

# LUMINEX RESOURCES

LUMINEX RESOURCES CORP.



## CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

TSX-V: LR



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



KPMG LLP  
PO Box 10426 777 Dunsmuir Street  
Vancouver BC V7Y 1K3  
Canada  
Telephone (604) 691-3000  
Fax (604) 691-3031

## INDEPENDENT AUDITORS' REPORT

To the Shareholders of Luminex Resources Corp.

### ***Opinion***

We have audited the consolidated financial statements of Luminex Resources Corp. (the Entity), which comprise

- the consolidated balance sheets as at December 31, 2020 and December 31, 2019
- the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2020 and December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

### ***Basis for Opinion***

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “***Auditors’ Responsibilities for the Audit of the Financial Statements***” section of our auditors’ report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Material Uncertainty Related to Going Concern***

We draw attention to Note 2(c) in the financial statements, which describes that the Entity has a history of losses, an accumulated deficit at December 31, 2020 and expects to incur further losses in the development of its business.

As stated in Note 2(c) in the financial statements, these events or conditions, along with other matters as set forth in Note 2(c) in the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Entity's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

### ***Other Information***

Management is responsible for the other information. Other information comprises the information included in the Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

### ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

## ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

*KPMG LLP*

Chartered Professional Accountants

The engagement partner on the audit resulting in this auditors' report is Robert Ryan Owsnett

Vancouver, Canada  
April 15, 2021

**LUMINEX RESOURCES CORP.**  
**CONSOLIDATED BALANCE SHEETS**

(expressed in U.S. dollars)

	Note	December 31, 2020	December 31, 2019
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	\$ 6,207,950	\$ 8,382,935
Receivables	5	72,045	121,384
Prepaid expenses		109,955	41,067
<b>Total current assets</b>		<b>6,389,950</b>	<b>8,545,386</b>
<b>Non-current assets</b>			
Environmental deposit		-	174,325
Property and equipment	6	953,185	897,767
Exploration and evaluation assets	7(a)	30,120,626	30,120,626
Investment in Pegasus	7(b)	2,200,000	2,200,000
<b>Total assets</b>		<b>\$ 39,663,761</b>	<b>\$ 41,938,104</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		\$ 457,298	\$ 1,076,624
Current portion of lease obligations	6	19,018	25,225
<b>Total current liabilities</b>		<b>476,316</b>	<b>1,101,849</b>
<b>Non-current liabilities</b>			
Lease obligations	6	-	27,579
<b>Total liabilities</b>		<b>476,316</b>	<b>1,129,428</b>
<b>EQUITY</b>			
Share capital	8	75,583,541	66,438,255
Share-based payment reserve		1,022,057	664,960
Accumulated deficit		(38,761,029)	(28,268,285)
<b>Equity attributable to owners of the Company</b>		<b>37,844,569</b>	<b>38,834,930</b>
<b>Non-controlling interest</b>	10	<b>1,342,876</b>	<b>1,973,746</b>
<b>Total equity</b>		<b>39,187,445</b>	<b>40,808,676</b>
<b>Total liabilities and equity</b>		<b>\$ 39,663,761</b>	<b>\$ 41,938,104</b>

Nature of operations (Note 1)  
 Going concern (Note 2(c))  
 Commitments and contingent liability (Note 20)  
 Post-reporting date event (Note 17)

APPROVED BY THE DIRECTORS

*"Marshall Koval"*

Director

*"Donald Shumka"*

Director

See Accompanying Notes to the Consolidated Financial Statements

**LUMINEX RESOURCES CORP.**  
**CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

**For the years ended December 31, 2020 and 2019**

(expressed in U.S. dollars)

