



LUMINEX RESOURCES CORP.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE THREE MONTHS ENDED MARCH 31, 2020**

TSX-V: LR



[www.luminexresources.com](http://www.luminexresources.com)

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## **INTRODUCTION**

Luminex Resources Corp. ("Luminex" or the "Company") is a resource exploration company with a focus on the exploration and development of mining projects in Ecuador. Luminex's head office is in Vancouver, Canada. The Company was incorporated under the *Business Corporations Act* (British Columbia) on March 16, 2018 in connection with a strategic reorganization of Lumina Gold Corp. ("Lumina") effected by a plan of arrangement (the "Arrangement"), which was completed on August 31, 2018. The Company's common shares are listed on the TSX Venture Exchange ("TSXV") under the symbol "LR".

This management's discussion and analysis ("MD&A") focuses on significant factors that affected Luminex and its subsidiaries during the relevant reporting period and to the date of this report. The MD&A supplements, but does not form part of, the unaudited condensed consolidated interim financial statements of the Company and the notes thereto for the three months ended March 31, 2020 and 2019, and, consequently, should be read in conjunction with the aforementioned financial statements and notes thereto. This MD&A should also be read in conjunction with our audited consolidated financial statements for the year ended December 31, 2019.

## **ADDITIONAL INFORMATION**

Additional information about the Company is available under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.luminexresources.com](http://www.luminexresources.com).

The Company reports its financial information in United States dollars and all monetary amounts set forth herein are expressed in U.S. dollars unless specifically stated otherwise. The financial information presented in this MD&A has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (the "IASB"). The Company's unaudited condensed consolidated interim financial statements for the three months ended March 31, 2020 and 2019 were prepared in accordance with IAS 34 *Interim Financial Reporting*.

Leo Hathaway, P.Geo., is a qualified person as defined by National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* ("NI 43-101") and has reviewed and approved for inclusion the scientific and technical disclosure in this MD&A. Mr. Hathaway is the Senior Vice President, Exploration of the Company.

## **FORWARD-LOOKING INFORMATION**

Information and statements contained in this MD&A that are not historical facts are forward-looking information or forward-looking statements within the meaning of Canadian securities legislation and the *U.S. Private Securities Litigation Reform Act of 1995* (hereinafter collectively referred to as "forward-looking statements") that involve risks and uncertainties. This MD&A contains forward-looking statements such as estimates and statements that describe the Company's future plans, objectives or goals, including words to the effect that the Company or management expects a stated condition or result to occur. Examples of forward-looking statements in this MD&A include, but are not limited to, statements with respect to:

- the Company's ongoing evaluation of the impacts of COVID-19;
- the Company's going-forward strategy;
- the Company's acquisition of concessions and projects, and the regulatory reporting and amount of human and financial resources invested to maintain the concessions in good standing;
- the timing for completion of the Company's metallurgical testing program on the Condor Project's Camp Zone;
- the Company's and its earn-in partners' plans and activities to continue or initiate exploration and drilling programs on the Company's projects;
- timing and prospects of future exploration and development work and expenditures on the Company's projects;
- estimates of mineral resources at the Company's projects;
- potential economic recoveries at the Company's projects;
- estimates of future metals prices;
- possible related discoveries or extensions of new mineralization, increases or upgrades to reported mineral resource estimates at the Company's projects, or general expected results of the Company's activities;
- the Company's ongoing case-by-case evaluation whether to advance projects internally, seek strategic partners for concessions acquired by tender process in Ecuador or to initiate further exploration, project engineering and development studies on its various assets;
- the Company's ability to comply with auction, permitting and regulatory requirements related to exploration and development and related operations, as well as any associated costs and timing;
- the Company's ability to manage relations with economic, political and social stakeholders in Ecuador;
- prospects for identifying and/or acquiring additional mining concessions or projects, within or outside of Ecuador;
- the Company's ability to acquire, secure, and maintain access to surface lands needed for its operations;
- the Company's plans, actions and timing to renounce certain non-core concession areas;
- the Company's ability to continue as a going concern;
- the impact of future accounting standards on the Company;
- the risks and uncertainties around the Company's business;
- the Company's expectation that global geopolitical and macroeconomic developments will continue to drive sustained improvements in copper and gold markets;

- the Company's expectation that the Ecuadorian mining industry, including governmental support, will continue to evolve in a positive direction;
- the adequacy of the Company's working capital;
- the Company's ability to raise additional financing or find alternative ways to advance its corporate objectives, as well as the use of any financing proceeds;
- the Company's efforts to monitor market and political conditions (globally and in Ecuador);
- the Government of Ecuador's actions, including efforts to improve the legal and regulatory framework, uphold rule of law, combat illegal mining, counter legal and social strategies of anti-mining activists, and implement another mining concession tender process;
- the Company's ability to identify and, with government support, control incursions by informal miners into its concessions;
- that the Government of Ecuador will maintain the national policy of making Ecuador an attractive destination for long-term formal mining investment, continuing to build on recent mining reforms, including consolidating the changes made via the Ministerial Agreement that allows for non-systematic exploration drilling;
- Ecuador remaining a jurisdiction that is attractive to mining investors;
- legislative and regulatory reform processes, including those related to the fiscal and permitting regimes, and their potential effects on Luminex; and,
- the mining assets and properties acquired by the Company being and remaining attractive investment opportunities.

In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "goal", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Any such forward-looking statements are based, in part, on assumptions and factors that may change, thus causing actual results or achievements to differ materially from those expressed or implied by the forward-looking statements. Such factors and assumptions may include, but are not limited to: assumptions concerning gold, copper and other base and precious metal prices; cut-off grades; accuracy of mineral resource estimates and mineral resource modeling; timing and reliability of sampling and assay data; representativeness of mineralization; timing and accuracy of metallurgical test work; anticipated political and social conditions; expected Ecuador government policy, including reforms; and, ability to successfully raise additional capital.

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 future results, performance or achievements expressed or implied by the forward-looking statements. Such risks and other factors include, among others, and without limitation:

- risks relating to the impact of epidemics and pandemics, including COVID-19, internationally, nationally, and across Ecuador, including at the Company's different local sites;
- risks relating to price fluctuations for gold, copper, and other precious and base metals;
- risks inherent in mineral resource estimation;
- risks relating to government expropriation of the Company's mineral property interests;
- risks relating to all the Company's mineral concessions and projects being located in Ecuador, including political, social, economic, security and regulatory instability;
- risks relating to changes in Ecuador's national, provincial and local political leadership, including impacts these may have on general, environmental, and mining specific public policies, laws and regulations, administrative agencies and other governmental institutions, including the Ombudsman and the judiciary, and legal, political, and social stability;
- risks relating to changes in the leadership of local communities and indigenous organizations, and the impacts these may have on local attitudes towards mining in general, as well as the Company and its activities and plans;
- risks relating to governmental initiatives, including: austerity measures; reorganization and restructuring, including consolidation of ministries and agencies and leadership changes at government bodies, such as the Ministry of Energy and Non-Renewable Natural Resources, Ministry of Environment, and the Agency for Mining Regulation and Control (ARCOM);
- risks relating to national, provincial and local political and social unrest, including opposition to mining, pressure for economic benefits such as employment or social donation or investment programs, access to land for agricultural or artisanal or illegal mining or other illegal purposes, permission to conduct artisanal hard rock or alluvial mining on Company concessions, or other local political and social pressures;
- risks relating to government austerity and restructuring measures, including effects merger of ministries and agencies could have on oversight, permitting, and other functions;
- risks relating to required consultations with indigenous and local communities;
- risks relating to the social, environmental and geological conditions in areas in proximity to the concessions under development;
- risks relating to Luminex's rights or activities being impacted by litigation or administrative processes;
- risks relating to Luminex's ability to secure and maintain social licenses from local communities and access concession surface areas and other properties needed to advance its exploration and development programs;
- risks relating to Luminex's ability to prevent illegal mining on its concessions, with or without the involvement of national, provincial and local authorities;

- risks relating to Luminex's operations being subject to environmental requirements, including remediation, for impacts caused by the company or third parties;
- risks relating to Luminex's ability to source qualified human resources, including managers, employees, consultants, attorneys, and sub-contractors, as well as the performances of all such resources (including human error and actions outside of the control of Luminex, such as wilful negligence of its counterparties or agents);
- risks of title disputes or claims affecting mining concessions or surface ownership rights;
- risks relating to adverse changes to laws, regulations or other norms placing increased regulatory burdens or extending timelines for regulatory approval processes, including environmental, water, safety, social, taxation and other matters;
- risks relating to delays in obtaining governmental approvals or permits necessary for the execution of exploration, development or construction activities;
- risks relating to failure of plant, equipment, personnel or processes to perform as anticipated;
- risks relating to performance of human resources, such as accidents and labour disputes;
- risks relating to competition inherent in the mining exploration industry, in Ecuador and elsewhere;
- risks of impacts from unpredictable natural occurrences, such as epidemics and pandemics, adverse weather conditions, fire, natural erosion, landslides, and geological activity, including earthquakes and volcanic activity;
- risks relating to inadequate insurance or inability to obtain insurance;
- risks relating to the fact that Luminex's properties are not yet in commercial production;
- risks relating to the Company's ability to obtain necessary funding for its operations, at all or on terms acceptable to the Company;
- risks relating to the Company's concessions that are subject to earn-in arrangements, including the provision of ongoing funding to progress the mineral concessions and meet required spending commitments in Ecuador;
- risks relating to the Company's working capital and requirements for additional capital;
- risks relating to currency exchange fluctuations or change in national currency;
- risks relating to fluctuations in interest and inflation rates;
- risks relating to restrictions on access to and movement of capital;
- risks relating to the value of the Company's common shares fluctuating based on market factors, including volatility;
- risks relating to the Company's dependence on key personnel; and
- other risks of the mining industry,

as well as those factors discussed in the sections entitled "Risks and Uncertainties" in this MD&A.

Although the Company has attempted to identify important factors and risks that could affect the Company and might cause actual actions, events or results to differ, perhaps materially, from those described in forward-looking statements, there may be other factors and risks that cause actions, events or results not to occur as projected, estimated or intended. 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 should not place undue reliance on forward-looking statements. The forward-looking statements in this MD&A speak only as of the date hereof. The Company does not undertake any obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events, except as required by law.

Forward-looking statements and other information contained herein, including general expectations concerning the mining industry, are based on estimates and forecasts prepared by the Company employing data from publicly available industry sources, as well as from market research and industry analysis, and on assumptions based on data and knowledge of this industry and the operating environment in Ecuador which the Company believes to be reasonable. Although generally indicative of relative market positions, market shares and performance characteristics, this data is inherently imprecise. While the Company is not aware of any misstatements regarding any data presented herein, the mining industry involves risks and uncertainties and the data is subject to change based on various factors.

## **OVERVIEW OF SIGNIFICANT EVENTS AND REVIEW OF ACTIVITIES**

In order to better understand the Company's financial results, it is important to gain an appreciation of the significant events, transactions and activities involving mineral property interests that occurred during the three months ended March 31, 2020 and to the date of this MD&A. This overview should be read in conjunction with the remainder of this MD&A to more fully appreciate the Company's results and activities for the three months ended March 31, 2020.

Described in more detail below are the following:

- an update on the BHP Group plc ("BHP") earn-in and joint venture agreement on the Company's Tarqui concessions;
- an update on the Anglo American plc ("Anglo American") earn-in on the Pegasus Project for which Anglo American has, to March 31, 2020, made cash payments of \$1,600,000 and spent approximately \$9,320,000 which is in excess of its required minimum spend of \$2,200,000 which was due by September 21, 2019;
- activities and work programs carried out on the Company's Condor Project and its other early stage projects including Cascas, Quimi, La Canela and Tres Picachos and steps taken by the Company regarding COVID-19.

