applied to the TSX-V for the listing of the Unit Shares, the Warrant Shares, the Compensation Shares and the Compensation Warrant Shares. The listing of the Unit Shares, the Warrant Shares, the Compensation Shares and the Compensation Warrant Shares will be subject to the Company fulfilling the listing requirements of the TSX-V. **The Warrants are transferable but will not be listed for trading on any exchange and as a result, there is no market through which the Warrants may be sold and purchasers may not be able to resell the Warrants purchased under this short form prospectus. This may affect the pricing of the Warrants in the secondary market, the transparency and availability of trading and the liquidity of the Warrants**. See "*Risk Factors*".

Volcanic's head office is located at 200 Burrard Street, Suite 650 Vancouver, British Columbia V6C 3L6, Canada and our registered office is located at 200 Burrard Street, Suite 650 Vancouver, British Columbia V6C 3L6, Canada.

Michael Povey, Charles Straw and Robert Schafer, directors of the Company, reside outside of Canada and have appointed the Company at its Vancouver head office address as their agent for services for process in Canada. Bruce A. Smith, MAIG, an author of the Technical Report (as defined herein), resides in New Zealand. Purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person or company that is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or resides outside of Canada, even if the party has appointed an agent for service of process.

Prospective investors should rely only on the information contained in or incorporated by reference into this short form prospectus. Neither the Company nor the Underwriters has authorized anyone to provide prospective investors with different information. Information contained on the Company's website shall not be deemed to be a part of this short form prospectus or incorporated by reference herein and should not be relied upon by prospective investors for the purpose of determining whether to invest in the Units. Neither the Company nor the Underwriters are making an offer of the Units in any jurisdiction where the offer or sale is not permitted. The Company's business, operating results, financial condition and prospects may have changed since the date of this short form prospectus.

An investment in Volcanic's securities is highly speculative and involves significant risks that should be carefully considered by prospective investors. The risks outlined in this short form prospectus and in the documents incorporated herein by reference should be carefully reviewed and considered by prospective investors. See "*Risk Factors*" and "*Cautionary Statements Regarding Forward-Looking Statements*".

Prospective investors are advised to consult their own tax advisors regarding the application of Canadian federal income tax laws to their particular circumstances, as well as any other provincial, territorial, local, foreign and other tax consequences of acquiring, holding or disposing of the Units, including the Canadian federal income tax consequences applicable to a foreign controlled Canadian corporation that acquires the Units.

All dollar amounts in this short form prospectus refer to Canadian dollars, unless otherwise indicated. See "*Currency and Exchange Rate Information*".

NEITHER THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE "SEC") NOR ANY STATE OR CANADIAN SECURITIES REGULATOR HAS APPROVED OR DISAPPROVED OF THE SECURITIES OFFERED HEREBY, PASSED UPON THE ACCURACY OR ADEQUACY OF THIS SHORT FORM PROSPECTUS OR DETERMINED IF THIS SHORT FORM PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE.

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ABOUT THIS PROSPECTUS

Prospective investors should rely only on the information contained in or incorporated by reference into this short form prospectus. Neither the Company nor the Underwriters has authorized anyone to provide prospective investors with different information. Information contained on the Company's website shall not be deemed to be a part of this short form prospectus or incorporated by reference herein and should not be relied upon by prospective investors for the purpose of determining whether to invest in the Units. Neither the Company nor the Underwriters are making an offer of the Units in any jurisdiction where the offer or sale is not permitted. Prospective investors should assume that the information appearing in this short form prospectus is accurate only as of the date on the front of this short form prospectus, or the date of any documents incorporated by reference herein. The Company's business, operating results, financial condition and prospects may have changed since the date of this short form prospectus.

Market data and certain industry forecasts used in this short form prospectus and the documents incorporated by reference herein were obtained from market research, publicly available information and industry publications. We believe that these sources are generally reliable, but the accuracy and completeness of this information is not guaranteed. We have not independently verified such information, and we do not make any representation as to the accuracy of such information.

The Company's annual consolidated financial statements that are incorporated by reference into this short form prospectus have been prepared in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board ("**IFRS**").

In this short form prospectus, unless the context otherwise requires, references to "we", "us", "our" or similar terms, as well as references to "Volcanic" or the "Company", refer to Volcanic Gold Mines Inc. together with our subsidiaries.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this short from prospectus and any documents incorporated by reference into this short form prospectus constitute forward-looking information within the meaning of applicable Canadian securities legislation (collectively, "**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 short form prospectus include, without limitation, statements relating to:

- the Holly-Banderas Project (as defined herein) and the Company's planned and future exploration on the Holly-Banderas Project or other mineral properties;
- the Option Agreement (as defined herein);
- the use of proceeds from the Concurrent Private Placement and the Offering;
- the Company's goals regarding exploration and development of its projects, and regarding raising capital and conducting further exploration and developments of its properties;
- the Company's future business plans;
- expectations generally regarding the ability to raise further capital for corporate purposes;
- the future prices of gold and other metals;
- expectations regarding any environmental issues that may affect planned or future exploration and development programs and the potential impact of complying with existing and proposed environmental laws and regulations;
- the ability to obtain, and/or maintain any required permits, licenses or other necessary approvals for the exploration or development of the Holly-Banderas Project and other mineral properties;
- government regulation of mineral exploration and development operations in Guatemala;
- the Company's expected reliance on key management personnel, advisors and consultants;
- the volatility of global financial markets; and
- the volatility of the novel coronavirus ("**COVID-19**") outbreak as a global pandemic.

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:

- the Company is an exploration stage company;
- the Company has an optioned interest only in its material mineral property;
- future acquisitions and joint ventures;
- mineral exploration and development;
- competition and mineral exploration;
- additional funding;
- acquisition of additional mineral properties;
- government or regulatory approvals;
- title risks;
- laws and regulations;
- geopolitical risks in Guatemala;
- environmental risks;
- social and environmental activism;
- dependence on management and key personnel;
- global economy risks;
- currency risks;
- claims and legal proceedings;
- conflicts of interest;
- mineral prices;
- negative cash flow from operating activities;
- going concern risk;
- acquisitions;
- infrastructure;
- COVID-19 pandemic;
- force majeure;
- all of the Company’s material mineral assets are located outside of Canada;
- adverse climate risks;
- material contract obligations;
- price volatility of publicly traded securities;
- dilution;
- securities or industry analysts;
- the Company has never paid, and does not currently anticipate paying, dividends;
- U.S. or foreign investors may find it difficult to enforce U.S. or foreign judgments against the Company;

- the Warrants not being listed on any exchange;
- discretion in the use of proceeds;
- positive return in an investment in the Units is not guaranteed; and
- potential creation of control person.

as well as those factors referred to in the "Risk Factors" section in this short form prospectus and the documents incorporated by reference.

Forward-looking Statements contained in this short form prospectus and any documents incorporated by reference are based on the assumptions, beliefs, expectations and opinions of management, including but not limited to:

- the ability to raise any necessary additional capital on reasonable terms to advance exploration and development of the Holly-Banderas Project and exploration and assessment of the Additional Guatemala Properties (as defined herein);
- future prices of gold, silver and other minerals;
- the timing and results of exploration and drilling programs;
- the demand for, and stable or improving price of gold, silver or other minerals;
- general business and economic conditions will not change in a material adverse manner;
- the Company's ability to procure equipment and operating supplies in sufficient quantities and on a timely basis;
- the geology of the Holly-Banderas Project as described in the Technical Report (as defined herein);
- the accuracy of budgeted exploration and development costs and expenditures;
- future currency exchange rates and interest rates;
- operating conditions being favourable such that the Company is able to operate in a safe, efficient and effective manner;
- the Company's ability to attract and retain skilled personnel and directors;
- political and regulatory stability;
- the receipt of governmental, regulatory and third-party approvals, licenses and permits on favourable terms;
- obtaining required renewals for existing approvals, licenses and permits on favourable terms;
- requirements under applicable laws;
- sustained labour stability; stability in financial and capital goods markets; and
- availability of equipment.

Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. These forward-looking statements are made as of the date of this short form prospectus. 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, readers are cautioned not to place undue reliance on forward-looking statements, including, without limitation, those referred to in this short form prospectus under the heading "*Risk Factors*" and in the Company's AIF (as defined herein). Accordingly, readers and investors should not place undue reliance on forward-looking statements. The Company does not intend to update forward-looking statements, except as required by law.

SCIENTIFIC AND TECHNICAL INFORMATION

The scientific and technical information relating to the Holly-Banderas Project set forth in this Prospectus has been derived from or is based on the technical report entitled "NI 43-101 Technical Report on the Holly-Banderas Gold-Silver Project, Southeastern Guatemala" dated effective August 21, 2020, as amended on October 9, 2020 (the "**Technical Report**") prepared by Greg F. Smith, P.Geo. and Bruce A. Smith, MAIG. The Technical Report has been filed with applicable Canadian securities regulatory authorities and is available for review under the Company's profile on SEDAR at www.sedar.com.Bruce Smith, MAIG, a

qualified person, as defined under National Instrument 43-101 - Standards of Disclosure for Mineral Projects ("**NI 43-101**"), has reviewed and approved the scientific and technical disclosure contained in this Prospectus.