	Note	Year ended December 31,	
		2020	2019
<b>Expenses</b>			
Exploration and evaluation ("E&E") expenditures	7(c), 17	\$ 10,366,894	\$ 7,551,952
Fees, salaries and other employee benefits	11, 17	1,219,053	1,202,223
General and administration ("G&A")	17	264,584	366,336
Pre exploration and evaluation expenditures		-	19,667
Professional fees		291,661	415,483
		(12,142,192)	(9,555,661)
<b>Other income (expenses)</b>			
Impairment	7(a)	-	(825,000)
Interest income and other	18	947,250	910,816
Interest expense and other		(4,213)	(18,631)
Foreign exchange gain (loss)		75,541	(1,216)
		1,018,578	65,969
<b>Net loss and comprehensive loss for the year</b>		<b>\$ (11,123,614)</b>	<b>\$ (9,489,692)</b>
<b>Loss attributable to:</b>			
Owners of the Company		\$ (10,492,744)	\$ (8,953,700)
Non-controlling interest	10	(630,870)	(535,992)
		\$ (11,123,614)	\$ (9,489,692)
Loss per share attributable to owners of the Company – basic and diluted	12	\$ (0.13)	\$ (0.19)
Weighted average number of shares outstanding – basic and diluted	12	81,903,790	47,166,764

*See Accompanying Notes to the Consolidated Financial Statements*

**LUMINEX RESOURCES CORP.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

For the years ended December 31, 2020 and 2019

(expressed in U.S. dollars)

		Year ended December 31,	
	Note	2020	2019
<b>Operating activities</b>			
Loss for the year		\$ (11,123,614)	\$ (9,489,692)
Adjustment for non-cash items:			
Depreciation	6	66,339	73,017
Impairment	7(a)	-	825,000
Share-based payment	9	359,637	382,604
Environmental deposit interest earned		(817)	(5,881)
Deduct: interest income		(8,810)	(13,554)
Add: interest expense		4,213	6,028
Net changes in non-cash working capital items:			
Receivables		49,339	(77,276)
Prepaid expenses		(68,888)	(23,019)
Accounts payable and accrued liabilities		(619,326)	480,914
<b>Net cash utilized in operating activities</b>		<b>(11,341,927)</b>	<b>(7,841,859)</b>
<b>Investing activities</b>			
Environmental deposit		175,142	-
Expenditures on property and equipment		(129,030)	-
Interest received		8,810	13,554
<b>Net cash provided by investing activities</b>		<b>54,922</b>	<b>13,554</b>
<b>Financing activities</b>			
Payment of lease obligation	6	(26,513)	(27,395)
Payment of interest on lease obligation	6	(4,213)	(6,028)
Shares issued	8	9,565,300	12,985,698
Cost to issue shares	8	(475,366)	(348,736)
Shares issued on exercise of stock options	8	52,812	223,540
<b>Net cash provided by financing activities</b>		<b>9,112,020</b>	<b>12,827,079</b>
(Decrease) increase in cash		(2,174,985)	4,998,774
Cash and cash equivalents, beginning of year		8,382,935	3,384,161
<b>Cash and cash equivalents, end of year</b>	4	<b>\$ 6,207,950</b>	<b>\$ 8,382,935</b>

See Accompanying Notes to the Consolidated Financial Statements



**LUMINEX RESOURCES CORP.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

**For the years ended December 31, 2020 and 2019**

(expressed in U.S. dollars)

	Note	Attributable to owners of the Company				Total	Non-controlling Interest	Total Equity
		Share Capital Number of shares	Amount	Share-based Payment Reserve	Accumulated Deficit			
<b>Balance</b> , December 31, 2018		41,096,558	53,576,655	283,454	(19,314,585)	34,545,524	2,509,738	37,055,262
Shares issued, net of issue costs	8	30,521,107	12,636,962	-	-	12,636,962	-	12,636,962
Exercise of stock options	8	592,750	224,638	(1,098)	-	223,540	-	223,540
Share-based payment	9	-	-	382,604	-	382,604	-	382,604
Comprehensive loss		-	-	-	(8,953,700)	(8,953,700)	(535,992)	(9,489,692)
<b>Balance</b> , December 31, 2019		72,210,415	\$ 66,438,255	\$ 664,960	\$ (28,268,285)	\$ 38,834,930	\$ 1,973,746	\$ 40,808,676
Shares issued, net of issue costs	8	18,571,714	9,089,934	-	-	9,089,934	-	9,089,934
Exercise of stock options	8	231,000	55,352	(2,540)	-	52,812	-	52,812
Share-based payment	9	-	-	359,637	-	359,637	-	359,637
Comprehensive loss		-	-	-	(10,492,744)	(10,492,744)	(630,870)	(11,123,614)
<b>Balance</b> , December 31, 2020		91,013,129	\$ 75,583,541	\$ 1,022,057	\$ (38,761,029)	\$ 37,844,569	\$ 1,342,876	\$ 39,187,445