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**COVID-19 Protocols and Measures**

Ecuador remains under a State of Exception, which commenced on March 16, 2020, and which was extended by Presidential Decree on May 15, 2020 for a third thirty-day period. Current measures include, but are not limited to, an almost total prohibition on international flights and border crossings, heavy restrictions on domestic travel, and a nightly curfew. The Government of Ecuador has established a stoplight process for reopening the economy, which is to be applied at the canton level with each municipality determining status based on several public health criteria. Currently all the Company's areas of operation, including Quito, remain in red status, which means they are shutdown. Exceptions have applied throughout for strategic sectors, including mining, which has enabled the Company to perform basic functions like manning and supplying the Condor Camp. The Company's success at demonstrating its responsible implementation of COVID-19 protocols also enabled it to successfully resume drilling at Condor Camp on April 27, 2020. The Government's May 15, 2020 Presidential Decree also provided for the establishment of logistical corridors to enable the transportation of concentrates from eastern Ecuador to its Pacific Ocean ports for export. Also, on May 15, 2020, the Ministry of Energy and Non-Renewable Natural Resources (MERNNR) issued a Protocol for Biosecurity Prevention for the Mining Sector for COVID-19, which provides general guidelines and requirements for the full reopening of mining operations and product shipments.

In response to COVID-19, the Company has implemented health safety protocols in keeping with World Health Organization ("WHO") and US Centers for Disease Control and Prevention ("CDC") guidelines, as well as Ecuador Ministry of Health, Ministry of Labor and MERNNR norms. In addition, the Company is also abiding by the restrictions on activity imposed by the different municipalities in which it operates, and evolving rules governing interprovincial transportation in Ecuador. These include training of all staff on COVID-19 symptoms and protective measures. PCR testing of all personnel prior to camp shifts, processes for the safe transportation of personnel to the Condor camp, restriction of project site access to essential personnel, daily medical checkups for personnel on shift, and application of social distancing and heightened cleanliness measures. In addition, modified emergency response procedures have been installed for the duration of the COVID-19 threat. Corporate administrative offices in Canada and Ecuador are temporarily closed and remote work arrangements have been established for all employees and contractors not on shift. Community relations programs are ongoing, and the Company is also providing COVID-19 support and resources to local communities.

In order to support a resumption of drilling activity at the Condor Project (as described in more detail below), the Company has implemented a stand-alone camp for drilling personnel who maintain separation from the Company's own personnel. Shift patterns for personnel at the Condor camp have also been amended to allow for COVID-19 symptoms to manifest (and action be taken as needed) for personnel both leaving and arriving at camp. The Company has had several employees test positive for COVID-19 while in the process of returning to shift; these employees are required to quarantine at their residence under Ministry of Health supervision. In order to return to work, they must test negative for COVID-19 and have formal Ministry of Health approval. To date, the Company has not had any cases of COVID-19 at the Condor Camp or its other work locations.

**Condor Project**

The Company holds title to nine contiguous mineral concessions, totalling an area of 10,101 hectares, collectively known as the "Condor Project", located in the Zamora Chinchipe province in southeastern Ecuador. The Condor Project includes the Escondida and Santa Elena concession areas acquired through the Government of Ecuador's auction tender process in 2016. The Company owns land / surface rights over an area of approximately 614 hectares that overlie concessions of the Condor Project. In addition, the Company holds approximately 139 hectares of land access rights obtained by way of easements.

Within the Condor Project, the Chinapintza and Los Cuyes deposits are hosted in a sub-volcanic system consisting primarily of epithermal high-grade gold/silver veins and mineralized breccias. South and southwest of this sub-volcanic system are the El Hito porphyry copper and molybdenum deposit and the Santa Barbara gold and copper porphyry/skarn deposit. In addition to these mineral deposits, there are several exploration targets within the Condor Project consisting of gold and iron-rich skarns, epithermal gold and other undeveloped and under-explored soil, stream sediment and bedrock gold/silver and copper anomalies.

Zamora-Chinchipe is serviced by air from the city of Loja, which is a three-hour drive from the Condor Project. Access is by paved highways via the provincial capital of Zamora and then 50 kilometres ("km") east to the village of Paquisha. From Paquisha there are approximately 35 km of gravel roads passing through several villages to the Condor Project. Lundin Gold Inc.'s Fruta del Norte gold project is located approximately 30 km to the north of the Condor Project.

The Company's primary focus on the Condor Project has been continued drill delineation of the Camp Zone mineralization accompanied by surface mapping and sampling both there and at the nearby Los Cuyes, Prometedor and Soledad zones. To March 16, 2020, the Company had completed drilling on 32 holes for 17,813 metres at which time the Company decided, in cooperation with its two drilling contractors, to suspend drilling pending further evaluation and clarity around COVID-19 including its impact on workers and the Company's financial situation. News releases on January 20, March 24 and April 28, 2020 summarize results received to date for drilling updates in 2020.

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**May 26, 2020**

An initial screening metallurgical testing program for the Camp Zone is underway at C. H. Plenge & CIA S.A. ("Plenge"), an independent metallurgical testing laboratory based in Lima, Peru. The program is designed to test gravity concentration, cyanidation as well as the polymetallic (Au, Ag, Cu, Pb, Zn) flotation response. A total of 341 kilograms of ¼ drill core from 19 drill holes were sent to Plenge for testing. This includes high, medium and low-grade samples. The Company has received preliminary test results. However, the testing program was paused in March 2020 as Peru went into COVID-19 lockdown. The mining industry in Peru, including service companies, has been deemed essential and is in the process of restarting. It is expected that the metallurgical testing program will be completed by the end of the second quarter of 2020.

On March 31, 2020, the Company announced a maiden Camp Zone mineral resource estimate (864,000 ounces at a gold grade of 2.26 g/t; 1,126,000 ounces gold equivalent at a gold equivalent grade of 2.95 g/t) and an updated mineral resource on the entire Condor Project (1.8 million ounces of indicated and 4.5 million ounces of inferred gold).

An estimate of the Camp Zone inferred mineral resource (1.50 g/t gold equivalent cut-off grade) is:

Million Tonnes	Average Grade						Contained Metal					
	AuEq (g/t)	Au (g/t)	Ag (g/t)	Cu (%)	Pb (%)	Zn (%)	AuEq (koz)	Au (koz)	Ag (Moz)	Cu (Mlbs)	Pb (Mlbs)	Zn (Mlbs)
11.9	2.95	2.26	19.5	0.03	0.09	0.66	1,126	864	7.4	7.1	22.5	173.0

The sensitivity of the inferred mineral resources to cut-off grade for the Camp Zone are:

Cut-off Grade AuEq (g/t)	Million Tonnes	Average Grade						Contained Metal					
		AuEq (g/t)	Au (g/t)	Ag (g/t)	Cu (%)	Pb (%)	Zn (%)	AuEq (koz)	Au (koz)	Ag (Moz)	Cu (Mlbs)	Pb (Mlbs)	Zn (Mlbs)
1.25	16.7	2.60	1.96	17.8	0.03	0.08	0.63	1,399	1,055	9.5	9.2	28.4	230.5
<b>1.50 (Base Case)</b>	<b>11.9</b>	<b>2.95</b>	<b>2.26</b>	<b>19.5</b>	<b>0.03</b>	<b>0.09</b>	<b>0.66</b>	<b>1,126</b>	<b>864</b>	<b>7.4</b>	<b>7.1</b>	<b>22.5</b>	<b>173.0</b>
1.75	9.4	3.18	2.46	20.7	0.03	0.09	0.68	955	740	6.2	6.0	18.1	140.2
2.00	7.0	3.45	2.69	22.1	0.03	0.09	0.71	774	605	5.0	4.8	14.5	109.4

The total Condor Project mineral resource estimate summary for all deposits is as follows:

Deposit	Million Tonnes	Average Grade				Contained Metal				
		AuEq (g/t)	Au (g/t)	Ag (g/t)	Cu (%)	AuEq (koz)	Au (koz)	Ag (koz)	Cu (Mlbs)	
<b>Indicated</b>										
Santa Barbara	19.7	0.77	0.63	0.6	0.09	485	399	404	41	
Soledad	12.3	0.80	0.72	5.3	0.01	315	283	2,069	4	
Los Cuyes	39.8	0.77	0.68	5.5	0.02	983	872	7,056	13	
Enma	0.5	0.87	0.72	11.6	0.01	13	11	172	0.1	
<b>Total Indicated</b>	<b>72.1</b>	<b>0.77</b>	<b>0.67</b>	<b>4.2</b>	<b>0.04</b>	<b>1,796</b>	<b>1,564</b>	<b>9,701</b>	<b>57</b>	
<b>Inferred</b>										
Camp	11.9	2.95	2.26	19.5	0.03	1,126	864	7,437	7	
Santa Barbara	130.4	0.66	0.52	0.9	0.10	2,768	2,163	3,858	279	
Soledad	3.3	0.61	0.56	3.2	0.01	64	59	336	1	
Los Cuyes	24.0	0.73	0.65	5.6	0.01	558	499	4,313	5	
Enma	0.04	1.22	1.09	10.1	0.01	1	1	12	0	
<b>Total Inferred</b>	<b>169.6</b>	<b>0.83</b>	<b>0.66</b>	<b>2.9</b>	<b>0.08</b>	<b>4,518</b>	<b>3,586</b>	<b>15,955</b>	<b>292</b>	

Notes:

<sup>(1)</sup> The mineral resource estimate has an effective date of March 4, 2020. <sup>(2)</sup> There are no known issues related to legal, political or environmental issues that could materially affect the potential development of the mineral resources. <sup>(3)</sup> The quantity and grade of reported Inferred mineral resources is based on limited geological evidence and sampling which is sufficient to imply but not verify geological and grade or quality continuity and there has been insufficient exploration to define these Inferred mineral resources as an indicated or measured mineral resource. It is reasonable to expect that the majority of inferred mineral resources could be upgraded to indicated or measured mineral resources with continued exploration. <sup>(4)</sup> Gold equivalent (AuEq) values were calculated using the following prices: a gold price of US\$1,500 per ounce, a copper price of US\$3.00 per pound, a zinc price of \$1.25/lb, a lead price of \$1.00/lb and a silver price of US\$18 per ounce. Gold equivalent values at the Camp deposit are calculated using the following formula: AuEq = Au g/t + (Ag g/t x 0.012) + (Cu% x 1.371) + (Pb% x 0.457) + (Zn% x 0.571). Gold equivalent grades at the other deposits are calculated using the formula: AuEq = Au g/t + (Ag g/t x 0.012) + (Cu% x 1.371). <sup>(5)</sup> The base case cut-off grade is 0.35 g/t gold equivalent for pit constrained mineral resources at the Soledad, Los Cuyes, Santa Barbara and Enma deposits limited inside \$1,500/oz Au pit shells. The cut-off grade for mineral resources considered amenable to underground extraction methods at the Camp deposit is 1.50 g/t AuEq.



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For further details, please view the Company's news release dated March 31, 2020 titled "Luminex Announces Maiden Camp Deposit Inferred Mineral Resource Estimate of 0.9 Million Ounces Gold and Updates Condor Mineral Resource Estimate", which can be found at the Company's website ([www.luminexresources.com](http://www.luminexresources.com)) or on the Company's profile on SEDAR. The Company filed (on SEDAR and the Company's website) a technical report to support the mineral resource estimate on May 14, 2020, entitled "Condor Project, Zamora-Chinchipe Province, Southeastern Ecuador" with an effective date of March 4, 2020.

On April 27, 2020, the Company restarted drilling on a limited basis, focussing on Soledad Baja, the immediate southeast surface extension of the Camp deposit, initially using one drill rig running a single daily 12-hour shift. As described earlier in this MD&A, the Company has implemented stringent COVID-19 working protocols for its operations. At May 21, 2020, the Company had completed 543 metres in one hole and a second hole was at 21 metres.

**Other Concessions**

Lumina participated in the Government of Ecuador's mineral concession auction process in 2016 / 2017. Under the terms of the auction, a company awarded a concession is obligated to complete the investments proposed in the related application by the end of a four-year period. Should a company determine that it no longer wishes to retain a concession area it can cease active spending and the concession will be forfeited back to the Government of Ecuador, provided that the Company is responsible for payment of annual concession fees to the point in time at which the relinquishment of the concession is completed.