CAUTIONARY NOTE REGARDING MINERAL RESERVE AND MINERAL RESOURCE ESTIMATES

Unless otherwise indicated, all mineral reserve and mineral resource estimates included in this short form prospectus and the documents incorporated by reference herein have been prepared in accordance with National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* ("**NI 43-101**") and the Canadian Institute of Mining, Metallurgy and Petroleum (the "**CIM**") – CIM Definition Standards on Mineral Resources and Mineral Reserves, adopted by the CIM Council, as amended (the "**CIM Standards**"). NI 43-101 is a rule developed by the Canadian Securities Administrators, which established standards for all public disclosure an issuer makes of scientific and technical information concerning mineral projects. The terms "mineral reserve", "proven mineral reserve" and "probable mineral reserve" are Canadian mining terms as defined in accordance with NI 43-101 and the CIM Standards. In addition, the terms "mineral resource", "measured mineral resource", "indicated mineral resource" and "inferred mineral resource" are defined in accordance with NI 43-101 and the CIM Standards. Investors are cautioned not to assume that all or any part of mineral deposits in these categories will ever be converted into mineral reserves. "Inferred mineral resources" have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian rules, estimates of inferred mineral resources may not form the basis of feasibility or pre–feasibility studies, except in very limited circumstances. Investors are cautioned not to assume that all or any part of an inferred mineral resource exists or is economically or legally mineable.

The mineral resource and mineral reserve figures referred to in this short form prospectus and the documents incorporated therein by reference are estimates and no assurances can be given that the indicated levels of gold and silver will be produced. Such estimates are expressions of judgment based on knowledge, mining experience, analysis of drilling results and industry practices. Valid estimates made at a given time may significantly change when new information becomes available. By their nature, mineral resource and mineral reserve estimates are imprecise and depend, to a certain extent, upon statistical inferences which may ultimately prove unreliable. Any inaccuracy or future reduction in such estimates could have a material adverse impact on the Company.

CURRENCY AND EXCHANGE RATE INFORMATION

Unless otherwise indicated, all references to "$" or "dollars" in this short form prospectus refer to Canadian dollars. References to "US$" in this short form prospectus refer to United States dollars.

The following table sets forth (a) the rate of exchange for the Canadian dollar, expressed in U.S. dollars, in effect at the end of the periods indicated; (b) the average exchange rates for the Canadian dollar, expressed in U.S. dollars, during such periods; and (c) the high and low exchange rates for the Canadian dollar, expressed in U.S. dollars, during such periods, each based on the daily average exchange rate as reported by the Bank of Canada for conversion of Canadian dollars into U.S. dollars:

	Canadian dollar to US$				
	Three Months Ended June 30		**Year Ended December 31**		
	2020	**2019**	**2019**	**2018**	**2017**
Period End	0.7338	0.7641	0.7699	0.7330	0.7971
Average	0.7221	0.7476	0.7537	0.7721	0.7708
High	0.7472	0.7641	0.7699	0.8138	0.8245
Low	0.7034	0.7393	0.7353	0.7330	0.7276

The daily average exchange rate on October 15, 2020 as reported by the Bank of Canada for the conversion of Canadian dollars into United States dollars was $1.00 equals US$0.7611.

DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference into this short form prospectus from documents filed with the securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Corporate Secretary of the Company at 200 Burrard Street, Suite 650, Vancouver, BC V6C 3L6 telephone (604) 801-5432 and are also available electronically under the Company's profile on SEDAR at www.sedar.com.

The following documents, filed with the securities regulatory authorities in each of the jurisdictions in Canada in which the Company is a reporting issuer, are specifically incorporated by reference into, and form an integral part of, this short form prospectus:

1) material change report of the Company reporting the announcement of the Offering dated October 8, 2020;
2) annual information form of the Company dated September 8, 2020, for the year ended December 31, 2019 (the "**Annual Information Form**" or "**AIF**");
3) audited consolidated financial statements of the Company for the years ended December 31, 2019 and 2018, together with the notes thereto and the report of the independent auditors thereon (the "**Annual Financial Statements**");
4) management's discussion and analysis of the Company for the year ended December 31, 2019 (the "**Annual MD&A**");
5) the statement of executive compensation for the year ended December 31, 2019;
6) the unaudited condensed interim consolidated financial statements of the Company as at and for the six months ended June 30, 2020, except the notice of no auditor review contained therein, together with the notes thereto (the "**Interim Financial Statements**");
7) management's discussion and analysis of financial condition and results of operations of the Company for the six months ended June 30, 2020 (the "**Interim MD&A**"); and
8) management information circular of the Company dated September 30, 2019.

Any statement contained in this short form prospectus or in a document incorporated or deemed to be incorporated by reference herein will be deemed to be modified or superseded for purposes of this short form prospectus to the extent that a statement contained in this short form prospectus or in any other subsequently filed document which also is, or is deemed to be, incorporated by reference into this short form prospectus modifies or supersedes that statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute part of this short form prospectus.

Any document of the type required to be incorporated into the short form prospectus by item 11.1 of Form 44-101F1 – *Short Form Prospectus* (excluding confidential material change reports and excluding those portions of documents that are not required pursuant to National Instrument 44-101 – *Short Form Prospectus Distributions* to be incorporated by reference herein) filed by the Company after the date of this short form prospectus and before the termination of the distribution are deemed to be incorporated by reference in this short form prospectus. Copies of the documents incorporated by reference may be obtained without charge from the Corporate Secretary of the Company at the above-mentioned address and telephone number and are also available electronically on the SEDAR website at www.sedar.com. Information on the Company's website does not constitute part of this short form prospectus.

MARKETING MATERIALS

Any "template version" of any "marketing materials" (as defined in National Instrument 41-101 – *General Prospectus Requirements*) that are utilized by the Underwriters in connection with the Offering are not part of this short form prospectus to the extent that the contents of the template version of the marketing materials have been modified or superseded by a statement contained in this short form prospectus. Any template version of any other marketing materials filed on SEDAR at www.sedar.com after the date of this short form prospectus but before the termination of the distribution under the Offering (including any amendments to, or an amended version of, the marketing materials) is deemed to be incorporated by reference in this short form prospectus.

DESCRIPTION OF THE BUSINESS

The following description of the Company is, in some instances, derived from selected information about us contained in the documents incorporated by reference into this short form prospectus. This description does not contain all of the information about us and our properties and business that you should consider before investing in any securities. You should carefully read

the entire short form prospectus, including the section titled "Risk Factors", as well as the documents incorporated by reference into this short form prospectus, before making an investment decision.

Name, Address and Incorporation

The Company was incorporated on April 25, 2007 pursuant to the Business Corporations Act (British Columbia) with the name "Volcanic Capital Corp.". The Company changed its name to "Volcanic Metals Corp." on February 19, 2010, and to "Volcanic Gold Mines Inc." on January 19, 2017. The head and registered office of the Company is located at 200 Burrard Street, Suite 650, Vancouver, BC V6C 3L6.

Intercorporate Relationships

The Company has no material subsidiaries.

Business of the Company

The Company is a mineral exploration and development company. The Company's principal property, and its only material property for the purposes of NI 43-101, is the Holly-Banderas gold-silver project (the "**Holly-Banderas Project**"), located in southeastern Guatemala. In May 2020, Radius Gold Inc. ("**Radius**"), a related party to the Company, granted to the Company an exclusive option for four years following the receipt of the necessary permits to allow the commencement of drilling to acquire a 60% interest in the Holly-Banderas Project. Radius also granted the Company an exclusive right for two years following July 27, 2020 to evaluate the other property interests of Radius in eastern Guatemala (the "**Additional Guatemala Properties**") and to enter into an agreement to acquire an interest in any of the Additional Guatemala Properties on reasonable mutually-agreed upon terms.

Further information regarding the business of the Company or its operations and its mineral properties can be found in the AIF and the other documents incorporated by reference into this short form prospectus. See "*Documents Incorporated by Reference*".

RECENT DEVELOPMENTS

On July 27, 2020 the Company raised gross proceeds of $5.0 million from the completion of a non-brokered private placement. The proposed use of the net proceeds from this financing are approximately $1.6 million for the Phase 1 exploration program at the Holly-Banderas Project recommended in the Technical Report, and the balance for general working capital purposes. If the results of the Phase 1 exploration program warrant, the Company expects to use a significant portion of its current working capital funds to conduct the Phase 2 exploration program on the Holly-Banderas Project, as recommended in the Technical Report and budgeted at $2.5 million. The proposed use of proceeds as at September 30, 2020 in comparison to the proposed use of proceeds on July 27, 2020 is outlined below:

Private Placement **27-July-20** **Principal purposes**	**Proposed use of proceeds (as of July 27, 2020) ($ in thousands)**	**Proposed use of proceeds (as of September 30, 2020) ($ in thousands)**	**Difference ($ in thousands)**
Phase 1 exploration program	1,600	1,600	0
General corporate purposes	3,400	3,400	0
Gross proceeds	5,000	5,000	0

On September 8, 2020, the Company filed the Technical Report, as amended on October 9, 2020. Following the closing of its borders in March 2020 due to the COVID-19 pandemic, Guatemala re-opened its borders to international travel and began receiving international flights as of September 18, 2020. The easing of travel restrictions to Guatemala will facilitate the Company's planned exploration work in Guatemala, including preparing for and conducting a drill program at the Holly-Banderas Project, and conducting exploration and assessment work at the Additional Guatemala Properties.