*See Accompanying Notes to the Consolidated Financial Statements*

**LUMINEX RESOURCES CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**Years ended December 31, 2020 and 2019**

(expressed in U.S. dollars)

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**1. NATURE OF OPERATIONS**

Luminex Resources Corp. (“Luminex” or the “Company”) is a publicly listed company incorporated under the *Business Corporations Act* (British Columbia) on March 16, 2018 pursuant to a plan of arrangement to reorganize Lumina Gold Corp. (“Lumina”) which was completed on August 31, 2018 (the “Agreement”). The Company is listed on the TSX-Venture Exchange, having the symbol LR. Luminex and its subsidiaries (collectively referred to as the “Group”) are engaged in the acquisition, exploration and development of mineral resources in Ecuador. The Group is considered to be in the exploration stage as it has not placed any of its mineral properties into production.

The Company’s head office and principal business address is Suite 410, 625 Howe Street, Vancouver, British Columbia, V6C 2T6. The Company’s registered and records office is located at 1200 – 200 Burrard Street, Vancouver, British Columbia, V7X 1T2.

**2. BASIS OF PREPARATION AND GOING CONCERN**

**(a) Statement of compliance**

These consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). These consolidated financial statements were approved and authorized for issue by the Board of Directors (“Board”) on April 15, 2021.

**(b) Basis of preparation**

These consolidated financial statements have been prepared on a historical cost basis and are presented in U.S. dollars, except as specifically noted for Canadian dollar amounts shown as “C\$”.

**(c) Going concern**

These consolidated financial statements have been prepared on a going concern basis which assumes that the Group will be able to realize, in the foreseeable future, its assets and discharge its liabilities in the normal course of business as they come due. The Group has incurred cumulative losses of \$38,761,029 to December 31, 2020 and has reported a net loss attributable to owners of the Company of \$10,492,744 for the year ended December 31, 2020. The Group expects to continue to incur losses in the development of its mineral exploration projects and will require additional financing in the future. These factors indicate the existence of a material uncertainty that may cast significant doubt upon the Group’s ability to continue as a going concern. The ability of the Group 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 Group’s assets, the outright sale of the Company, the successful development of the Group’s mineral property interests or a combination thereof.

The COVID-19 pandemic continues to impact world affairs. 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 estimated at this time. The Company is monitoring developments and will adapt its business plans accordingly. The continuing international and national spread of COVID-19 could adversely impact the Company’s ability to carry out its plans and raise capital.

There can be no assurance that management’s plans will be successful. The Group believes that, based on forecasts and its expected ability to raise financing, it will be able to continue as a going concern for the foreseeable future. These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Group be unable to continue as a going concern. Such adjustments could be material.

**3. SIGNIFICANT ACCOUNTING POLICIES**

**(a) Overall considerations**

The significant accounting policies that have been applied in the preparation of these consolidated financial statements are summarized below. These accounting policies have been used throughout all periods presented in the consolidated financial statements.

**LUMINEX RESOURCES CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**Years ended December 31, 2020 and 2019**

(expressed in U.S. dollars)

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(b) Basis of consolidation**

These consolidated financial statements include the financial statements of Luminex and its subsidiaries, which are controlled by the Company. Control is achieved when Luminex (as the parent company) is exposed, or has rights, to variable returns from its involvement with the investees and has the ability to affect those returns through its power over the investee. Specifically, Luminex controls an investee if, and only if, the Company has all of the following: (i) power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee); (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect its returns. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All significant intercompany transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

The Group's interest in the Pegasus Project is an equity-accounted investment as the Group has significant influence, but not control or joint control, over the financial and operating policies. The investment is initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss of the equity-accounted investment, until the date on which significant influence ceases.