Lumina was granted the following areas, which were subsequently transferred to Luminex pursuant to the Arrangement:

<b>Concession Name</b>	<b>Area (Ha)</b>	<b>General Location</b>
<b>Part of Condor Project</b>		
Escondida	1,204	Adjacent to the Condor Project.
Santa Elena <sup>(1)</sup>	628	Adjacent to the Condor Project.
<b>Other Concessions</b>		
<b>Southern Ecuador</b>		
Cascas <sup>(1)</sup>	9,998	On trend with the Condor Project. Two concessions.
La Canela	3,187	On trend with the Condor Project.
Orquideas	4,743	On trend with the Condor Project.
Quimi <sup>(1)</sup>	2,732	On trend with the Condor Project. Two concessions.
Tarqui <sup>(1)</sup>	4,817	On trend with the Condor Project. Two concessions.
Tres Picachos	4,828	On trend with the Condor Project.
<b>Northern Ecuador</b>		
Pegasus A / Pegasus B / Luz	67,360	Fifteen adjacent concessions located approximately 150km southwest of Quito in Cotopaxi Province.
<b>TOTAL</b>	<b>99,497</b>	

*Note: Palma Real (19,775 ha) has been excluded from the table above. The concessions comprising Palma Real were relinquished by Luminex in the first half of 2019.*

*<sup>(1)</sup> Concessions acquired by way of option agreement with Proyectmin S.A., a related party to Lumina. Under the terms of the option agreement, Lumina was responsible for funding the required work commitments on the concessions. After two years, the concessions were to be transferred to Lumina. On April 18, 2018, Luminex acquired 100% of the shares of Proyectmin S.A. for \$35,000 which eliminated the option agreement as the concessions became entirely owned and controlled by Luminex.*

Further details on the commitments associated with the new concessions are provided later in this MD&A in the section "Liquidity and Capital Resources."

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***Tarqui Concessions - BHP Group plc Earn-in and Joint Venture Agreement***

On July 12, 2019, Luminex entered into an earn-in and joint venture agreement (the "BHP Agreement") with a wholly-owned subsidiary of BHP relating to the Company's Tarqui 1 and 2 mining concessions ("Tarqui"). Under the terms of the BHP Agreement, BHP has the right to:

- (i) earn a 51% ownership interest in a joint venture company, which will hold Tarqui on completion of \$25 million of exploration expenditures and \$2.4 million of cash payments to Luminex over a four-year period ("First BHP Earn-in");
- (ii) earn an additional 9% interest in the joint venture company by solely funding an additional \$10 million of expenditures on Tarqui and making an additional \$4.6 million of cash payments over a further two-year period (for a total cumulative \$35 million of exploration expenditures and cumulative \$7 million of cash payments to Luminex) ("Second BHP Earn-in"); and
- (iii) earn an additional 10% ownership interest in the joint venture company by sole funding an additional \$40 million of expenditures on Tarqui, for a cumulative \$75 million of exploration expenditures ("Third BHP Earn-in").

Assuming completion of the Third BHP Earn-in, the Company will retain a 30% interest in Tarqui and would be responsible for funding its 30% pro rata share of any capital required to further explore, develop or construct a mine at Tarqui.

BHP will assume management of the joint venture company and the exploration program for Tarqui and will have the right to accelerate the exercise of the earn-in by completing all the exploration expenditures and any outstanding cash payments to Luminex in a period shorter than the earn-in term.

Pursuant to the terms of the BHP Agreement, BHP has paid \$100,000 to the Company with an additional \$200,000 due upon completion of the transfer of Tarqui to the joint venture company. BHP also reimbursed the Company \$341,337 in expenses incurred exploring the Tarqui concessions prior to signing the BHP Agreement. The transfer of Tarqui is expected to complete in the second quarter of 2020. The Company estimates that to March 31, 2020, BHP has incurred approximately \$1,393,000 towards its earn-in on Tarqui. During the three months ended March 31, 2020, BHP continued its work, including soil and rock sampling, to identify future drilling targets.

***Pegasus A, B and Luz Concessions - Anglo American plc Earn-In and Joint Venture***

Effective September 21, 2018, Luminex signed an earn-in and joint venture agreement with Anglo American (the "Anglo Agreement") relating to the Pegasus Project that was transferred to Luminex as part of the Arrangement. Under the terms of the Anglo Agreement, Lumina received a fee of \$1.3 million, a recovery fee for certain legal costs of \$10,436 and \$286,976 relating to reimbursement of costs incurred by Lumina on the Pegasus Project prior to signing the Anglo Agreement and transfer of Pegasus to Luminex pursuant to the Arrangement.

Under the Anglo Agreement, Luminex holds 30 Class A common shares in Central Ecuador Holdings Ltd. ("Central") and Anglo American holds 70 Class B common shares in Central. Central is the vehicle through which Anglo American will earn its interest in the Pegasus Project and which will form the joint venture company to operate the Pegasus Project, should all spending commitments be met. Anglo American has the following spending commitments pursuant to the Anglo Agreement:

- (i) In order to earn a 25% interest in the Pegasus Project, Anglo American is required to make option payments to Luminex totaling \$1.1 million by September 21, 2021 (such payments to be made in installments of (i) \$300,000 by September 21, 2019; (ii) \$300,000 by September 21, 2020; and (iii) \$500,000 by September 21, 2021) and spend at least \$10 million in exploration expenditures by September 21, 2022, of which at least \$2.2 million must be funded prior to September 21, 2019 (the "Initial Contribution"). Should Anglo American fail to complete the Initial Contribution, its shares in Central will be cancelled and returned to treasury and the Pegasus Project will revert to being 100% owned by Luminex;
- (ii) Anglo American can earn an additional 26% interest in the Pegasus Project (for a total of 51%) by making payments to Luminex totaling \$2.4 million by September 21, 2023 (with \$1,000,000 due by September 21, 2022 and \$1,400,000 by September 21, 2023) and funding exploration expenditures of \$25 million no later than September 21, 2024 (the "First Option");
- (iii) Following completion of the First Option, Anglo American can earn an additional 9% interest in the Pegasus Project (for a total of 60%) by making a payment to Luminex of \$2.5 million by September 21, 2024 and funding exploration expenditures of \$15 million by September 21, 2025 (the "Second Option"); and,
- (iv) Anglo American can earn an additional 10% interest in the Pegasus Project following completion of the Second Option if it solely funds all the required work up to a decision to construct a mine at the Pegasus Project, for a total retained interest of 70%.



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As at March 31, 2020, Anglo American had incurred approximately \$9,320,000 towards its earn-in. The first earn-in ownership threshold of 25% occurs once \$10 million has been spent across the concessions and \$2.4 million of cash payments have been paid. \$0.8 million in cash payments remain to be paid to satisfy the 25% threshold.

The tables below illustrate the cash payments and the spending commitments and milestones pursuant to the Anglo Agreement in order for Anglo American to earn up to a 60% interest.

*Cash Payment Schedule:*

<b>Due Date</b>	<b>Payment Amount</b>
Signing of Agreement (received) <sup>(1)</sup>	\$ 1,300,000
September 21, 2019 (received)	\$ 300,000
September 21, 2020	\$ 300,000
September 21, 2021	\$ 500,000
<b>25% Interest Cash Payment Milestone</b>	<b>\$ 2,400,000</b>
September 21, 2022	\$ 1,000,000
September 21, 2023	\$ 1,400,000
<b>51% Interest Cumulative Cash Payment Milestone</b>	<b>\$ 4,800,000</b>
September 21, 2024	\$ 2,500,000
<b>60% Interest Cumulative Cash Payment Milestone</b>	<b>\$ 7,300,000</b>

<sup>(1)</sup> Received by Lumina.

*Spend Commitment Schedule:*

<b>Due Date</b>	<b>Spend Commitment</b>	<b>Estimated Spend Incurred To March 31, 2020</b>
By September 21, 2019	\$ 2,200,000	\$ 2,200,000
By September 21, 2022	\$ 7,800,000	\$ 7,120,000
<b>25% Interest Spending Milestone</b>	<b>\$ 10,000,000</b>	<b>\$ 9,320,000</b>
By September 21, 2024	\$ 25,000,000	\$ -
<b>51% Interest Cumulative Spending Milestone</b>	<b>\$ 35,000,000</b>	<b>\$ 9,320,000</b>
By September 21, 2025	\$ 15,000,000	\$ -
<b>60% Interest Cumulative Spending Milestone</b>	<b>\$ 50,000,000</b>	<b>\$ 9,320,000</b>

Should Anglo American decide to only earn an interest up to the Initial Contribution, First Option or Second Option, the number of Class B common shares held by Anglo will be adjusted in accordance with the Anglo Agreement to result in a total retained interest in the Pegasus Project of 25%, 51% or 60% respectively.

As noted in Note 6(b) to the unaudited condensed consolidated interim financial statements for the three months ended March 31, 2020, Luminex acquired Mineral Concession Rights on the Pegasus Project by way of payment of \$2.2 million to Lumina prior to the Arrangement. In accordance with the Anglo Agreement, Luminex has treated this Mineral Concession Right as its initial contribution in the Pegasus Project to Central Ecuador EC-CT S.A. ("Central Ecuador"), a wholly-owned Ecuadorean subsidiary of Central.

In accordance with the terms of the Anglo Agreement, Anglo American will control and manage Central and Central Ecuador and all expenditures and operations related to the Pegasus Project. Should Anglo American withdraw from the Anglo Agreement or fail to make its Initial Contribution commitment, it will cause all its appointed directors to resign from Central and Central Ecuador.

During the three months ended March 31, 2020, Anglo American conducted detailed geological field mapping and sampling in higher priority areas, completed ground geophysics in higher priority areas and commenced preparation for a scout drilling program later in the year. Following the advent of COVID-19, Anglo American suspended fieldwork and has focused on offering assistance to local communities.

**Orquideas and Cascas Concessions**

On June 20, 2018, Lumina signed an earn-in agreement (the "FQM Earn-in Agreement") with First Quantum Minerals Ltd. ("First Quantum") relating to the Orquideas and Cascas concessions (the "Properties"). The FQM Earn-in Agreement was assigned to Luminex prior to completion of the Arrangement on August 31, 2018. Under the terms of the FQM Earn-in Agreement, First Quantum committed to fund a minimum of \$1.5 million in exploration expenditures and fees by the end of year one, after which it could withdraw from the agreement with no retained interest. On February 21, 2019, the Company received \$150,000 from First Quantum.

First Quantum and Lumina also entered into a services agreement (the "Services Agreement") whereby Lumina would act as the manager of the work programs to be conducted under the direction of First Quantum. The Services Agreement was assigned to Luminex in connection with the Arrangement. As manager, Luminex is entitled to charge an overhead and recovery fee of 10% of the expenditures incurred on the Properties, which costs will count towards First Quantum's total expenditures under the First Earn-in.

By letter dated August 4, 2019, First Quantum notified the Company that it was terminating its earn-in on the Orquideas concession. This decision was made after the first five drill holes at Orquideas failed to produce significant mineralized intercepts. Following this decision, Luminex drilled an additional 463 metre hole at Orquideas to utilize the available drill rig and test an additional area of the concession. Following this work, which failed to intercept significant mineralization, the Company determined that the Orquideas concession area was of lower priority than other concessions that the Company holds. The Company evaluated the carrying value of the Orquideas Project and determined that it was appropriate to record an impairment of \$825,000.

Subsequent to the First Quantum withdrawal on Orquideas, a further notice was provided in August 2019 whereby First Quantum informed the Company of withdrawal from the Cascas earn-in, effectively terminating the FQM Earn-in Agreement. In December 2019, the Company and First Quantum formally agreed to recognize the withdrawal from Cascas, effective as of August 22, 2019, with the Company receiving a one-time settlement of \$149,892 intended to cover certain future costs related to the Cascas concessions. First Quantum had not incurred sufficient expenditures to earn an ownership interest in Cascas or Orquideas, both of which will remain entirely under the Company's ownership and control.

During the three months ended March 31, 2020 and to date, the Company's efforts on Orquideas have focussed on completion of environmental reporting following the drilling program and activities conducted in 2019.