DESCRIPTION OF THE SECURITIES BEING DISTRIBUTED

Common Shares

The Company's authorized share structure consists of an unlimited number of Common Shares and an unlimited number of preferred shares without par value (the "**Preferred Shares**"). As at the date of this short form prospectus, 28,603,880 Common Shares are issued and outstanding, no Preferred Shares are issued and outstanding, 2,850,000 Common Shares are issuable upon exercise of outstanding Options, and 13,348,567 Common Shares are issuable upon the exercise of outstanding common share purchase warrants.

The holders of Common Shares are entitled to one vote for each Common Share on all matters to be voted on by the shareholders. Each Share is equal to every other Common Share and all Common Shares participate equally on liquidation, dissolution or winding up of our Company, whether voluntary or involuntary, or any other distribution of our assets among our shareholders for the purpose of winding up our affairs after the Company has paid out its liabilities. The shareholders are entitled to receive pro rata such dividends as may be declared by the board of directors out of funds legally available for such purpose and to receive pro rata the remaining property of the Company upon dissolution. No Common Shares have been issued subject to call or assessment. There are no pre-emptive or conversion rights, and no provisions for redemption, retraction, purchase or cancellation, surrender, sinking fund or purchase fund. Provisions as to the creation, modification, amendment or variation of such rights or such provisions are contained in the *Business Corporations Act* (British Columbia) and the articles of the Company.

The Company has neither declared nor paid dividends on its Common Shares. The Company has no present intention of paying dividends on its Common Shares, as it anticipates that all available funds will be invested to finance the growth of its business.

Warrants

The Warrants issued under the Offering (excluding any Compensation Warrants issued upon exercise of the Compensation Options) will be governed by a warrant indenture (the "**Warrant Indenture**") to be entered into between the Company and Computershare Trust Company of Canada, as agent for the holders of the Warrants (the "**Warrant Agent**"). The following description is subject to the detailed provisions of the Warrant Indenture. Reference should be made to the Warrant Indenture for the full text of attributes of the Warrants.

The Unit Shares and the Warrants will immediately separate following the closing of the Offering. Each whole Warrant will entitle the holder to acquire one Warrant Share at an exercise price of C$0.70 until 5:00 p.m. (Vancouver Time) on the date that is 18 months following the Closing Date, subject to adjustment in certain events, after which time the Warrant will be void and of no value.

The Warrants and the Warrant Shares have not been and will not be registered under the U.S. Securities Act or any applicable state securities laws, and the Warrants may not be exercised by or on behalf of a person in the United States or a U.S. Person unless an exemption from such registration is available and documentation to that effect is provided in accordance with the terms of the Warrant Indenture.

The Warrants may be issued in uncertificated form. Any Warrants issued in certificated form shall be evidenced by a warrant certificate in the form attached to the Warrant Indenture. All Warrants issued in the name of CDS may be in either a certificated or uncertificated form, such uncertificated form being evidenced by a book-entry position on the register of warrantholders to be maintained by the Warrant Agent at its principal offices in Vancouver, British Columbia.

The Warrant Indenture will provide that the share ratio and exercise price of the Warrants will be subject to adjustment in the event of a subdivision or consolidation of the Common Shares. The Warrant Indenture will also provide that if there is (a) a reclassification or change of the Common Shares, (b) any consolidation, amalgamation, arrangement or other business combination of the Company resulting in any reclassification, or change of the Common Shares into other shares, or (c) any sale, lease, exchange or transfer of the Company's assets as an entity or substantially as an entirety to another entity, then each holder of a Warrant which is thereafter exercised shall receive, in lieu of Common Shares, the kind and number or amount of other securities or property which such holder would have been entitled to receive as a result of such event if such holder had exercised the Warrants prior to the event.

No adjustment in the exercise price or number of Warrant Shares will be required to be made unless the cumulative effect of such adjustment or adjustments would result in a change of at least 1% in the exercise price or a change in the number of Warrant Shares purchasable upon exercise by at least one one-hundredth (1/100th) of a Common Share, as the case may be.

The Warrant Indenture will also provide that, during the period in which the Warrants are exercisable, it will give notice to holders of Warrants of certain stated events, including events that would result in an adjustment to the exercise price for the Warrants or the number of Warrant Shares issuable upon exercise of the Warrants, at least 14 days prior to the record date or effective date, as the case may be, of such events.

From time to time, the Company and the Warrant Agent, without the consent of the holders of Warrants, may amend or supplement the Warrant Indenture for certain purposes, including curing defects or inconsistencies or making any change that does not adversely affect the rights of any holder of Warrants. Any amendment or supplement to the Warrant Indenture that adversely affects the interests of the holders of the Warrants may only be made by "extraordinary resolution", which will be defined in the Warrant Indenture as a resolution either (a) passed at a meeting of the holders of Warrants at which there are holders of Warrants present in person or represented by proxy representing at least 25% of the aggregate number of the then outstanding Warrants and passed by the affirmative vote of holders of Warrants representing not less than $66^{2/3}$% of the aggregate number of all the then outstanding Warrants represented at the meeting and voted on the poll upon such resolution, or (b) adopted by an instrument in writing signed by the holders of not less than $66^{2/3}$% of the aggregate number of all then outstanding Warrants.

There will be no market through which the Warrants may be sold and purchasers may not be able to resell the Warrants purchased in the Offering. This may affect the pricing of the Warrants in the secondary market, the transparency and availability of trading prices and the liquidity of the Warrants. See "*Risk Factors*".

No fractional Warrant Shares will be issuable upon the exercise of any Warrants, and no cash or other consideration will be paid in lieu of fractional shares. Holders of Warrants will not have any voting or pre-emptive rights or any other rights which a holder of Common Shares would have.

CONSOLIDATED CAPITALIZATION

The following table sets forth the capitalization of the Company as at the dates indicated, adjusted to give effect to the material changes in the share capital of the Company since June 30, 2020. The table should be read in conjunction with the Interim Financial Statements and the Interim MD&A incorporated by reference in this short form prospectus.

Security	Amount Authorized	Outstanding as at June 30, 2020[(1)(2)]	Outstanding pro forma as at June 30, 2020, after giving effect to the Offering[(1)(2)(3)]	Outstanding pro forma as at June 30, 2020, after giving effect to the Offering and exercise in full of the Over-Allotment Option[(1)(4)]
Common Shares	Unlimited	28,603,880	39,513,880	41,150,380
Preferred Shares	Unlimited	Nil	Nil	Nil

Notes:

(1) As at June 30, 2020, the Company had stock options and common share purchase warrants that could result in the issuance of up to 367,855 and 13,348,567 additional Common Shares, respectively.
(2) After including the issuance of 20,000,000 Common Shares on July 27, 2020.
(3) After giving effect to the Offering of 10,910,000 Unit Shares, but prior to the issuance of Warrant Shares, Compensation Shares or Compensation Warrant Shares. See "*Plan of Distribution*".
(4) After giving effect to the Offering of 12,546,500 Unit Shares and assuming the issuance of 1,636,500 Over-Allotment Shares pursuant to the exercise of the Over-Allotment Option but prior to the issuance of Warrant Shares, Compensation Shares or Compensation Warrant Shares. See "*Plan of Distribution*".

There have been no material changes in the Company's loan capital since June 30, 2020.

USE OF PROCEEDS

The estimated net proceeds received by the Company from the Offering (assuming no exercise of the Over-Allotment Option but President's List Sales of $1,000,000) will be $5,670,470 (determined after deducting the Underwriting Commission of $330,030 but before deducting expenses related to the Offering estimated at $200,000). If the Over-Allotment Option is exercised in full, the estimated net proceeds received by the Company from the Offering (assuming President's List Sales of $1,000,000) will be $6,516,540.50 (determined after deducting the Underwriting Commission of $384,034.50 but before deducting estimated expenses of the Offering of $200,000). The net proceeds from the exercise of the Over-Allotment Option, if any, will be used for general working capital purposes. Any proceeds received from the Concurrent Private Placement will be used for general working capital purposes.

The Company currently intends to use the net proceeds as follows.