**(c) Presentation currency and foreign currency translation**

The consolidated financial statements are presented in United States dollars which is also the functional currency of each company in the Group.

Foreign currency transactions are translated into the functional currency of each entity within the Group using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of foreign currency denominated monetary items at reporting period end exchange rates are recognized in profit or loss.

Non-monetary assets and liabilities that are measured at historical cost are translated using the exchange rates in effect at the time of the initial transaction and are not subsequently re-measured at reporting period ends.

**(d) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash with original maturities of three months or less and which are subject to an insignificant risk of changes in value.

**(e) Exploration and evaluation licenses**

All direct costs related to the acquisition of mineral property interests (E&E Assets) are capitalized into exploration and evaluation assets (an intangible asset) on a property by property basis. License costs paid in connection with a right to explore in an exploration area, for a period in excess of one year, are capitalized and amortized over the term of the license.

**(f) Acquisition of mineral property interests**

The Group treats the acquisition of a mineral property interest as either a business combination or asset purchase. The determination of treatment is based upon an assessment of factors at the time of acquisition. A business combination is a transaction in which control over one or more businesses is obtained. A business is defined as an integrated set of activities and assets that is capable of creating outputs which provide a positive economic return to stakeholders. If the integrated set of activities and assets is in the exploration or development stage and therefore does not have outputs, the Group considers other factors to determine if the assets are a business. These include, but are not limited to, whether the set of activities and assets:

- (a) has planned principal activities;
- (b) has identified mineral reserves and processes needed to generate the inputs required for output production;
- (c) is pursuing a plan to produce outputs; and
- (d) will be able to sell the produced outputs.

**LUMINEX RESOURCES CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**Years ended December 31, 2020 and 2019**

(expressed in U.S. dollars)

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(f) Acquisition of mineral property interests (continued)**

Not all of the above factors need to be present for a particular integrated set of activities and assets in the development stage to qualify as a business.

Business acquisitions are accounted for using the acquisition method, in which the acquired assets and liabilities are recorded at fair value at the date of acquisition. Direct costs associated with a business combination are expensed as incurred.

Acquisitions in which a business is not acquired are treated as an asset purchase. Under an asset purchase, the fair value of the consideration provided is allocated to the individual fair value of assets and liabilities assumed at the time of acquisition. The costs of acquisition for an asset acquisition are deferred and capitalized in the period they are incurred. In the event the acquisition is not completed, these costs would be immediately expensed.

**(g) Exploration and evaluation expenditures**

Exploration and evaluation activities prior to acquiring an interest in a mineral concession area, including costs associated with applying for new mineral concession, are charged to operations as pre exploration and evaluation expenditures. Exploration costs, net of incidental revenues, are charged to operations in the year incurred until such time as it has been determined that a property has economically recoverable resources, in which case subsequent exploration costs and the costs incurred to develop a property are capitalized into property, plant and equipment. On the commencement of commercial production, depletion of each mining property will be provided on a unit-of-production basis using estimated reserves as the depletion base.

Although the Group has taken steps to verify the title to the exploration and evaluation assets in which it has an interest, in accordance with industry practices for the current stage of exploration of such properties, these procedures do not guarantee the Group's title. Title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

**(h) Environmental Deposits**

Cash which is subject to contractual restrictions on use is classified separately as deposits. Security deposits required to be made to regulatory bodies, such as environmental or reclamation deposits, are classified as deposits.

**(i) Property and Equipment**

Property and equipment is stated at cost less accumulated depreciation and accumulated impairment losses, if any. The cost of an item of property and equipment consists of the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Depreciation is provided at rates calculated to expense the cost of equipment, less its estimated residual value, over the following expected useful lives:

Property and equipment	5% to 33% straight-line basis
Right-of-use assets	Straight-line over life of underlying contract

Items of property and equipment are derecognized upon disposal or when no future economic benefits are expected from their use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss when the asset is derecognized. The assets' residual values, useful lives and methods of depreciation are reviewed at each reporting period, and adjusted prospectively, if appropriate. Land held is stated at cost. As no finite useful life for land can be determined, related carrying amounts are not depreciated.