The Company has been actively seeking to advance exploration work on the Cascas Project, which comprises dual kilometre scale porphyry copper and gold anomalies. The Company used legacy geochemical and geophysical databases to generate initial work plans. In the fourth quarter of 2019, the Company completed a 300-metre spaced, 200 line-km ZTEM survey over the western parts of the Cascas 1 and 2 concession areas, covering 46.5 km<sup>2</sup>. ZTEM results have been received and are being incorporated into the prioritization of exploration targets at Cascas 1 and 2.

During the three months ended March 31, 2020, the Company continued field exploration at the Cascas 1 concession. This work primarily consisted of 200 metre spaced grid soil sampling focused in the western part of the concession, following the 2019 ZTEM flight lines. Sixty-two of these soil samples have been assayed to date along with 343 rock samples extracted from systematic creek traverses while forty-nine soil and thirteen rock samples are pending completion of analysis. Surface geochemical samples confirm the continuity to the northwest of the historic copper anomaly which now extends for 8 km along strike.

At the Cascas 2 concession area, the Company focused efforts during the three months ended March 31, 2020 on improved access into the western part of the area in order to construct a remote exploration camp suitable for a future drilling program. The Company continued its engagement with local communities to facilitate surface access for exploration. The 2019 ZTEM data defined several elliptical shaped, kilometre-scale conductivity and resistivity features, the most significant of which are associated with soil copper/molybdenum and separately, soil gold/arsenic anomalism, the latter representing a strongly resistive feature possibly of epithermal/porphyry affiliation corresponding with the large historic soil gold anomaly.

With the advent of COVID-19, work continued at Cascas 1 while the work of trail clearing for surface mapping sampling was paused at Cascas 2 and later resumed on May 5, 2020.

#### ***Other Luminex Concessions and Work Programs***

During the three months ended March 31, 2020, the Company performed only minimal activities at its other projects. No field activities were conducted at Quimi or La Canela during the three months ended March 31, 2020 and to the date of this MD&A. A field campaign was conducted at the Tres Picachos copper prospect in the first quarter of 2020 with the objective of defining possible drill targets on the hybrid copper-magnetite vein and breccia zone located at the centre of the concession. A new copper mineralized extension was discovered during this campaign yielding assays of up to 1.08% copper in granodiorite and 1.85% copper in hydrothermal breccias.

#### **Financing Activity**

Prior to the Arrangement on August 31, 2018, Luminex operated as a wholly-owned subsidiary of Lumina which provided funding on an as-needed basis to facilitate operations and any reorganization costs to assist in effecting the Arrangement. Immediately prior to completion of the Arrangement, Lumina made a one-time cash contribution to Luminex of \$5,250,000. These funds were fully expended as at the end of July 2019.

On July 16, 2019, the Company completed a non-brokered private placement for 11,290,300 common shares at a price of CAD\$0.62 per common share for aggregate gross proceeds of approximately CAD\$7 million (\$5.4 million). The proceeds of the private placement were to be used for drilling expenses at Condor, exploration costs at the Company's 100% owned, non-optioned concessions and for general corporate purposes. In connection with the private placement, the Company incurred share issue costs totalling \$151,145 which included finder's fees of up to 4% of the proceeds from certain subscribers. At March 31, 2020, the Company had utilized all the cash from this financing.

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On December 18, 2019, the Company completed a non-brokered private placement for 19,230,807 common shares at a price of CAD\$0.52 per common share, for aggregate gross proceeds of approximately CAD\$10 million (\$7.6 million). The proceeds of the private placement are to be used for drilling expenses at Condor, exploration costs at the Company's 100% owned, non-optioned concessions and for general corporate purposes. In connection with the private placement, the Company incurred share issue costs totalling \$197,591 which included finder's fees of up to 4% of the proceeds from certain subscribers. At March 31, 2020, the Company had utilized approximately \$2.7 million of the net proceeds from this financing.

### OUTLOOK

The Company's strategy is to focus on advancing exploration at the Condor and Cascas Projects, as well as the BHP and Anglo American earn-in and joint venture projects. In parallel, the Company continues its evaluation of the remaining early exploration concessions to ensure that resources are focused on advancing projects with the greatest merit and seeking partners or other opportunities for the concessions.

As noted earlier, the Company resumed drilling at the Condor Project on April 27, 2020. Airborne ZTEM and magnetics data has been integrated into the company's exploration models for the various deposit types occurring on the Condor property and will be used to prioritise drill targets and follow up areas in subsequent work. The Company plans to continue exploration drilling at the Condor Camp Zone, which remains open at depth and along strike. Future drilling, the scope of which will depend upon the impact of COVID-19, will focus on expansion of the Camp zone targets at depth and testing shallow surface targets between the Camp Zone and the known mineralization at the Soledad deposit. Soledad Baja is the area between the Camp Zone and Soledad deposits and is a possible southeast strike extension of the Camp Zone. Soledad Baja has the potential to significantly increase the deposit size if it connects the two deposits. The initial program, as started on April 27, 2020, is planned to be for approximately 2,700 metres, commencing at the Soledad Baja zone.

The Company also intends to drill test the Prometedor target, located approximately 2 km southeast along strike of Soledad Baja. Prometedor is a multi-element bullseye anomaly (Au-Ag-Zn) situated along the epithermal gold belt, confirmed by a rock and soil sample surface geochemical anomaly. Access to the area and drill pads have been constructed in preparation for drilling.

The Company is conducting a soil sampling program along lines coincident with the airborne ZTEM survey at both Cascas concessions (on a 300 by 200 metre grid). Work commenced in the northern portion of the Cascas 1 concession and is close to completion. Most geochemical assay results are pending, but a coincident gold - copper anomaly is appearing in the central portion of the grid sampled at Cascas 1. The anomalous area is marked by a magnetic and ZTEM conductivity anomaly. Historic sampling suggests more coherent anomalies will be detected as work moves southward onto the Cascas 2 concession. Soil sampling work on Cascas 2 is scheduled to be completed in the third quarter of 2020.

Besides the continued drilling at the Company's Condor project, both Anglo American at Pegasus and BHP at Tarqui have completed geologic and geophysical surveys and developed initial drill targets at their respective properties. The Company expects that their partners will initiate drilling before year-end.

### REVIEW OF FINANCIAL RESULTS

This review of the results of operations should be read in conjunction with the unaudited condensed consolidated interim financial statements of the Company for the three months ended March 31, 2020 and 2019 along with other public disclosure documents of the Company.

For the three months ended March 31, 2020 the Company reported a net loss of \$3,532,878 compared to a net loss of \$1,243,937 for the three months ended March 31, 2019. Further details of items impacting the Company's net loss are noted in the commentary that follows.

### Exploration and Evaluation ("E&E") Assets (Mineral Properties)

The Company capitalizes costs incurred acquiring E&E assets and any required licenses related thereto with a term of more than one year. The Company's E&E assets at March 31, 2020 consisted of the Condor Project and various mineral concession rights that allow the Company to explore on concessions that were transferred as part of the Arrangement on August 31, 2018. At March 31, 2020, the carrying value of the Condor Project was \$29,715,626 (December 31, 2019 - \$29,715,626).

At March 31, 2020, the Company also has certain mineral concession rights with a net book value totalling \$2,605,000 (December 31, 2019 - \$2,605,000) relating to concession areas transferred to Luminex from Lumina. These are detailed in Notes 6(a) and (b) to the unaudited condensed consolidated interim financial statements for the three months ended March 31, 2020.

E&E expenditures are expensed to profit and loss as incurred. These expenditures are discussed below and are disclosed in Note 6(c) of the unaudited condensed consolidated interim financial statements for the three months ended March 31, 2020.

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**Expenses**

***Exploration and evaluation expenditures***

Total E&E expenses for the three months ended March 31, 2020 were \$3,041,428 compared to \$1,081,081 for the three months ended March 31, 2019. Further details on expenses as they relate to specific projects and concession areas are noted below.

*Condor Project*

The majority of the Company's E&E expenditures were on the Condor Project where E&E expenditures for the three months ended March 31, 2020 and 2019 were as follows:

	<b>Three months ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
Assays / Sampling	\$ 143,212	\$ 27,920
Camp	301,023	163,940
Camp access and improvements	97,104	11,059
Drilling	913,291	-
Engineering	9,531	-
Environmental, Health & Safety	68,385	25,987
Field office	76,589	68,595
Geological consulting and field staff	344,640	133,365
Legal fees	21,266	485
Metallurgical	1,080	-
Mineral rights and property fees	90,279	86,206
Project management	86,809	50,106
Social and community	29,097	10,136
Transportation and accommodation	99,511	56,130
	<b>\$ 2,281,817</b>	<b>\$ 633,929</b>

Expenditures on the Condor Project reflect ongoing exploration, management, camp, and support (social and environmental management) staff costs which are included in the field office category. The Company conducted drilling at the Condor Project until March 16, 2020, notably on the Camp Zone as described earlier in this MD&A. Costs of drilling and related support staff, supplies and logistics reflect the increase in expenditures for the three months ended March 31, 2020 compared to the 2019 period.

*Other Projects*

Details of expenses incurred on the Company's other projects can be reviewed in Note 6(c) to the unaudited condensed consolidated interim financial statements of the Company for the three months ended March 31, 2020. A total of \$759,611 was incurred on the Company's other projects during the three months ended March 31, 2020 compared to \$447,152 for the three months ended March 31, 2019.

The most significant areas for activity in the three months ended March 31, 2020 were the Cascas, Tres Picachos, Orquideas and Quimi projects which had the following expenditures:

<b>Cascas Project</b>	<b>Three months ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
Assays / Sampling	\$ 2,233	\$ -
Camp	43,970	-
Camp access and improvements	1,676	-
Environmental, Health & Safety	31,089	-
Field office	4,911	-
Geological consulting and field staff	121,086	-
Legal fees	3,808	-
Mineral rights and property fees	101,660	-
Project management	17,031	-
Social and community	82,246	-
Transportation and accommodation	42,654	-
	<b>\$ 452,364</b>	<b>\$ -</b>

As described earlier in this MD&A, during the three months ended March 31, 2020, the Company's main activities and expenditures on Cascas consisted of conducting rock sampling programs at Cascas 1, improving access at Cascas 2, engaging the local communities and paying the 2020 annual concession fees. During the three months ended March 31, 2019, the Cascas

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Project was subject to earn-in by First Quantum and accordingly, the Company was not incurring any expenses related to the project during that period.

Tres Picachos Project	Three months ended March 31,	
	2020	2019
Assays / Sampling	\$ 2,985	\$ 1,601
Camp	6,546	975
Environmental, Health & Safety	6,681	784
Field office	782	592
Geological consulting and field staff	47,425	17,050
Legal fees	-	1,886
Mineral rights and property fees	48,280	47,556
Project management	1,146	1,466
Social and community	-	278
Transportation and accommodation	7,894	2,330
	\$ 121,739	\$ 74,518

During the three months ended March 31, 2020, the Company renewed the Tres Picachos concession for 2020 and conducted a field campaign as described earlier in this MD&A. Activity in the three months ended March 31, 2019 was limited and expenditures for that period primarily consisted of the 2019 concession fee payments.

Orquideas Project	Three months ended March 31,	
	2020	2019
Camp	\$ 5,080	\$ -
Environmental, Health & Safety	17,606	-
Field office	6,986	-
Geological consulting and field staff	5,467	-
Legal fees	4,190	-
Mineral rights and property fees	47,430	-
Social and community	2,814	-
	\$ 89,573	\$ -

Activities during the three months ended March 31, 2020, primarily comprised of undertaking environmental compliance reporting following the drilling conducted in 2019. The Company also paid the 2020 annual concession fees. During the three months ended March 31, 2019, the Orquideas Project was subject to earn-in by First Quantum and accordingly, the Company was not incurring any expenses related to exploration thereto.