Activity or Nature of Expenditure		Approximate Use of Net Proceeds
Exploration and assessment of the Additional Guatemala Properties:		
Community consultation and agreements	$150,000	
Permitting	$150,000	
Geological personnel	$300,000	
Assays	$105,000	
Ground geophysics	$150,000	
Transportation and consumables	$330,000	
Regional airborne survey	$300,000	
Geology, target definition, land acquisition	$695,000	
Regional drill testing (estimated 3,000 metres)	$1,070,000	$3.25 million
Reserve for potential Phase 3 drill program at the Holly-Banderas Project		$1.63 million
Estimated cost of the Offering		$0.20 million
General working capital purposes		$0.59 million
Total		$5.67 million

Although the Company intends to use the net proceeds from the Offering as set forth above, the actual allocation of the net proceeds may vary from those allocations set out above, depending on future developments in relation to the Holly-Banderas Project or the Additional Guatemala Properties, or unforeseen events, including those listed under the "*Risk Factors*" section of this short form prospectus and the AIF. Potential investors are cautioned that, notwithstanding the Company's current intentions regarding the use of the net proceeds of the Offering, there may be circumstances where a reallocation of the net proceeds may be advisable for reasons that management believes, in its discretion, are in the Company's best interests. In response to the COVID-19 pandemic, exploration in Guatemala may be impacted by government restrictions on the Company's operations. Potential stoppages on exploration activities could result in additional costs, project delays, cost overruns, and operational restart costs. The total amount of funds that the Company needs to carry out its proposed operations may increase from these and other consequences of the COVID-19 pandemic.

The Company has not had any significant revenue-generating operations in its history and therefore has had negative operating cash flow since inception. To the extent that the Company has negative operating cash flows in future periods, the Company may need to allocate a portion of its existing working capital to fund such negative cash flow.

The Company has working capital of $4.2 million as at September 30, 2020, the most recent month end for which such data is available. As of the date of this short form prospectus there have been no material changes in working capital since September 30, 2020.

Business Objectives and Milestones

The Company intends to continue focusing its activities on exploring the Holly-Banderas Project and, using the net proceeds from the Offering, to explore and assess the Additional Guatemala Properties.

The Company's proposed drill programs at the Holly-Banderas project are dependent upon receiving permits from the Guatemalan government and community relations agreements. Permits for the El Zapote zone have already been received.

In order for the Company to accomplish its business objective of evaluating and if warranted exploring the Additional Guatemala Properties, the Company must first prioritize the targets by reviewing all available data on each target, expected to take one to two months. Once target areas are selected, the Company will consult with the applicable communities to obtain agreements to access the areas of interest. It is expected that the above steps will take from two to six months to complete.

Once a specific target area is chosen and the response from the community work is positive, the Company will enter into discussions with Radius to reach an agreement to option that particular area. Upon reaching a mutual agreement with Radius, the Company will work with the government to have a licence granted. This process will involve providing the government with signed access agreements from the communities and individual property owners, after which it is expected the licence would be granted within one to two months.

The granting of a licence allows the Company to conduct geological, geochemical and geophysical work in the applicable area, including rock, soil and stream sampling and hand trenching as an initial stage exploration program. The timeframe for this work would vary depending upon the size of the target area but is expected to take at least two months. If results of the initial stage exploration program are positive, the Company would then apply for a drill permit, which we expect would take approximately four months from the time of the application is made to be granted.

The cost of these community and permitting activities is set out in the Use of Proceeds table above.

PRIOR SALES

The following table summarizes the issuances by Volcanic of Common Shares within the 12 months prior to the date of this short form prospectus:

Date of Issuance	Number of Common Shares	Issuance Prices
July 27, 2020	20,000,000	$0.25

The following table summarizes the issuances by Volcanic of securities convertible into Common Shares within the 12 months prior to the date of this short form prospectus:

Date of Issuance	Number of Securities	Exercise Price
July 27, 2020	11,497,330 common share purchase warrants	$0.30
October 7, 2020	2,525,000 incentive stock options	$0.57
October 9, 2020	325,000 incentive stock options	$0.57

TRADING PRICE AND VOLUME

The outstanding Common Shares are listed and posted for trading on the TSX-V under the symbol "VG".

The following table sets forth trading information for the Common Shares on the TSX-V for the 12 months preceding the date of this short form prospectus.

Month	High ($)	Low ($)	Trading Volume
2019			
October	0.24	0.15	31,036
November	0.20	0.155	47,869
December	0.19	0.13	522,569
2020			
January	0.25	0.145	544,063
February	0.22	0.175	52,231
March	0.215	0.045	183,732
April	0.245	0.16	17,694
May	0.27	0.185	82,571
June	0.475	0.26	822,696
July	0.92	0.47	1,682,142
August	0.93	0.66	409,854
September	0.74	0.53	926,143
October 1 – 14[(1)]	0.67	0.55	1,373,689

Source: TMX Datalinx

(1) Being the last trading day prior to the date of this short form prospectus.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

The following is, as of the date of this Offering, a summary of the principal Canadian federal income tax considerations generally applicable to an investor who acquires a Unit, consisting of one Unit Share and one half of one Warrant pursuant to the Offering and Warrant Shares upon the exercise of Warrants.

This summary applies only to a holder who is a beneficial owner of Unit Shares or Warrants acquired pursuant to this Offering, and who, for the purposes of the *Income Tax Act* (Canada) (the "**Tax Act**"), and regulations thereunder (the "**Regulations**") and at all relevant times, deals at arm's length with the Company and the Underwriters, is not "affiliated" (within the meaning of the Tax Act) with the Company and the Underwriters and who acquires and holds the Unit Shares and any Warrant Shares acquired

on the exercise of Warrants (for the purpose of this section, sometimes collectively referred to as "**Shares**") and Warrants as capital property (a "**Holder**"). Generally, the Shares and Warrants will be considered to be capital property to a Holder thereof provided that the Holder does not use the Shares or Warrants in the course of carrying on a business of trading or dealing in securities and such Holder has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade.

This summary does not apply to a Holder (i) that is a "financial institution" for the purposes of the mark-to-market rules contained in the Tax Act; (ii) that is a "specified financial institution" as defined in the Tax Act; (iii) an interest in which would be a "tax shelter investment" as defined in the Tax Act; (iv) that has made a functional currency reporting election under the Tax Act; (v) that is exempt from tax under the Tax Act; or (vi) that has or will enter into a "derivative forward agreement" or "synthetic disposition arrangement", as those terms are defined in the Tax Act, with respect to the Unit Shares or Warrants. Such Holders should consult their own tax advisors with respect to an investment in Unit Shares and Warrants.

Additional considerations, not discussed herein, may be applicable to a Holder that is a corporation resident in Canada or a corporation that does not deal at arm's length, for purposes of the Tax Act, with a corporation resident in Canada, and is, or becomes as part of a transaction or event or series of transactions or events that includes the acquisition of the Units, controlled by a non-resident person, or group of non-resident persons not dealing with each other at arm's length, for purposes of the "foreign affiliate dumping" rules in section 212.3 of the Tax Act. Such Holders should consult their tax advisors with respect to the consequences of acquiring Units.

This summary does not address the deductibility of interest by a Holder who has borrowed money or otherwise incurred debt in connection with the acquisition of the Units.

This summary is based upon the current provisions of the Tax Act and the Regulations, counsel's understanding of the current published administrative policies and assessing practices of the Canada Revenue Agency (the "**CRA**") and all specific proposals to amend the Tax Act and the Regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "**Tax Proposals**"). This summary assumes that the Tax Proposals will be enacted substantially as proposed; however, no assurance can be given that the Tax Proposals will be enacted as proposed or at all. This summary does not otherwise take into account or anticipate any changes in law or the CRA's administrative policies or assessing practices, whether by legislative, governmental or judicial decision or action, nor does it take into account any provincial, territorial or foreign income tax legislation or considerations.

This summary is of a general nature only, is not exhaustive of all possible Canadian federal income tax considerations and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Holder. Accordingly, Holders should consult their own tax advisors with respect to their particular circumstances.

Allocation of Purchase Price of Units

The Offering Price must be allocated on a reasonable basis between the Unit Share and the one half of one Warrant comprising a Unit to determine the cost of each to the Holder for purposes of the Tax Act. For its purposes, the Company intends to allocate $0.549 of the Offering Price as consideration for the issue of each Unit Share and $0.001 of the Offering Price of each Unit as consideration for the issue of each one half of one Warrant. Although the Company believes that this allocation is reasonable, it is not binding on the CRA or the Holder, and counsel expresses no opinion with respect to such allocation. The Holder's adjusted cost base of the Unit Share comprising a part of each Unit will be determined by averaging the cost allocated to the Unit Share with the adjusted cost base to the Holder of all Common Shares owned by the Holder as capital property immediately prior to such acquisition.