Quimi Project	Three months ended March 31,	
	2020	2019
Assays / Sampling	\$ -	\$ 3,155
Camp	2,859	11,419
Environmental, Health & Safety	4,901	5,024
Field office	-	2,690
Geological consulting and field staff	4,748	54,704
Legal fees	647	-
Mineral rights and property fees	27,320	26,910
Project management	1,392	2,019
Social and community	2,493	16,581
Transportation and accommodation	5,472	14,135
	\$ 49,832	\$ 136,637

During the three months ended March 31, 2020, the Company paid the 2020 annual concession fees for the Quimi Project and continued to maintain a basic presence to engage with the local communities. There were no active work programs during the period. For the three months ended March 31, 2019, in addition to the annual concession fee, work programs mainly consisted of rock sampling.

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**Other operating expenses**

The Company's other operating expenses were as follows:

	Three months ended March 31,	
	2020	2019
Fees, salaries and other employee benefits	\$ 225,788	\$ 234,568
General and administration ("G&A")	84,104	23,899
Pre exploration and evaluation expenditures	-	10,372
Professional fees	86,569	88,280
	<b>\$ 396,461</b>	<b>\$ 357,119</b>

Fees, salaries and other employee benefits for the three months ended March 31, 2020 include \$63,753 of share-based payment expense (three months ended March 31, 2019 - \$68,034). Accordingly, fees, salaries and other benefits paid in the three months ended March 31, 2020 were \$162,035 compared to \$166,534 for the three months ended March 31, 2019. G&A fees for the three months ended March 31, 2020 were higher than the prior year period primarily as a result of investor relations activity and general corporate activity.

**Other income / expenses**

The Company's other income / expenses were as follows:

	Three months ended March 31,	
	2020	2019
Interest income and other	\$ 14,407	\$ 196,058
Interest expense	(2,373)	(1,984)
Foreign exchange (loss) gain	(107,023)	189
	<b>\$ (94,989)</b>	<b>\$ 194,263</b>

For the three months ended March 31, 2020, the Company earned interest income from cash on deposit of \$6,843 and recorded \$7,564 of other miscellaneous income. The Company's interest and other income for the three months ended March 31, 2019 consisted primarily of (i) \$150,000 annual earn-in payment fee received from First Quantum; (ii) \$34,985 relating to the overhead and recovery fee charges pursuant to the Services Agreement with First Quantum as described earlier in this MD&A; and (iii) interest earned on bank deposits and the Company's environmental deposit in the amount of \$11,073. Interest expense arises from the implied interest on the Company's lease obligations as required under IFRS 16 Leases.

For the three months ended March 31, 2020, the Company recorded a foreign exchange loss primarily on Canadian dollars held to fund Canadian G&A expenditures as the Canadian dollar weakened against the U.S. dollar.

**Related Party Transactions**

The Company incurred the following expenses with related parties:

Company	Nature of transactions	Three months ended March 31,	
		2020	2019
Hathaway Consulting Ltd.	Fees	\$ 24,149	\$ 19,425
Into the Blue Management Inc.	Fees	15,474	-
Koval Management, Inc.	Fees	33,274	32,553
La Mar Consulting Inc.	E&E (social and community)	32,793	16,893
Lumina	E&E (field office and travel)	1,292	-
Lumina	G&A	16,312	-
Lyle E Braaten Law Corp.	Fees	16,097	15,507
Miedzi Copper Corp. ("Miedzi")	E&E (Geological)	23,632	7,549
Miedzi	G&A	8,502	14,103
Miedzi	Fees	43,655	59,091
		<b>\$ 215,180</b>	<b>\$ 165,121</b>

Miedzi and Lumina are considered companies related by way of directors and shareholders in common. Hathaway Consulting Ltd, Into the Blue Management Inc., Koval Management, Inc., La Mar Consulting Inc. and Lyle E Braaten Law Corp. are related by way of being owned by directors or officers of the Company. Related party transactions are recognized at the amounts agreed between the parties. Outstanding balances are unsecured and settlement occurs in cash. At March 31, 2020, the following amounts were included in accounts payable: (i) \$28,928 owing to Miedzi; and (ii) \$4,281 owing to Lumina (December 31, 2019 - \$695 owing to Lumina).



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Luminex Services Ecuador LS-EC S.A. ("Luminex Services"), a wholly-owned subsidiary, provides personnel services to Odin Mining del Ecuador S.A. ("Odin"), a subsidiary of Lumina, whereby personnel time is recharged based on time worked and at a rate of cost plus 6%. These services are recorded in the Company's financial statements as a reduction of cost associated to E&E expenditures. The total amount charged to Odin for the three months ended March 31, 2020 was \$87,947 (three months ended March 31, 2019 - \$79,662). Included in accounts receivable is \$31,682 due from Odin (December 31, 2019 - \$6,157).

**SUMMARY OF QUARTERLY RESULTS (UNAUDITED)**

The information presented below highlights the Company's unaudited quarterly results from its incorporation.

<b>Three months ended:</b>	<b>March 31, 2020</b>	<b>December 31, 2019</b>	<b>September 30, 2019</b>	<b>June 30, 2019</b>
Revenue	\$ -	\$ -	\$ -	\$ -
Expenses	(3,437,889)	(4,429,396)	(2,024,349)	(1,663,716)
Other (loss) income	(94,989)	164,654	463,802	68,250
Impairment expense	-	-	(825,000)	-
Net loss for the period	(3,532,878)	(4,264,742)	(2,385,547)	(1,595,466)
Net loss for the period attributable to owners of the Company	\$ (3,335,279)	\$ (4,003,170)	\$ (2,234,702)	\$ (1,525,123)
Basic and diluted loss per share attributable to owners of the Company	\$ (0.05)	\$ (0.07)	\$ (0.04)	\$ (0.04)

<b>Three months ended:</b>	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>	<b>June 30, 2018</b>
Revenue	\$ -	\$ -	\$ -	\$ -
Expenses	(1,438,200)	(1,968,165)	(1,023,477)	(439,351)
Other income (expenses)	194,263	23,287	(54,987)	1,324
Impairment expense	-	-	(17,772,284)	-
Net loss for the period	(1,243,937)	(1,944,878)	(18,850,748)	(438,027)
Net loss for the period attributable to owners of the Company	\$ (1,190,705)	\$ (1,878,809)	\$ (17,028,898)	\$ (406,878)
Basic and diluted loss per share attributable to owners of the Company	\$ (0.03)	\$ (0.05)	\$ (1.23)	\$ (540.52)

The Company was incorporated on March 16, 2018 and initially operated as a subsidiary of Lumina pending completion of the Arrangement on August 31, 2018. The Company had no operations until April 26, 2018 when the Condor Project and other assets and liabilities were transferred from Lumina in connection with the Arrangement. Overall activity levels were broadly consistent during the three months ended September 30, 2018, December 31, 2018 and March 31, 2019 with regard to exploration and evaluation work programs and personnel. The net loss for the three months ended September 30, 2018 consisted in large part of the impairment of \$17,772,284 recorded on the Condor Project following its transfer to Luminex as part of the spin-out from Lumina.

The Company's expenses for the three months ended December 31, 2018 increased by \$944,688 compared to the three months ended September 30, 2018, primarily as a result of (i) share-based payment expense relating to stock options granted in October 2018; (ii) year end bonus payments to personnel in Canada and Ecuador; and (iii) additional geological consulting and evaluation work carried out on the Condor Project relative to the prior three-month period ended September 30, 2018. During the three months ended March 31, 2019, the Company reverted to a more regular expense pattern for the early stage exploration activities being conducted on its various mineral projects in Ecuador. This was expanded in the three months ended June 30, 2019 as the Company undertook a 4-hole drill program at the Condor Camp Zone. In addition, legal expenses increased in the three months ended June 30, 2019 as the Company negotiated its earn-in agreement with BHP.

For the three months ended September 30, 2019, the Company's expenditures increased primarily as a result of ongoing drilling on the Condor Project for which \$728,088 was incurred in the quarter. The Company also recorded an impairment charge of \$825,000 relating to Orquideas during the three months ended September 30, 2019. This expense was partially offset by income during the period which included a \$100,000 option payment from BHP and \$300,000 earn-in payment from Anglo American.

The Company's expenses for the three months ended December 31, 2019 increased by \$2,405,047 compared to the three months ended September 30, 2019, primarily as a result of (i) an increase in share-based payment expense relating to stock options granted in October 2019; (ii) year end bonus payments to personnel in Canada and Ecuador; and (iii) an increase in exploration and evaluation expenditures of \$2,157,879 which was comprised principally of ongoing work at the Condor project, notably drilling expenditures which were \$1,337,559 for the three months ended December 31, 2019 compared to \$728,088 for the three months

ended September 30, 2019. The Company also carried out ZTEM surveys on various concessions during the three months ended December 31, 2019, which studies were not done in earlier periods.

Expenses for the three months ended March 31, 2020 totalled \$3,437,889, a reduction of \$991,507 compared to the previous quarter. The reduction in spend is as a result of (i) terminating drilling in mid March 2020, as described earlier in this MD&A, and (ii) the increase in costs in the three months ended December 31, 2019 as a result of year end bonus payments and share-based payment expense arising from the October 2019 stock option grant (approximately \$350,000 of combined incremental cost).

**ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE**

Additional disclosure concerning the Company's expenses and mineral property costs is provided earlier in this MD&A and in Note 6 of the Company's unaudited condensed consolidated interim financial statements for the three months ended March 31, 2020.

**LIQUIDITY AND CAPITAL RESOURCES**

As at March 31, 2020, the Company had cash of \$4,744,973 compared to cash of \$8,382,935 at December 31, 2019. The Company's working capital balance at March 31, 2020 was \$4,158,784 compared to \$7,443,537 at December 31, 2019. The Company's cash at March 31, 2020, was sufficient to meet the Company's current accounts payable and accrued liabilities at that date.

Working capital is defined as current assets minus current liabilities. Working capital calculations or changes are not measures of financial performance, nor do they have standardized meanings, under IFRS. Readers are cautioned that this calculation may differ among companies and analysts and therefore may not be directly comparable. Management believes that disclosure of the Company's working capital is of value to assess the available capital resources of the Company at a reporting period end.

At March 31, 2020, approximately \$3,556,000 of the Company's cash and cash equivalents were held at Scotiabank, a major chartered bank in Canada, and approximately \$1,189,000 was held at a bank in Ecuador. Management is not aware of any liquidity issues associated with any of the banks in which funds have been deposited.

The Company had no long-term debt obligations or off-balance sheet arrangements at March 31, 2020.

In order to keep its mineral concessions in Ecuador in good-standing, the Company is required to meet certain spending commitments each year. Further details on the commitments are provided in Note 18 of the unaudited condensed consolidated interim financial statements of the Company for the three months ended March 31, 2020. Those disclosures and the commitment amounts below exclude amounts for the Pegasus project which is being managed by Anglo American, and the Tarqui project, which is being managed by BHP. For 2020, the Company has a commitment of \$533,000 on its projects which has been substantially met as at March 31, 2020.

For the mineral concessions that were received via tender process, the Company has four years from the concession registration date to satisfy the full amount that was committed in the tender process or the concession will be forfeited. The below chart sets out for each concession (or group of concessions) obtained and held at December 31, 2019, the total four-year commitment, amounts incurred by the Company and by Lumina or First Quantum, and which the Company believes are acceptable to be compliant under the four-year reporting rules, and remaining total commitment amount (assuming all concessions are retained):

<b>Concession Name</b>	<b>Total Four-year Spending Commitment</b>	<b>Company spend to December 31, 2019</b>	<b>Remaining Four-year Commitment<sup>(2)</sup></b>
Cascas (2 concessions)	\$ 2,338,430	\$ 2,098,275	\$ 240,155
Escondida & Santa Elena <sup>(1)</sup>	2,507,165	1,419,245	1,087,920
La Canela	2,052,253	1,015,111	1,037,142
Orquideas	6,058,333	3,911,577	2,146,756
Quimi (2 concessions)	2,035,300	1,537,886	497,414
Tres Picachos	2,050,248	1,199,812	850,436
<b>TOTAL</b>	<b>\$ 17,041,729</b>	<b>\$ 11,181,906</b>	<b>\$ 5,859,823</b>

<sup>(1)</sup> Concessions now included in the Condor Project.

<sup>(2)</sup> The disclosed remaining four-year commitment includes a total of \$397,000 related to minimum spending commitments for 2020, which amount is included in the total of \$533,000 as disclosed above.

During the three months ended March 31, 2020, the Company incurred E&E expenditures of approximately \$750,000 on its projects (which does not include the Condor project expenditures). The majority of these expenditures should qualify to be used against the four-year tender commitment. Details of expenditures by project can be seen in note 6(c) of the unaudited condensed consolidated interim financial statements of the Company for the three months ended March 31, 2020.

As at March 31, 2020, the Company estimates the four-year commitment on the Tarqui concessions, being operated by BHP, has been met. For the Pegasus Project, which is subject to earn-in by Anglo American, the Company estimates that the project is fully expended except for the Luz concession for which approximately \$1.1 million remains to be spent (based on information available to December 31, 2019).

**Management's Discussion and Analysis  
For the Three Months Ended March 31, 2020****May 26, 2020**

As noted in Note 2(b) to the unaudited condensed consolidated interim financial statements of the Company for the three months ended March 31, 2020, the Company has incurred cumulative losses of \$31,603,564 and will continue to incur losses in the development of its business. The Company's ability to continue as a going concern is dependent upon obtaining additional financing, entering into a joint venture, a merger or other business combination transaction involving a third party, sale of all or a portion of the Company's assets, the outright sale of the Company, the successful development of the Company's mineral property interests, or a combination thereof.

The COVID-19 outbreak, which has been declared a pandemic by the World Health Organization remains ongoing. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy, capital markets and the Company's financial position cannot be reasonably estimated at this time. The Company is monitoring developments and will adapt its business plans accordingly. The actual and threatened spread of COVID-19 globally could adversely impact the Company's ability to carry out its plans and raise capital. The ability to raise additional financing for future activities may be impaired, or such financing may not be available on favourable terms, due to conditions beyond the control of the Company, such as uncertainty in the capital markets, depressed commodity prices or country risk factors. This exposure is discussed in more detail in the "Risks and Uncertainties" section of this MD&A. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

**FINANCIAL INSTRUMENTS**

At March 31, 2020, the Company's financial instruments consist of cash, receivables and accounts payable and accrued liabilities. Fair value estimates are made at the balance sheet date based on generally accepted pricing models, discounted cash flow analysis or using prices from observable current market transactions. These estimates are subjective in nature and may involve significant uncertainties in matters of judgment and, therefore, cannot be determined with precision. The fair values of the Company's financial instruments approximate their carrying values due to their short terms to maturity or capacity for prompt liquidation and the interest rates being charged or earned on these amounts.

The Company's financial instruments have been classified as follows under IFRS:

- Cash: amortized cost.
- Receivables: amortized cost.
- Accounts payable and accrued liabilities: amortized cost.

The types of financial risk exposure and the way in which such exposure is managed by the Company is as follows:

**Credit Risk**

It is management's opinion that the Company is not exposed to significant credit risk arising from the above-noted financial instrument assets, as disclosed in Note 14(a) to the unaudited condensed consolidated interim financial statements for the three months ended March 31, 2020.

The Company's exposure to credit risk on its cash is limited by maintaining this asset with high-credit quality financial institutions. The Company may be exposed to the credit risk of its banks in Ecuador which hold cash for the Company's Ecuadorian operations. The Company limits its exposure to this risk by maintaining minimal cash balances in Ecuador, normally sufficient to fund the next month's operations.

**Liquidity Risk**

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they become due. The Company manages liquidity risk by ensuring that it has sufficient cash and other financial resources available to meet its obligations. The Company typically forecasts cash flows for a period of twelve months to identify financial requirements. These requirements are met through a combination of cash on hand, disposition of assets, accessing capital markets and/or loan advances.

At March 31, 2020, the Company's current liabilities consisted of accounts payable and accrued liabilities of \$804,496 which are due primarily within the next quarter. The Company's cash of \$4,744,973 at March 31, 2020 was sufficient to pay the accounts payable and accrued liabilities.

**Market Risks**

The market risks to which the Company is exposed are interest rate risk and currency risk.

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**Interest Rate Risk**

Interest rate risk is the risk that the future cash flows of the Company will fluctuate because of changes in market interest rates. Included in net loss for the three months ended March 31, 2020 is interest income earned on the Company's cash. Based on the Company's cash at March 31, 2020, and assuming that all other variables remain constant, a 1% increase or decrease in interest rates would result in an increase or decrease to the Company's interest income of approximately \$47,000 (on an annualized basis).

**Currency Risk**

The functional currency of the Company and its subsidiaries is the U.S. dollar. The carrying amounts of monetary assets and liabilities denominated in currencies other than the U.S. dollar are subject to fluctuations in the underlying foreign currency exchange rates. Gains and losses on such items are included as a component of net loss for the period.

The Company is exposed to foreign exchange and currency risks arising from fluctuations in foreign exchange rates among the U.S. dollar and Canadian dollar and the degree of volatility of these rates. The Company keeps the vast majority of its cash in U.S. dollars. Canadian G&A expenses are primarily paid in Canadian dollars. The Company does not use derivative instruments to reduce its exposure to foreign exchange and currency risks.

At March 31, 2020, the Company's cash was primarily held in U.S. dollars as disclosed in Note 3 of the unaudited condensed consolidated interim financial statements for the three months ended March 31, 2020. The Company estimates that a 1% fluctuation in foreign currency exchange rates of the Canadian dollar compared to the U.S. dollar would have not have a material impact to the results of operations based upon the foreign currency financial instruments (including cash) held at March 31, 2020.

**SHARE CAPITAL**

As at the date of this MD&A, the Company had the following securities issued and outstanding:

Common shares:	72,210,415	
Common share purchase options:	3,286,973	exercisable between CAD\$0.25 - CAD\$0.80 per option.

**CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES**

The preparation of financial statements in conformity with IFRS requires management to make certain judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. The Company evaluates its estimates on an ongoing basis and bases them on various assumptions that are believed to be reasonable under the circumstances. The Company's estimates are used for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results are likely to differ from these estimates. Should the Company be unable to meet its ongoing obligations, the realizable value of its assets may decline materially from current estimates.

The accounting policy estimates and judgments described below are considered by management to be essential to the understanding and reasoning used in the preparation of the Company's consolidated financial statements and the uncertainties that could have a bearing on its financial results. Further details, and a description of certain other areas of estimation and judgment, can be found at Note 2(d) in the Company's unaudited condensed consolidated interim financial statements for the three months ended March 31, 2020.

**Determination of functional currency**

The determination of functional currency by Luminex for itself and each subsidiary company requires an analysis of various indicators which IFRS splits between primary and additional indicators. The primary factors include analyzing (a) the currency that mainly influences sales prices for goods and services, (b) the currency of the country whose competitive forces and regulations mainly determine the sales price of its goods and services and (c) the currency that mainly influences labour, material and other costs of providing goods or services. Management further reviewed the additional factors for consideration under IFRS which included examining (a) the currency of financing activities, (b) the currency in which receipts from operating activities are usually retained, (c) whether the activities of foreign operations are carried out as an extension of the Company or operate with a large degree of autonomy, (d) whether transactions between entities is a high or low proportion of the foreign operation's activities, (e) whether cash flows from activities of a foreign operation directly affect the cash flows of the Company and (f) whether cash flows from the activities of the foreign operation are sufficient to service existing and normally expected debt obligations. Management determined that the functional currency for Luminex and each subsidiary company is the U.S. dollar.

**Going concern**

The assessment of the Company's ability to continue as a going concern requires significant judgment. As disclosed in Note 2(b) of the unaudited condensed consolidated interim financial statements for the three months ended March 31, 2020, the Company has incurred cumulative losses of \$31,603,564. The ability of the Company to continue as a going concern is dependent upon obtaining additional financing, entering into a joint venture, a merger or other business combination transaction involving a third party, sale of all or a portion of the Company's assets, the outright sale of the Company, the successful development of the

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Company's mineral property interests or a combination thereof. Factors that the Company evaluates include forecasts, the ability to reduce expenditures if required, and indications of shareholder support.

#### **Exploration and evaluation assets**

The application of the Company's accounting policy for exploration and evaluation assets requires judgment in determining whether it is likely that costs incurred will be recovered through successful exploration and development or sale of the asset under review. Furthermore, the assessment as to whether economically recoverable mineral resources exist is itself an estimation process. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off to profit or loss in the period when the new information becomes available.

#### **Share-based payments**

The Company utilizes the Black-Scholes Option Pricing Model ("Black-Scholes") to estimate the fair value of stock options granted to directors, officers and employees. The use of Black-Scholes requires management to make various estimates and assumptions that impact the value assigned to the stock options including the forecast future volatility of the stock price, the risk-free interest rate, dividend yield and the expected life of the stock options. Any changes in these assumptions could have a material impact on the share-based payment calculation value.

#### **Right-of-use ("ROU") assets and lease obligations**

The application of IFRS 16 *Leases* requires the Company to make certain judgments, estimates and assumptions that affect the valuation of ROU assets and the related lease obligations. These include determining agreements in the scope of IFRS 16, determining the contract term and the interest rate used for discounting of future cash flows. The lease term determined by the Company is comprised of the non-cancellable period of lease agreements and periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option. The present value of the lease payment is determined using a discount rate representing the rate that would be applicable to the Company in the relevant jurisdiction of the lease agreement at the time the lease agreement commences or is modified.

#### **CHANGES IN ACCOUNTING STANDARDS**

The Company has not early adopted any amendment, standard or interpretation that has been issued by the IASB but that is not yet effective.

#### **RISKS AND UNCERTAINTIES**

The Company's principal activity is mineral exploration and development. Companies in this industry are subject to many kinds of risks, including, but not limited to, operational, technical, environmental, labour, social, political, regulatory, security, financial, economic, and metals pricing. Additionally, often due to factors that cannot be predicted or foreseen, few exploration projects successfully achieve development. While risk management cannot eliminate the impact of all potential risks, the Company strives to manage risks to the extent possible and practicable.

The risks and uncertainties described in this section are considered by management to be the most important in the context of the Company's business. The risks and uncertainties below are not listed in order of importance, nor are they inclusive of all the risks and uncertainties the Company may be subject to, and therefore other risks may apply.

- *The impact and risks arising from epidemic diseases, such as the recent outbreak of COVID-19 may have a significant impact on the Company.*

The impacts of the fast spreading Coronavirus disease (COVID-19) on the Company are unpredictable. The Company continues to operate with modifications to personnel travel and work locations and is continues to adapt work in Quito, the Condor Project, and its other projects, in response to the mandates of the Government of Ecuador, as well as the concerns of local communities. Health and safety rules in all jurisdictions are constantly evolving and the Company will continue to evaluate and adapt its work protocols to announcements. Government and local restrictions on the movement of people and goods may cause work and analysis performed by the Company and its contractors to further slow or even cease. Ecuador is taking very aggressive measures to counter the spread of the virus, however, deteriorating conditions could force the Company, or its partners, to enact force majeure under its agreements or other contracts. Likewise, other jurisdictions, including Canadian provinces and states in the USA, have instituted work and mobility restrictions. Such disruptions may cause the Company to miss actual or self-imposed deadlines, push out earlier forecasts, and increase fiscal losses. In addition, the outbreak of COVID-19 has caused considerable disruption to the world economy and financial and metals markets which could have a materially adverse impact on the ability of the Company to raise additional funding in the future and also could negatively impact, among other factors, the Company's share price. While the Company has taken measures to protect its operations, the implementation of remote working practices for the Company as a result of COVID-19 increases the risk of exposure and susceptibility to information technology challenges including attempted actions by malicious third parties.



- *Mineral exploration inherently involves a high degree of risk. All of the mineral property interests of the Company are in the exploration stage and, consequently, may not result in any commercial discoveries.*

Mineral exploration involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. The property interests owned by the Company are in the exploration stage only, are without known bodies of commercial mineralization, and the Company has no ongoing mining production at any of them. The Company's mineral exploration activities may not result in any discoveries of commercial bodies of mineralization. If the Company's efforts do not result in any discovery of commercial mineralization, the Company will be forced to look for other exploration projects or cease operations. As well, the exploration and development activities of the Company may be disrupted by a variety of risks and hazards, which may be beyond the control of the Company. These risks include, but are not limited to, social and political activism and strife, litigation, labour stoppages, and the inability to obtain adequate power, water, trained professionals and labour, including consultants or other experts, as well as suitable machinery and equipment. In addition, the Company may be unable to acquire or obtain such necessities as water and surface rights, which may be critical for the continued advancement of exploration and development activities on its mineral property rights.