Exercise of Warrants

The exercise of a Warrant to acquire a Warrant Share will be deemed not to constitute a disposition of property for purposes of the Tax Act. As a result, no gain or loss will be realized by a Holder upon the exercise of a Warrant to acquire a Warrant Share. When a Warrant is exercised, the Holder's cost of the Warrant Share acquired thereby will be equal to the aggregate of the Holder's adjusted cost base of such Warrant and the exercise price paid for the Warrant Share. The Holder's adjusted cost base of the Warrant Share so acquired will be determined by averaging the cost of the Warrant Share with the adjusted cost base to the Holder of all Common Shares owned by the Holder as capital property immediately prior to such acquisition.

Residents of Canada

The following section of this summary is generally applicable to a Holder who, for the purposes of the Tax Act, is or is deemed to be resident in Canada at all relevant times ("**Resident Holder**"). A Resident Holder whose Shares might not otherwise qualify as capital property may be entitled to make an irrevocable election permitted by subsection 39(4) of the Tax Act to deem the

Shares, and every other "Canadian security" (as defined in the Tax Act), held by such person, in the taxation year of the election and each subsequent taxation year to be capital property. This election does not apply to Warrants. Resident Holders should consult their own tax advisors regarding this election.

Expiry of Warrants

In the event of the expiry of an unexercised Warrant, a Resident Holder generally will realize a capital loss equal to the Resident Holder's adjusted cost base of such Warrant. The tax treatment of capital gains and capital losses is discussed in greater detail below under the subheading "*Capital Gains and Capital Losses*".

Dividends

Dividends received or deemed to be received on the Shares will be included in computing a Resident Holder's income. In the case of an individual (other than certain trusts), such dividends will be subject to the gross-up and dividend tax credit rules normally applicable in respect of "taxable dividends" received from a corporation resident in Canada. An enhanced dividend tax credit will be available to individuals (other than certain trusts) in respect of "eligible dividends" designated by the Company to the Resident Holder in accordance with the provisions of the Tax Act. There may be limitations on the ability of the Company to designate dividends as "eligible dividends".

Dividends received or deemed to be received on the Shares by a Resident Holder that is a corporation must be included in computing its income but generally will be deductible in computing its taxable income. In certain circumstances, subsection 55(2) of the Tax Act will treat a taxable dividend received or deemed to be received by a Resident Holder that is a corporation as proceeds of disposition or a capital gain. Resident Holders that are corporations should consult their own tax advisors having regard to their own circumstances.

A Resident Holder that is a "private corporation" or a "subject corporation" (as such terms are defined in the Tax Act), may be liable to pay a refundable tax under Part IV of the Tax Act on dividends received or deemed to be received on the Shares to the extent such dividends are deductible in computing taxable income for the year. The refundable tax generally will be refunded to a Resident Holder that is a private corporation or subject corporation when sufficient taxable dividends are paid to its shareholders while it is a private corporation or subject corporation.

Dispositions of Shares and Warrants

Upon a disposition or a deemed disposition of a Share (other than to the Company unless purchased by the Company in the open market in the manner in which shares are normally purchased by a member of the public in an open market) or a Warrant (other than on the exercise thereof), a Resident Holder generally will realize a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition, net of any reasonable costs of disposition, are greater (or are less) than the adjusted cost base of such security to the Resident Holder. The tax treatment of capital gains and capital losses is discussed in greater detail below under the subheading "*Capital Gains and Capital Losses*".

Capital Gains and Capital Losses

Generally, a Resident Holder is required to include in computing its income for a taxation year one-half of the amount of any capital gain (a "**taxable capital gain**") realized in the year. Subject to and in accordance with the provisions of the Tax Act, a Resident Holder is required to deduct one-half of the amount of any capital loss (an "**allowable capital loss**") realized in a taxation year from taxable capital gains realized in the year by such Resident Holder. Allowable capital losses in excess of taxable capital gains realized in a taxation year may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any following taxation year against taxable capital gains realized in such year to the extent and under the circumstances described in the Tax Act.

The amount of any capital loss realized on the disposition or deemed disposition of Shares by a Resident Holder that is a corporation may be reduced by the amount of dividends received or deemed to have been received by it on such shares or shares substituted for such shares, to the extent and in the circumstances specified by the Tax Act. Similar rules may apply where a Share is owned by a partnership or trust of which a corporation, trust or partnership is a member or beneficiary. Resident Holders to whom these rules may be relevant should consult their own tax advisors.

A Resident Holder that is throughout the relevant taxation year a "Canadian-controlled private corporation" (as defined in the Tax Act) also may be liable to pay an additional refundable tax on its "aggregate investment income" (as defined in the Tax Act) for the year which will include taxable capital gains. This refundable tax generally will be refunded to a Resident Holder that is a private corporation or subject corporation when sufficient taxable dividends are paid to its shareholders while it is a private corporation or subject corporation.

Minimum Tax

Capital gains realized and dividends received by a Resident Holder that is an individual or a trust, other than certain specified trusts, may give rise to minimum tax under the Tax Act. Resident Holders should consult their own advisors with respect to the application of the minimum tax.

Holders Not Resident in Canada

The following section of this summary is generally applicable to Holders who for the purposes of the Tax Act (i) have not been and will not be deemed to be resident in Canada at any time while they hold the Shares or Warrants; and (ii) do not use or hold the Shares or Warrants in carrying on a business in Canada ("**Non-Resident Holders**").

Special rules, which are not discussed in this summary, may apply to a Non-Resident Holder that is an insurer carrying on business in Canada and elsewhere or is an "authorized foreign bank" (as defined in the Tax Act). Such Non-Resident Holders should consult their own tax advisors.

Dividends

Dividends paid or credited or deemed to be paid or credited to a Non-Resident Holder by the Company on any Shares will be subject to Canadian withholding tax at the rate of 25% on the gross amount of the dividend unless such rate is reduced by the terms of an applicable income tax treaty or convention. Under the *Canada-United States Tax Convention (1980)*, as amended (the "**Treaty**"), the rate of withholding tax on dividends paid or credited to a Non-Resident Holder who is resident in the U.S. for purposes of the Treaty and fully entitled to benefits under the Treaty (a "**U.S. Holder**") is generally limited to 15% of the gross amount of the dividend (or 5% in the case of a U.S. Holder that is a company beneficially owning at least 10% of the Company's voting shares).

Dispositions of Shares and Warrants

A Non-Resident Holder generally will not be subject to tax under the Tax Act in respect of a capital gain realized on the disposition or deemed disposition of a Share or a Warrant, nor will capital losses arising therefrom be recognized under the Tax Act, unless the Share or Warrant constitutes "taxable Canadian property" to the Non-Resident Holder for purposes of the Tax Act, and the gain is not exempt from tax pursuant to the terms of an applicable income tax treaty or convention.

Provided the Shares are listed on a "designated stock exchange", as defined in the Tax Act (which includes the TSX-V), at the time of disposition, the Shares and Warrants generally will not constitute taxable Canadian property of a Non-Resident Holder at that time, unless at any time during the 60 month period immediately preceding the disposition of such Shares or Warrants, as applicable, the following two conditions are met concurrently: (i) the Non-Resident Holder, persons with whom the Non-Resident Holder did not deal at arm's length, partnerships in which the Non-Resident Holder or such non-arm's length person holds a membership interest (either directly or indirectly through one or more partnerships), or the Non-Resident Holder together with all such persons, owned 25% or more of the issued shares of any class or series of shares of the Company; and (ii) more than 50% of the fair market value of the shares of the Company was derived directly or indirectly from one or any combination of real or immovable property situated in Canada, "Canadian resource properties" (as defined in the Tax Act), "timber resource properties" (as defined in the Tax Act) or an option in respect of, an interest in, or for civil law, a right in such properties, whether or not such property exists. Notwithstanding the foregoing, a Share may otherwise be deemed to be taxable Canadian property to a Non-Resident Holder for purposes of the Tax Act in certain circumstances. A Non-Resident Holder's capital gain (or capital loss) in respect of a disposition of Shares or Warrants that constitute or are deemed to constitute taxable Canadian property to a Non-Resident Holder (and are not "treaty-protected property" as defined in the Tax Act) will generally be computed in the manner described above under the subheading "*Holders Resident in Canada — Dispositions of Shares and Warrants*" and *"Holders Resident in Canada – Capital Gains and Capital Losses"*. Non-Resident Holders whose Shares or Warrants are taxable Canadian property should consult their own tax advisors regarding the tax and compliance considerations that may be relevant to them.

ELIGIBILITY FOR INVESTMENT

Based on the current provisions of the Tax Act and the Regulations, provided that (i) the Common Shares are listed on a "designated stock exchange" for the purposes of the Tax Act (which currently includes the TSX-V) on the date hereof and (ii) in the case of the Warrants, the Company is not a "connected person" under the Registered Plans (as defined herein), the Unit Shares, Warrants and Warrant Shares will be "qualified investments" under the Tax Act and the Regulations for a trust governed by a "registered retirement savings plan" ("**RRSP**"), "registered retirement income fund" ("**RRIF**"), "tax-free savings account" ("**TFSA**"), "registered education savings plan" ("**RESP**"), "deferred profit sharing plan" or "registered disability savings plan" ("**RDSP**") (as those terms are defined in the Tax Act) (each, a "**Registered Plan**"). A "connected person" under a Registered

Plan is defined in the Regulations as a person who is an annuitant, a beneficiary, an employer or a subscriber under, or a holder of, the Registered Plan and any person who does not deal at arm's length with that person.