- *Government expropriation may result in the total loss of the Company's mineral property interests.*

Even if the Company's mineral property interests are proven to host economic mineral resources, governmental expropriation may result in the total loss of the Company's mineral property interests without any compensation. Similarly, expropriation or shutdown of financial institutions or other entities the Company does business with could impact operations. Further, expropriation of or legal uncertainty affecting other businesses, in mining or other industries, could impact the Company's ability to operate and obtain financing, as well as its strategic options. Finally, expropriation need not be outright; there are many forms of creeping expropriation, through taxation and other mechanisms, that if applied could negatively impact the company's operations and prospects.

- *Governmental regulation may have negative impacts on the Company.*

The Company's assets and activities are subject to extensive Canadian and Ecuadorian federal, state, provincial, territorial and local laws and regulations governing various matters, including, but not limited to:

- land access, use and ownership;
- water use;
- environmental performance and protection;
- land use designations;
- social consultation and public referendums;
- corporate social responsibility;
- management and use of toxic substances and explosives;
- rights over and management of natural resources, including minerals and water;
- prospection, exploration, development and construction of mines, production and reclamation;
- exports and imports;
- taxation;
- mining royalties;
- escalated fees or other financial contributions for solidarity purposes in response to the COVID-19 virus;
- restrictions on the movement of capital into and out of Ecuador (which could impact the Company's ability to repatriate funds and therefore, pay dividends);
- importation of equipment and goods;
- transportation;
- hiring practices and labour standards by the companies and contractors, as well as occupational health and safety, including mine safety;
- reporting requirements related to investment, social and environmental impacts, health and safety, and other matters;
- processes for preventing, controlling or halting artisanal or illegal mining activities;
- historic and cultural preservation; and,
- requirements and restrictions related to the COVID-19 virus.

The costs associated with legal and regulatory compliance with laws and regulations are already substantial and future laws and regulations, changes to existing laws and regulations, or more stringent or modified application and enforcement of current laws and regulations by governmental or judicial authorities, could generate additional expenses, capital expenditures, delays in the development of the Company's properties, and even restrictions on or suspensions of Company operations. Moreover, laws and regulations could allow governmental authorities and private parties to bring complaints or lawsuits against the Company based upon alleged damage to property and/or injury to persons resulting from the environmental, health and safety impacts of the Company's past and current operations, or possibly even actions or inaction by third parties, including those from whom the Company acquired its properties, and could lead to the imposition of substantial financial judgments, fines, penalties or other civil or criminal sanctions.

It is a challenge to comply strictly with all of the norms that apply to the Company. The Company retains competent and well-trained management, staff, professionals, attorneys, advisors and consultants in the different jurisdictions in which it does



## Management's Discussion and Analysis For the Three Months Ended March 31, 2020

May 26, 2020

business; however, there is no certainty that both it and its contractors will continuously be compliant with all applicable laws and regulations. Failure to comply with all applicable norms could lead to financial restatements, fines, penalties and other material negative impacts on the Company.

- *Failure to comply strictly with applicable mining laws, regulations and local practices may have a material adverse impact on the Company's operations or business.*

While the Company seeks to fully comply with applicable laws, regulations and local practices, failure of the Company or government officials to comply strictly with applicable laws, regulations and local practices, including those relating to mineral rights applications and tenure, could result in processes that threaten loss, reduction, cancellation or expropriation of entitlements, or the imposition of local or foreign parties as joint venture partners with carried or other interests. Any such loss, reduction or imposition of partners could have a material adverse impact on the Company's operations or business. Furthermore, unreasonableness, increasing complexity or novel judicial or regulatory interpretations of mining laws and regulations on the part of the Company and / or its legal advisors or of Government of Ecuador officials may render the Company incapable of strict compliance.

- *The exploration and the development of the Company's property interests are subject to extensive laws and regulations governing health, safety, environment and communities.*

The Company's exploration and mine development activities are subject to extensive laws and regulations governing the protection of the environment and water, waste management and disposal, worker and community safety, employee health, mine development, and preservation of archaeological remains, endangered and protected species, as well as extensive reporting and community engagement requirements, and more. The Company's ability to obtain permits and other approvals and to successfully operate in particular locations may be adversely impacted by real or perceived detrimental events associated with the Company's rights or activities or those of other mining companies or associations, or even artisanal or illegal miners affecting the environment, human health, and safety of nearby communities, both within and outside of Ecuador. Delays in obtaining or failure to secure government permits and approvals, or to secure evictions of illegal miners or other invaders, may adversely affect the Company's ability to access, explore or develop its properties. The Company has made, and expects to make in the future, significant expenditures to comply with laws and regulations and, to the extent reasonably possible, generate social and economic benefit in nearby communities. Persistently, areas of the Company's mineral properties are occupied by illegal miners, and these incidents are reported and dealt with by the Company using procedures available to it under Ecuadorian law. The Company, however, may be required to remediate areas on its concessions impacted by the activities of third parties. Future changes to environmental laws, regulations and permitting processes or changes in their enforcement or regulatory interpretation could have an adverse impact on the Company's operating and financial condition.

- *The Company's ability to operate on its concessions depends on its ability to obtain and maintain social licenses.*

The Company's concessions are in close proximity to, or in some cases are overlapped by, local communities, and it often needs social approvals to access and operate in these areas. As a general rule, the Company enters into agreements with local communities, groups or individuals that address surface access, road or trail usage, local employment, social investment, contracting of goods and services, and other key issues. The ethnic composition, social organization and landownership structure of the communities differ on a case-by-case basis, as do the Company's exploration requirements and impacts. Similarly, local concerns regarding environmental and social impacts, both current and historic, including pressures and worries related to the activities of illegal miners and other formal miners in the vicinity of a project, as well as expectations related to Company employment, social investment programs and other benefits vary from place to place.

Every local stakeholder relationship, however, requires ongoing dialogue and relationship management. For these purposes, the Company has assembled a Community Relations team, led by experienced professionals and, when necessary, supported by expert consultants, who develop and execute social communications strategies and implementation plans aimed at creating sustainable and enduring relationships based on collaboration, shared interests and trust. Events do not always unfold as intended or according to plan, however, and the status of relations can deteriorate for any number of reasons, including, but not limited to: influences of local or external political or social actors or organizations, shifts in the agendas or interests of individuals or the community as a whole, events like the COVID-19 virus, or the Company's inability to deliver on community expectations or its commitments, or concerns stemming from communities' historic or recent experiences with mining companies and / or illegal miners. The Community Relations team is prepared to manage such situations and issues are usually resolved through dialogue within a reasonable timeframe. However, if under extreme circumstances the Company were to lose its social license with one or more communities and be unable to recover it, this could impact the viability of the related project. Likewise, if the Company as part of its efforts to access exploration properties were unable to obtain social licenses from communities, some of its activities could be affected.

Additionally, in recent years, local political and social groups or organizations, including indigenous organizations, at times funded at least in part by international nongovernmental organizations, have increased their activities related to extractive industries in Ecuador. Activists have taken such actions as road closures, work stoppages and, attacking private property. In March 2019, anti-mining activists in Ecuador succeeded in bringing about a public vote on mining activity in a canton in the highlands near a significant mining project, however subsequent efforts to promote similar votes at cantons near another major project and all of Azuay Province have been disallowed by the Constitutional Court. Activists have also brought claims before the courts seeking to constitutionally enjoin mining companies from advancing projects until the Government of Ecuador complies with its

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commitments under article 57 of the Constitution of the Republic of Ecuador and the ILO convention, which requires free, prior and informed consultation to aboriginal or indigenous communities. Such initiatives may have a material adverse effect on the Company's operations and on its financial position, cash flows and results of operations.

- *The Company's properties are subject to pressure from artisanal and illegal miners.*

Several of the Company's concessions are located close to, or may even encompass, communities with a long-standing or recent history of artisanal, often illegal, mining. Limited economic opportunities in some areas contribute to making gold mining an attractive field of work for local individuals and small associations and companies, who at times view areas located in the Company's concessions as attractive targets for alluvial or hard rock mining; activity levels vary with the rise and fall of the market price for gold. In some cases, the local operators (occasionally financed by outsiders), having exhausted development opportunities at their current location, may seek to expand or relocate their activities into areas controlled by the Company; in other instances, illegal miners may relocate to one of the Company's concession areas in response to government pressure that has shut down their operations in a different part of the country. Local and national political and regulatory authorities may come under pressure to support or not impede the ambitions of these local actors, or even be involved in some manner in backing such operations. The Company monitors illegal mining activities and is in regular contact with law enforcement, regulatory, and political authorities to anticipate and manage issues as they arise, however not every incursion can be readily identified, let alone terminated. In addition, as the Company's activities expand it may come into contact with or force out illegal miners, with accompanying safety and social risks, including the possibility of provoking social or political mobilization, or even physical violence. Furthermore, there is a risk that in the future, due to political or social factors, regulators may make decisions to grant rights to artisanal miners that impact the viability of Company projects.

- *The Company may not be able to obtain or renew permits that are necessary for its operations.*

In the ordinary course of business, the Company is required to obtain, as well as renew, government permits required to conduct exploration and development activities and any ultimate development, construction and commencement of new mining operations. Obtaining or renewing necessary permits can be a complex and time-consuming process, which at times may involve several political jurisdictions and different government agencies that may not have the necessary expertise, resources or political disposition needed for efficient and timely processing and may require public hearings and costly undertakings on the Company's part. The duration and success of the Company's efforts to obtain and renew permits are contingent upon many variables not within its control, including leadership and policy changes at regulators, the interpretation of applicable requirements implemented by permitting authorities, the expertise or diligence of civil servants, challenges presented by social and political actors, and the timeframes for agency decisions. Government restructuring, such as the recently announced merger of the Ministry of Environment and National Water Secretariat (SENAGUA), may also impact bureaucratic efficiency and timing of permits. The Company may not be able to obtain or renew permits that are necessary to its operations, or the cost to obtain or renew permits may exceed what the Company believes it can recover from a given property once in production. Any unexpected delays or costs associated with the permitting process could slow exploration and/or development or impede the eventual operation of a mine, which could adversely impact the Company's operations and profitability.

- *The Company has no significant source of operating cash flow and failure to generate revenues in the future could cause it to go out of business.*

The Company has no revenues from ongoing operations and has recorded significant accumulated losses. Based upon current plans, the Company expects to incur operating losses in future periods due to ongoing expenses associated with the holding, exploration and development of the Company's mineral property interests. The Company will likely continue to have limited financial resources and its ability to achieve and maintain profitability and positive cash flow will remain dependent upon the Company being able to:

- develop and/or locate a profitable mineral property;
- generate revenues in excess of expenditures; and,
- minimize exploration and administrative costs in the event revenues and/or financing availability are insufficient, in order to preserve available cash.

In order to stay in business, in the absence of positive cash flow from operations, the Company will have to raise funding through financing activities. However, in the event it needs to do so, there is no certainty the Company will be able to raise funds at all or on terms acceptable to the Company. Furthermore, additional funds raised by the Company through the issuance of equity or convertible debt securities would cause the Company's current shareholders to experience dilution. Such securities also may grant rights, preferences or privileges senior to those of the Company's common shareholders.

The Company does not have any contractual restrictions on its ability to incur debt and, accordingly, the Company could incur significant amounts of indebtedness to finance its operations. Any such indebtedness could contain restrictive covenants, which likely would restrict the Company's operations.

- *The mineral exploration industry is intensely competitive in all its phases and the Company competes with many companies, including those possessing greater financial resources and technical capabilities.*

The mineral exploration industry is intensely competitive in all its phases. The Company competes with many companies, including those possessing greater financial resources and technical capabilities, for the acquisition of mineral concessions, claims, leases, other mineral interests, and equipment required to conduct its activities as well as for the recruitment and retention of qualified employees, and contracting of attorneys, consultants and technical experts. Ecuador is an emerging mining country with two large mines that only just commenced production in November 2019 and as a result mining equipment and expertise is limited and competition for contractors and qualified nationals is particularly intense.

- *Even if the Company makes a discovery of commercial quantities of minerals, there is no assurance that there will be market demand for the mineral resource and that the investment will earn an adequate return.*

There is no assurance that even if commercial quantities of minerals are discovered, a ready market will exist for their sale. Factors beyond the control of the Company may affect the marketability of any minerals discovered. These factors include: market fluctuations; domestic and international economic trends and political events; inflation or deflation; currency exchange fluctuations (specifically, the U.S. dollar relative to other currencies); interest rates and global or regional consumption patterns; speculative activities; and, government laws and regulations, including those relating to prices, taxes, royalties, land tenure, land use, labour, importing of equipment, importing and exporting of minerals, and environmental protection. The exact effect of any of these factors cannot be accurately predicted, but a combination of them may result in the Company not receiving an adequate return on invested capital or losing its invested capital.

- *Substantial expenditures are required to be made by the Company to establish mineral reserves and the Company may either not discover minerals in sufficient quantities or grades or not be able to obtain the required funds to develop a project on a timely basis.*

Substantial expenditures are required to establish mineral reserves through drilling and the estimation of mineral reserves or mineral resources in accordance with the Canadian Institute of Mining, Metallurgy and Petroleum (CIM) Guidance for Mineral Resources and Mineral Reserves. Although significant benefits may be derived from the discovery of a major mineralized deposit, the Company may not discover minerals in sufficient quantities or grades to justify a commercial mining operation and the funds required for development may not be obtained on a timely basis or may not be obtainable on terms acceptable to the Company. Estimates of mineral reserves and mineral resources can also be affected by environmental factors, unforeseen technical difficulties and unusual or unexpected geological formations. In addition, the grades of minerals ultimately mined may differ from those indicated by drilling results. Material changes in mineral reserve or mineral resource estimates, grades, stripping ratios or recovery rates may affect the economic viability of any project.

- *Risks relating to inaccurate estimates of mineral resources, production, purchases, costs, decommissioning or reclamation expenses.*

Unless otherwise indicated, mineralization figures presented by the Company, in filings with securities regulatory authorities, press releases and other public statements that may be made from time to time, are based upon estimates made by Company personnel and independent geologists. These estimates are inherently imprecise, as they depend upon geological interpretation and statistical inferences drawn from drilling and sampling analysis, which may prove to be unreliable. As a result, there can be no assurance that mineral resource or other mineralization figures or estimates of costs (including initial capital costs and initial capital intensity) and expenses will be accurate, nor that the mineral resource could be mined or processed profitably.

The Company has not commenced production at any of its properties, nor defined or delineated any proven or probable mineral reserves. Therefore, the mineralization estimates for the Company's properties may require adjustments or downward revisions based upon further exploration or development work or actual production experience. In addition, the grade of ore ultimately mined, if any, may differ from that indicated by and inferred from drilling results. Furthermore, there can be no assurance that minerals recovered in small-scale tests will be duplicated in large-scale tests under on-site conditions or at production scale. As a result, the mineral resource and mineral reserve estimates that may be contained in the Company's filings with securities regulatory authorities, press releases and other public statements that may be made from time to time have been determined and valued based on assumed future prices, cut-off grades and operating costs that may prove to be inaccurate. In addition, extended declines in market prices for gold or other metals may render portions of the Company's mineralization uneconomic and result in reduced reported mineralization.

The estimated parameters for the Company's projects may be changed as development and mining plans are generated and refined. These parameters would include estimates of how plants, equipment and processes may operate in the future at the Company's projects, for which cost and productivity estimates may prove to be incorrect.

Any material alteration in the above noted estimates, or of the Company's ability to extract mineralization from its projects, could have a material adverse effect on the Company's results or financial condition.

- *The inherent operational risks associated with mining, exploration and development, many of which are beyond the Company's control.*

The Company's activities are subject to a high degree of risk due to factors that, in many cases, cannot be foreseen or anticipated, or controlled. These risks include but are not limited to: health emergencies, tectonic or weather activity that may provoke landslides, damage infrastructure or other impacts; labour disruptions; legislative and regulatory changes; crime, including corruption; and, inability to obtain adequate sources of power, water, labour, suitable or adequate machinery and equipment, and service providers, including drilling and engineering contractors, expert attorneys and consultants. In addition, the Company may be unable to acquire or obtain such requirements as water rights, easements and surface rights, which may be critical for the continued advancement of exploration, development and operational activities on its mineral concessions. Furthermore, the Company is currently involved in a number of regulatory and legal processes where, in spite of its best efforts and those of its legal advisors and consultants, results are uncertain. These processes could generate delays and adverse decisions, which could negatively impact project development and the Company's prospects.

- *Inadequate infrastructure may adversely affect the Company's operations and profitability.*

Mining, development, exploration and production activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power and fuel sources, as well as water supplies are important determinants that affect capital, as well as operating costs and safety. If adequate infrastructure is not accessible, there can be no assurance that the development of the Company's projects will commence or be completed on a timely basis, if at all. In addition, unusual or infrequent weather phenomena, tectonic activity, sabotage, government, social or other interference in the maintenance or provision of such infrastructure could adversely affect the Company's operations and profitability.

- *The Company currently has limited insurance covering its assets and operations and, as a consequence, could incur considerable costs.*

Mineral exploration involves risks, which, even with a combination of experience, knowledge and careful evaluation, mining exploration companies may not be able to overcome. Operations in which the Company has a direct or indirect interest may be subject to all the hazards and risks normally incidental to exploration of precious and non-precious metals, any of which could result in work stoppages, harm to personnel or contractors, damage to property, and possible environmental damage. The Company presently has very limited commercial liability insurance and does not intend to increase its liability insurance. As a result of having limited liability insurance, the Company could incur significant costs that may have a materially adverse effect upon its financial condition and even cause the Company to cease operations.

- *The Company's mineral or surface property interests may be subject to prior unregistered agreements or transfers and therefore title to some of the Company's property interests may be affected.*

Although the Company has sought and received such representations as it has been able to achieve from vendors in connection with the acquisition of, or options to acquire, an interest in its mining properties and surface rights, and has conducted reasonable investigations of legal title to each such property, the properties in which the Company has an interest may be subject to prior unregistered agreements or transfers or native land claims, or it is possible that title may be affected by undetected defects.

- *The prices of gold, copper, and other base and precious metals can fluctuate significantly over time, as well as experience periods of major volatility, which may adversely affect the economic viability of the Company's mineral assets.*

The Company's revenues, if any, are expected to be almost entirely derived from the mining and sale of gold, copper and other metals. The prices of those commodities have fluctuated widely, particularly in recent years (even months), and are affected by numerous factors beyond the Company's control, including: international economic and political events and trends; expectations about economic growth and inflation; currency exchange fluctuations; interest rates; consumption patterns; speculative activities; and, increased production due to new mine developments and improved mining and production methods. The effect of these factors on the price of gold and copper, as well as other precious and base metals, and, therefore, on the economic viability of any of the Company's mineral projects, cannot be accurately predicted, but nonetheless may adversely impact the Company's ability to raise capital and conduct its planned operations.

- *All of the Company's subsidiaries and its mineral properties are in a foreign country and, therefore, a large portion of the Company's business may be exposed to political, economic, social, security, and other risks and uncertainties.*

The Company's mineral properties, and related subsidiaries, are located entirely in Ecuador. It may, therefore, be exposed to various types and degrees of security, economic, labour, political, social and other risks and uncertainties. These risks and uncertainties include, but are not limited to: illness; terrorism; hostage taking; military repression; high rates of inflation; labour unrest; social pressure; war or civil unrest; creeping or outright expropriation and nationalization; renegotiation or nullification of existing concessions, licenses, permits and contracts, including by way of invalidation of governmental acts; artisanal and illegal mining operations and government enforcement of norms restricting these activities; changes in taxation and mining-related laws and regulations; trade protectionism, including restrictions or tariffs on imports; changes to the foreign exchange regime; changes to the currency regime; currency controls; restrictions on repatriation of funds; changing political conditions, including electoral results and political appointments; government austerity, restructuring and other measures impacting the political will and

operational capabilities of ministries, agencies and other government entities; challenges to the validity of governmental acts; litigation and judicial decisions, including approval of processes for popular votes to ban mining in different jurisdictions, that run counter to the Government of Ecuador's pro-mining policies, possibly precipitated by activists or indigenous groups opposed to extractive industries and/or foreign investment; corrupt or unethical behaviour by government officials or agents, judges, and even Company employees; and, governmental regulations that may favour or require the awarding of contracts to local contractors or require foreign contractors to employ residents of, or purchase supplies from, a particular jurisdiction. The reputation of Ecuador as a developing nation, perceived by many as having a track record of political instability and measures contrary to attracting investment in the mining sector and other areas of the economy, may make it more difficult for the Company to obtain required exploration and development financing for its projects.

Changes in mining or investment policies or shifts in political and public attitudes in Ecuador, its provinces, or local political jurisdictions, may adversely affect the Company's operations or potential profitability. Operations may be affected in varying degrees by modifications to governmental legislation, regulations and pronouncements with respect to, but not limited to: restrictions on production; price controls; export controls; currency remittances; taxes, including income taxes, property taxes, value added taxes, capital gains taxes, windfall taxes, and the sovereign adjustment tax; royalties; expropriation of property; foreign investment; maintenance of claims; the environment; land use, including territorial bans on different types of mining activities or outright cancellation of mining rights; land claims or other demands by local people; social consultation and other permitting requirements; social responsibility; large mining activity, including exploration; artisanal and illegal mining operations; labour; transportation; water use; imports and exports; and, mine safety. Failure to comply strictly with applicable laws, regulations and local practices relating to mineral rights applications and tenure, could result in cancellation, loss, reduction or expropriation of entitlements, or the imposition of additional local or foreign parties as joint venture partners with carried or other interests.

The impact of one or more of these various factors and uncertainties, none of which can be accurately predicted, could have an adverse effect on the Company's operations or potential profitability.

- *The Company's foreign subsidiary operations may impact its ability to fund operations efficiently, as well as the Company's valuation and stock price.*

The Company conducts operations through foreign subsidiaries and substantially all of its assets are held in such entities. Accordingly, any limitation on the transfer of cash or other assets between the parent corporation and such entities, or among such entities, could restrict the Company's ability to fund its operations efficiently. Any such limitations, or the perception that such limitations may exist now or in the future, could have an adverse impact on the Company's valuation and stock price.

- *The value of the Company's common shares, as well as its ability to raise equity capital, may be impacted by future issuances of shares.*

The Company is authorized to issue an unlimited number of common shares without par value. The Company may issue more common shares in the future. Sales of substantial amounts of common shares (including shares issuable upon the exercise of stock options), or the perception that such sales could occur, could materially adversely affect prevailing market prices for the common shares and the ability of the Company to raise equity capital in the future.

- *The Company's future performance is dependent on key personnel. The temporary or permanent loss of the services of any of the Company's and its subsidiary's executives or directors could have a material adverse effect on the Company's business.*

The Company's performance is substantially dependent on the performance and continued efforts of the Company's executives and its board of directors. The loss of the services of any of the Company's executives or directors could have a material adverse effect on the Company business, results of operations and financial condition. The Company currently does not carry any key person insurance on any of its executives or directors. The Company has limited resources and is currently unable to compete with larger organizations with respect to compensation and perquisites.

- *The Company is exposed to financial risk arising from fluctuations in the exchange rates between the U.S. dollar and Canadian dollar.*

While the Company and its subsidiaries incur the majority of their expenditures in U.S. dollars, corporate G&A expenses are primarily paid in Canadian dollars. Thus, the Company is exposed to financial risk arising from fluctuations in the exchange rates between the U.S. dollar and Canadian dollar, and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risks.