Notwithstanding the foregoing, if the Unit Shares, Warrant Shares or Warrants are a "prohibited investment" for an RRSP, RRIF, RESP, RSDP or TFSA for the purposes of the Tax Act, the annuitant, subscriber or holder, as the case may be, of the RRSP, RRIF, RESP, RSDP or TFSA will be subject to a penalty tax as set out in the Tax Act. Provided that, for purposes of the Tax Act, the annuitant of an RRSP or RRIF, the subscriber of a RESP, or the holder of a TFSA or RDSP, as the case may be, deals at arm's length with the Company and does not have a "significant interest" (as defined in the Tax Act for purposes of the prohibited investment rules) in the Company, the Unit Shares, Warrant Shares and Warrants will not be a "prohibited investment" for such RRSPs, RRIFs, RESPs, RDSPs and TFSAs, as the case may be, under the Tax Act on the date hereof. In addition, the Unit Shares and Warrant Shares will not be a prohibited investment if such securities are "excluded property" as defined in the Tax Act, for an RRSP, RRIF, RESP, RSDP or TFSA. **Prospective purchasers of Units who intend to hold such Units in an RRSP, RRIF, TFSA, RESP or RDSP should consult their own tax advisors to ensure the Unit Shares, Warrant Shares and Warrants would not be a prohibited investment in their particular circumstances.**

PLAN OF DISTRIBUTION

Pursuant to the Underwriting Agreement, the Company has agreed to sell, and the Underwriters have agreed to purchase, on the Closing Date, 10,910,000 Units at the Offering Price, payable in cash to the Company, against delivery of the Units, subject to compliance with all necessary legal requirements, and to the terms and conditions contained in the Underwriting Agreement.

The obligations of the Underwriters under the Underwriting Agreement may be terminated at their discretion upon the occurrence of certain stated events as set out in the Underwriting Agreement. The Underwriters are, however, obligated to take up and pay for all of the Units (other than the Over-Allotment Units) if any of the Units are purchased under the Underwriting Agreement. Each Underwriter may terminate its obligations under the Underwriting Agreement at its discretion on the basis of a "material change out", "disaster out", "regulatory out", "breach out" and upon the occurrence of certain other stated events.

The Offering Price was determined by arm's length negotiations between the Company and the Lead Underwriter, on behalf of the Underwriters.

Units sold by the Underwriters to the public will initially be offered at the Offering Price. After the Underwriters have made a reasonable effort to sell all of the Units at the Offering Price, the Underwriters may change the Offering Price and the other selling terms to an amount not greater than the Offering Price. Pursuant to the Underwriting Agreement, the Underwriters are obligated to purchase the Units at the prices and upon the terms stated therein and, as a result, bear any risk associated with changing the Offering Price or other selling terms.

Subscriptions for the Units will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is anticipated that the Unit Shares and Warrants will be delivered under the book-based system through CDS or its nominee and deposited in registered or electronic form with CDS on the Closing Date. Except in limited circumstances, a purchaser of Units will receive only a customer confirmation from the registered dealer through which the Units are purchased. No certificates evidencing the Unit Shares and Warrants comprising the Units will be issued to investors except in limited circumstances.

The Offering is being made concurrently in each of British Columbia, Alberta, Saskatchewan and Ontario. The Units will be offered in Canada through the Underwriters either directly or through their agents, as applicable. Offers and sales of Units outside of Canada will be made in accordance with applicable laws in such jurisdictions.

The Units, Unit Shares, Warrants and Warrant Shares have not been and will not be registered under the U.S. Securities Act or any United States state securities laws, and accordingly may not be offered, sold or delivered, directly or indirectly, in the United States except in transactions exempt from the registration requirements of the U.S. Securities Act and applicable state securities laws. The Underwriters may offer and resell the Units that they have acquired pursuant to the Underwriting Agreement in the United States to, or for the account or benefit of, persons who are "accredited investors", as such term is defined in Rule 501(a) of Regulation D under the U.S. Securities Act, pursuant to the exemption from registration provided by Section 4(a)(2) of the U.S. Securities Act and "qualified institutional buyers", as such term is defined in Rule 144A under the U.S. Securities Act, in compliance with Rule 144A thereunder, in each case in compliance with applicable United States state securities laws and to "Accredited Investors" as such term is defined in Rule 501(a) of Regulation D under the U.S. Securities Act. The Underwriters will offer and sell the Units outside the United States only in accordance with Rule 903 of Regulation S under the U.S. Securities Act. This short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the Units, Unit Shares, Warrants and Warrant Shares, in the United States. In addition, until 40 days after the commencement of the Offering,

an offer or sale of the Units, Unit Shares, Warrants and Warrant Shares in the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made other than in accordance with an exemption from such registration requirements. Any Units, Unit Shares, Warrants and Warrant Shares offered or sold in the United States will be "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act and will contain a restriction or legend to the effect that such securities have not been registered under the U.S. Securities Act and may only be offered, sold, pledged or otherwise transferred pursuant to certain exemptions from the registration requirements of the U.S. Securities Act and applicable United States state securities laws.

The outstanding Common Shares are listed and posted for trading on the TSX-V under the symbol "VG". The Company has applied to the TSX-V for the listing of the Unit Shares, Warrant Shares, Compensation Shares and the Compensation Warrant Shares. The listing of the Unit Shares, Warrant Shares, the Compensation Shares and the Compensation Warrant Shares will be subject to the Company fulfilling the listing requirements of the TSX-V. The Warrants, Compensation Options and the Compensation Warrants will not be listed for trading on any securities exchange.

The Company has granted to the Underwriters the Over-Allotment Option, exercisable in whole or in part, at the sole discretion of the Underwriters, for a period 48 hours prior to the Closing Date, to purchase up to an additional 1,636,500 Units at the Offering Price, to cover over allotments, if any.

This short form prospectus will also qualify the grant of the Over-Allotment Option and the distribution of the Over-Allotment Units.

Pursuant to the Underwriting Agreement, the Company has agreed to pay to the Underwriters the Underwriters' Commission representing (i) 6% of the aggregate gross proceeds of the Offering, including proceeds realized from the sale of any additional Shares pursuant to the exercise of the Over-Allotment Option, but excluding gross proceeds of the Offering realized from the President's List Sales; (ii) 3% of the gross proceeds of the Offering realized from the President's List Sales; and (iii) 6% (3% in the case of President's List Sales) of the aggregate number of Units issued pursuant to the Offering in the form of Compensation Options exercisable for a period of 24 months following the Closing Date for one Compensation Unit at an exercise price equal to the Offering Price. This short form prospectus qualifies the grant of the Compensation Options.

The Company will also pay certain expenses incurred by the Underwriters in connection with the Offering as set forth in the Underwriting Agreement.

The Company has agreed in the Underwriting Agreement that the Company shall not, directly or indirectly, issue, sell, offer, grant an option or right in respect of, or otherwise dispose of, or agree to or announce any intention to, issue, sell, offer, grant an option or right in respect of, or otherwise dispose of, any additional Common Shares or any securities convertible or exchangeable into Common Shares, other than pursuant to (i) the Underwriting Agreement; (ii) under existing director or employee stock options, bonus or purchase plans or similar share compensation arrangements as detailed in the Company's most recently filed management discussion and analysis; (iii) upon the exercise of convertible securities, warrants or options outstanding prior to the Closing Date; or (iv) property payments and/or other corporate acquisitions for a period of 90 days from the Closing Date, without the prior written consent of the Lead Underwriter, such consent not to be unreasonably withheld or delayed.

The Company's officers and directors will also agree, prior to the Closing Date, not to sell, or agree to sell (or announce any intention to do so), any Common Shares or securities exchangeable or convertible into Common Shares for a period of 90 days from the Closing Date without the prior written consent of the Lead Underwriter, such consent not to be unreasonably withheld.

The Company has agreed in the Underwriting Agreement to indemnify the Underwriters against certain liabilities, including liabilities under Canadian securities laws, and, where such indemnification is unavailable, to contribute to payments that the Underwriters may be required to make in respect of such liabilities.

Pursuant to the policies of certain Canadian securities regulators, the Underwriters may not, throughout the period of distribution under this short form prospectus, bid for or purchase Common Shares or Warrants. The foregoing restriction is subject to certain exceptions, including: (a) a bid or purchase permitted under the bylaws and rules of applicable regulatory authorities and stock exchanges, including the Universal Market Integrity Rules for Canadian Marketplaces administered by the Investment Industry Regulatory Organization of Canada, relating to market stabilization and passive market making activities; (b) a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution; (c) a bid or purchase to cover a short position entered into prior to the distribution; and (d) transactions in compliance with U.S. federal securities laws. Any such trades are permitted only on the condition that the bid or purchase is not engaged in for the purpose of creating actual or apparent active trading in or raising the price of the Units.

Prospective Purchasers in the United Kingdom

In the United Kingdom, the Offering is exempt from the requirement to publish an approved prospectus pursuant to Section 86 of the United Kingdom Financial Services and Markets Act 2000 ("**FSMA**"). Accordingly, this short form prospectus is not a prospectus for the purposes of Section 85(1) of FSMA or an "approved prospectus" within the meaning of Section 85(7) of FSMA. It has not been prepared in accordance with the prospectus rules contained in the handbook of the United Kingdom Financial Conduct Authority ("**FCA**") published and updated from time to time by the FCA. Accordingly, its contents have not been examined or approved by the FCA under Section 87A of FSMA or by the London Stock Exchange plc and it has not been filed with the FCA pursuant to the rules published by the FCA implementing the Prospectus Regulation ((EU) 2017/1129)) Furthermore, this short form prospectus has not been approved by a person authorized under the FSMA, for the purposes of Section 21 of FSMA and such approval would be required for any recipient in the United Kingdom not within the exemptions contained in Article 19 (investment professionals), Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) or Article 50 (certified sophisticated investors) of the United Kingdom Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**FPO**"). The Offering is only being and may only be made to or directed at persons in the United Kingdom who are within the categories of persons referred to in Article 19(5) (Investment professionals), Article 49(2)(a) to (d) (High net worth companies, unincorporated associations etc.) or Article 50 (certified sophisticated investors) of the FPO ("**relevant persons**"). If you fall within Article 19(5) (investment professionals) of the FPO, the Offering is directed at persons having professional experience in matters relating to investments and any investment or investment activity to which this short form prospectus relates is available only to such persons and will be engaged in only with such persons. Persons who do not have professional experience in matters relating to investments should not rely on this short form prospectus. The securities being offered hereby are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such securities will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents. Reliance on this document for the purpose of engaging in any investment activity may expose the investor to a significant risk of losing all of the property invested or of incurring additional liability.

Concurrent Private Placement

Silvercorp holds indirectly 19.9% of the issued and outstanding Common Shares as of the date of this short form prospectus, on a non-diluted basis. Silvercorp has the right to maintain its pro rata ownership of the Company, and the Company expects that Silvercorp or an affiliate thereof will subscribe for, by way of the Concurrent Private Placement, such number of Units that results in Silvercorp, directly or indirectly, holding 19.9% of the Common Shares on a non-diluted basis following closing of the Offering and the Concurrent Private Placement. Closing of the Concurrent Private Placement is subject to TSX-V approval. The closing of the Offering is not conditional upon the completion of the Concurrent Private Placement.

Volcanic will apply to list the Unit Shares and Warrant Shares being purchased under the Concurrent Private Placement on the TSX-V. A maximum of 3,117,100 Units will be issued pursuant to the Concurrent Private Placement at the Offering Price for gross proceeds of up to $1,714,405. Any proceeds received from the Concurrent Private Placement will be used for general working capital purposes.

RISK FACTORS

An investment in the Unit Shares and Warrants comprising the Units is subject to a number of risks. Before deciding whether to invest in the Units, investors should carefully consider the risk factors set forth below, in the documents incorporated by reference in this short form prospectus (including those discussed under the heading "Risk Factors" in the Annual Information Form and in the management's discussion and analysis of financial condition and results of operations of Volcanic for the year ended December 31, 2019 and for the six months ended June 30, 2020) and all of the other information in this short form prospectus (including, without limitation, the documents incorporated by reference herein and therein). The risks described above and below are not the only risks that affect Volcanic. Other risks and uncertainties that the Company does not presently consider to be material, or of which Volcanic is not presently aware, may become important factors that affect Volcanic's future condition and results of operations.

Risks Related to Volcanic's Securities and the Offering

Price Volatility of Publicly Traded Securities.

The Company's Common Shares are listed on the TSX-V. Securities of small cap companies, particularly mineral exploration and development companies, have experienced substantial volatility in the past, often based on factors unrelated to the companies' financial performance or prospects. These factors include macroeconomic developments in North America and globally and market perceptions of the attractiveness of particular industries.

The price of the Common Shares is also likely to be significantly affected by short-term changes in gold, silver or other mineral prices or in the Company's financial condition or results of operations. Other factors unrelated to Company performance that may affect the price of the Common Shares include the following: the extent of analytical coverage available to investors concerning Volcanic's business may be limited if investment banks with research capabilities do not follow the Company; lessening in trading volume and general market interest in the Common Shares may affect an investor's ability to trade significant numbers of Common Shares; the size of the Company's public float may limit the ability of some institutions to invest in the Common Shares; and a substantial decline in the price of the Common Shares that persists for a significant period of time could cause the Common Shares to be delisted from the TSX-V, or any exchange the Common Shares are trading on, further reducing market liquidity. As a result of any of these factors, the market price of the Common Shares at any given point in time may not accurately reflect the Company's long-term value. Securities class action litigation often has been brought against companies following periods of volatility in the market price of their securities. Volcanic may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources.

Dilution.

Future sales or issuances of equity securities could decrease the value of the Common Shares, dilute shareholders' voting power and reduce future potential earnings per Common Share. Volcanic may sell additional equity securities in subsequent offerings and may issue additional equity securities to finance operations, development, exploration, acquisitions or other projects. Volcanic cannot predict the size of future sales and issuances of equity securities or the effect, if any, that future sales and issuances of equity securities will have on the market price of the Common Shares. Sales or issuances of a substantial number of equity securities, or the perception that such sales could occur, may adversely affect prevailing market prices for Common Shares. With any additional sale or issuance of equity securities, investors will suffer dilution of their voting power and may experience dilution in earnings per share.

Securities or Industry Analysts.

The trading market for the Common Shares could be influenced by research and reports that industry and/or securities analysts may publish about the Company, its business, the market or its competitors. The Company does not have any control over these analysts and cannot assure that such analysts will cover the Company or provide favourable coverage. If any of the analysts who may cover the Company's business change their recommendation regarding the Company's stock adversely, or provide more favourable relative recommendations about its competitors, the stock price would likely decline. If any analysts who may cover the Company's business were to cease coverage or fail to regularly publish reports on the Company, it could lose visibility in the financial markets, which in turn could cause the stock price or trading volume to decline.

The Company has never paid, and does not currently anticipate paying, dividends.

The Company has paid no dividends on the Common Shares since incorporation and does not anticipate paying dividends in the immediate future. The payment of future dividends, if any, will be reviewed periodically by the board of directors of the Company (the "**Board**") and will depend upon, among other things, conditions then existing including earnings, financial conditions, cash on hand, financial requirements to fund its commercial activities, development and growth, and other factors that the Board may consider appropriate in the circumstances.

U.S. and foreign investors may find it difficult to enforce U.S. or foreign judgments against the Company.

The Company is incorporated under the laws of British Columbia, Canada and the majority of the Company's directors and officers are not residents of the United States or foreign countries. Because all or a substantial portion of the Company's assets are abroad and the assets of certain directors are located in Canada, it may be difficult for U.S. or foreign investors to effect service of process within their jurisdiction upon the Company or upon such persons who are not residents of the United States or the foreign jurisdiction, or to realize in the United States or foreign jurisdictions upon judgments of U.S. or foreign courts predicated upon civil liabilities under U.S. or foreign securities laws. A judgment of a U.S. or foreign court predicated solely upon such civil liabilities may be enforceable in Canada by a Canadian court if the U.S. or foreign court in which the judgment was obtained had jurisdiction, as determined by the Canadian court, in the matter. There is substantial doubt whether an original action could be brought successfully in Canada against any of such persons or the Company predicated solely upon such civil liabilities.

Unlisted Warrants.

The Warrants are not listed on any exchange and the Company does not intend to list the Warrants on any exchange. Investors may be unable to sell the Warrants at the prices desired or at all. There is no existing trading market for the Warrants and there can be no assurance that a liquid market will develop or be maintained for the Warrants, or that an investor will be able to sell any of the Warrants at a particular time (if at all). The liquidity of the trading market in the Warrants and the sale price, if any, for the Warrants, may be adversely affected by, among other things:

- changes in the overall market for the Warrants;

- changes in the Company's financial performance or prospects;
- changes or perceived changes in the Company's creditworthiness;
- the prospects for companies in the industry generally;
- the number of holders of the Warrants; and
- the interest of securities dealers in making a market for the Warrants.

Discretion in the Use of Proceeds.

Volcanic currently intends to apply the net proceeds received from the Offering as described above under the heading "*Use of Proceeds*". However, management of the Company will have discretion concerning the use of the net proceeds of the Offering as well as the timing of their expenditures. As a result, an investor will be relying on the judgment of management for the application of the net proceeds of the Offering. Management may use the net proceeds of the Offering in ways that an investor may not consider desirable. The results and the effectiveness of the application of proceeds are uncertain. If the proceeds are not applied effectively, the Company's results may suffer.

Positive Return in an Investment in the Units is Not Guaranteed

There is no guarantee that an investment in the Units will earn any positive return in the short term or long term. A purchase under the Offering involves a high degree of risk and should be undertaken only by purchasers whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. An investment in the Units is appropriate only for purchasers who have the capacity to absorb a loss of some or all of their investment.

Activities of the Company may be impacted by the spread of the COVID-19 novel coronavirus.

In December 2019, a novel strain of coronavirus known as COVID-19 emerged and spread around the world causing significant business and social disruption. COVID-19 was declared a worldwide pandemic by the World Health Organization on March 11, 2020. The speed and extent of the spread of COVID-19 and the duration and intensity of resulting business disruption and related financial and social impact, are uncertain. Such adverse effects related to COVID-19 and other public health crises may be material to the Company. The impact of COVID-19 and efforts to slow the spread of COVID-19 could severely impact the exploration and any development of the Company's mineral projects. To date, a number of governments have declared states of emergency and have implemented restrictive measures such as travel bans, quarantine and self-isolation. If the exploration and any development of the Company's mineral projects is disrupted or suspended as a result of these or other measures, it may have a material adverse impact on the Company's financial position and trading price of the Common Shares.

COVID-19 and efforts to contain it may have broad impacts on the Company's supply chain or the global economy, which could have a material adverse effect on the Company's financial position. While governmental agencies and private sector participants are seeking to mitigate the adverse effects of COVID-19, and the medical community is seeking to develop vaccines and other treatment options, the efficacy and timing of such measures is uncertain.

The Company's business could be significantly adversely affected by the effects of COVID-19 or any other widespread global outbreak of contagious disease. The Company cannot accurately predict the impact COVID-19 will have on third parties' ability to meet their obligations with the Company, including due to uncertainties relating to the severity of the disease, the duration of the outbreak, and the extent of travel and quarantine restrictions imposed by governments of affected countries.

In response to the COVID-19 pandemic, exploration in Guatemala may be impacted by government restrictions on the Company's operations. Potential stoppages on exploration activities could result in additional costs, project delays, cost overruns, and operational restart costs. Although international travel restrictions have recently been lifted in Guatemala, there is a risk that such restrictions may be imposed once again. The total amount of funds that the Company needs to carry out the proposed operations may increase from these and other consequences of the COVID-19 pandemic.

In addition, the current outbreak of COVID-19, and any future emergence and spread of contagious disease, could have a material adverse impact on global economic conditions, which may adversely impact: the market price of the Common Shares, the Company's operations, its ability to raise debt or equity financing for the purposes of mineral exploration and development, and the operations of the Company's suppliers, contractors and service providers.

Potential Creation of Control Person.

Silvercorp holds 19.9% of the issued and outstanding Common Shares as of the date of this short form prospectus, on a non-diluted basis. Silvercorp also currently holds share purchase warrants which entitle it to purchase up to 2,846,086 Common Shares. If Silvercorp exercises some or all of its existing share purchase warrants, or some or all of its share purchase warrants, if any, acquired under the Concurrent Private Placement, Silvercorp may hold more than 20% of the issued and outstanding Common Shares at such time which, under applicable securities laws, will be considered a "change of control" of the Company. At the next annual general meeting of the Company, the shareholders will be asked to approve a potential creation of a "control person" as that term is defined by applicable securities laws, in the event Silvercorp exercises all or a portion of its share purchase warrants.

AGENT FOR SERVICE OF PROCESS

The people named below reside outside of Canada or, in the case of companies, are incorporated, continued or otherwise organized under the laws of a foreign jurisdiction, and each has appointed the following agent for service of process:

Name of Person or Company	Name and Address of Agent
Michael Povey, a director of the Company Charles Straw, a director of the Company Robert Schafer, a director of the Company	Volcanic Gold Mines Inc. 200 Burrard Street, Suite 650 Vancouver, British Columbia V6C 3L6 Canada

LEGAL MATTERS

Certain legal matters of Canadian law in connection with the Offering will be passed upon on behalf of the Company by Blake, Cassels & Graydon LLP and on behalf of the Underwriters by Miller Thomson LLP. Certain legal matters of U.S. law in connection with the Offering will be passed upon by Paul, Weiss, Rifkind, Wharton & Garrison LLP. As of the date of this short form prospectus, the partners and associates of Blake, Cassels & Graydon LLP, Miller Thomson LLP and Paul, Weiss, Rifkind, Wharton & Garrison LLP each beneficially own, directly or indirectly, in the aggregate less than 1% of the issued and outstanding Shares.

PURCHASERS' RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a short form prospectus and any amendment. In several of the provinces and territories of Canada, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the short form prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for the particulars of these rights or consult with a legal adviser.

In an offering of Units, investors are cautioned that the statutory right of action for damages for a misrepresentation contained in the prospectus is limited, in certain provincial securities legislation, to the price at which the Units is offered to the public under the prospectus offering. This means that, under the securities legislation of certain provinces, if the purchaser pays additional amounts upon exercise of the security, those amounts may not be recoverable under the statutory right of action for damages that applies in those provinces. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of this right of action for damages or consult with a legal adviser.

AUDITOR, TRANSFER AGENT AND REGISTRAR

The independent auditor of the Company is Davidson & Company LLP ("**Davidson**"), located at 609 Granville Street, Suite 1200, Vancouver, BC V7Y 1G6.

Davidson has advised the Company that they are independent from the Company within the meaning of the Chartered Professional Accountants of British Columbia Code of Professional Conduct.

The Company's transfer agent and registrar is Computershare Trust Company of Canada, 100 University Avenue, 8th Floor, Toronto, Ontario, Canada M5J 2Y1 and 510 Burrard Street, 2nd Floor, Vancouver, BC V6C 3B9.

INTEREST OF EXPERTS

The technical information relating to the Holly-Banderas Project, included or incorporated by reference in this short form prospectus has been derived from the Technical Report prepared by the experts listed below, and has been included or incorporated by reference in reliance on such persons' expertise. The following persons are the authors responsible for the preparation of the Technical Report, and, by virtue of their education, experience, and professional association, are considered Qualified Persons as defined in the NI 43-101, and are members in good standing of the appropriate professional institutions:

Bruce A. Smith, MAIG; and

Greg F. Smith, B.Sc., PGeo.

As of the date of this short form prospectus, the experts named in the foregoing section beneficially held, directly or indirectly, in the aggregate less than 1% of the issued and outstanding Common Shares. Bruce A. Smith provides geological consulting services to the Company.

None of the other experts named in the foregoing sections held, at the time they prepared or certified such statement, report or valuation, received after such time or will receive any registered or beneficial interest, direct or indirect, in any securities or other property of the Company or one of the Company's associates or affiliates, other than Bruce A. Smith who was granted on October 9, 2020 an incentive option to purchase up to 325,000 Common Shares exercisable for up to ten years at $0.57 per Common Share.

ADDITIONAL MATTERS

Directors and Executive Officers

Charles Straw, a director and the chief executive officer of the Company, was a director of Artha Resources Corporation ("**Artha**"), now Latin Metals Inc., when, on May 1, 2014, the British Columbia Securities Commission (the "**BCSC**") issued a cease trade order to Artha and the management of Artha and, on July 2, 2014, the BCSC issued a cease trade order against Artha (the "**Artha CTOs**"). The Artha CTOs were issued for failure by Artha to file its annual audited financial statements, annual management's discussion and analysis, and certification of annual filings for the financial year ended December 31, 2013 and failure by Artha to file its interim financial statements and management's discussion and analysis for the period ended March 31, 2014. Artha made the required filings and the BCSC revoked the Artha CTOs on September 29, 2014.

On October 16, 2015, the BCSC and Ontario Securities Commission (the "**OSC**") issued cease trade orders against Minera IRL Limited ("**Minera**") for failure to file financial reports, the October 16, 2015 temporary cease trade order issued by the OSC was replaced with a permanent cease trade order dated October 28, 2015 (the "**Minera CTOs**"). The BCSC and OSC revoked the Minera CTOs on January 19, 2017. Robert Schafer, a director of the Company, joined Minera as a director in September 2016 after the Minera CTOs were issued and stepped down as a director in November 2016.

CERTIFICATE OF THE COMPANY

October 15, 2020

This short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of British Columbia, Alberta, Saskatchewan and Ontario.

/s/ "*Charles Straw*"
Chief Executive Officer

/s/ "*Kevin Bales*"
Chief Financial Officer

On behalf of the Board of Directors:

/s/ "*Simon Ridgway*"
Director

/s/ "*Scott Ackerman*"
Director

CERTIFICATE OF THE UNDERWRITERS

October 15, 2020

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of British Columbia, Alberta, Saskatchewan and Ontario.

HAYWOOD SECURITIES INC.

/s/ "*Kevin Campbell*"
Kevin Campbell
Managing Director, Investment Banking

CANACCORD GENUITY CORP.

/s/ "*Jamie Brown*"
Jamie Brown
Managing Director, Investment Banking