**(j) Leases**

*Lease definition*

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. An identified asset may be implicitly or explicitly specified in a contract, but must be physically distinct, and must not have the ability for substitution by a lessor. The Group has the right to control an identified asset if it obtains substantially all of its economic benefits and either pre-determines or directs how and for what purpose the asset is used.

**LUMINEX RESOURCES CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**Years ended December 31, 2020 and 2019**

(expressed in U.S. dollars)

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(j) Leases (continued)**

*Measure of right-of-use ("ROU") assets and lease obligations*

At lease commencement, the Group recognizes a ROU asset and a lease obligation. The ROU asset is initially measured at cost, which comprises the initial amount of the lease obligation adjusted for any lease payments made at, or before, the commencement date, plus any initial direct costs incurred, less any lease incentives received.

The ROU asset is subsequently amortized on a straight-line basis over the shorter of the term of the lease, or the useful life of the asset determined on the same basis as the Group's property and equipment. The ROU asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease obligation.

The lease obligation is initially measured at the present value of lease payments remaining at the lease commencement date, discounted at either the rate implicit in the lease or using the Group's incremental borrowing rate. Lease payments included in the measurement of the lease obligation, when applicable, may comprise fixed payments, variable payments that depend on an index or rate, amounts expected to be payable under a residual value guarantee and the exercise price under a purchase, extension or termination option that the Group is reasonably certain to exercise.

The lease obligation is subsequently measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease obligation is remeasured, a corresponding adjustment is made to the carrying amount of the ROU asset.

*Recognition exemptions*

The Group has elected not to recognize ROU assets and lease obligations for short-term leases that have a lease term of twelve months or less or for leases of low-value assets. Payments associated with these leases are recognized as an operating expense on a straight-line basis over the lease term within costs and expenses on the consolidated statement of comprehensive loss.

**(k) Interest income**

Interest income is recorded on an accrual basis using the effective interest method.

**(l) Provisions**

Provisions are recognized when the Group has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. Provisions are measured at management's best estimate of the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in any provision due to passage of time is recognized as accretion expense.

**(m) Decommissioning, restoration and similar liabilities ("asset retirement obligation" or "ARO")**

The Group recognizes provisions for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of mineral interests and decommissioning of equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a provision for an ARO is recognized at its present value in the period in which it arises. Upon initial recognition of the liability, the corresponding ARO is added to the carrying amount of the related asset and the cost is amortized as an expense over the economic life of the asset. Following the initial recognition of the ARO, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the current market-based discount rate, and the amount or timing of the underlying cash flows needed to settle the obligation.

As at December 31, 2020 and 2019, the Group did not have any asset retirement obligations. The Group is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge or hazardous material and other matters. The Group may be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and also on properties in which it has previously had an interest. The Group believes it conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Group is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Group.

**LUMINEX RESOURCES CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**Years ended December 31, 2020 and 2019**

(expressed in U.S. dollars)

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(n) Financial Instruments**

*Non-derivative financial assets*

The Group classifies its financial assets in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income ("FVTOCI") or at amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. Measurement and classification of financial assets is dependent on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

Financial assets at FVTPL: Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the income statement. Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in the income statement in the period in which they arise. Derivatives are also categorized as FVTPL unless they are designated as hedges.

Financial assets at FVTOCI: Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

Financial assets at amortized cost: Financial assets at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment. They are classified as current assets or non-current assets based on their maturity date.

Financial assets are derecognized when they mature or are sold, and substantially all the risks and rewards of ownership have been transferred. Gains and losses on derecognition of financial assets classified as FVTPL or amortized cost are recognized in the income statement. Gains or losses on financial assets classified as FVTOCI remain within accumulated other comprehensive income.

*Financial liabilities*

The Group measures all its financial liabilities as subsequently measured at amortized cost. Financial liabilities are recognized initially at fair value, net of transaction costs incurred and are subsequently measured at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit and loss over the period to maturity using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

*Impairment of financial assets at amortized cost*

The Group recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the loss allowance is measured for the financial asset at an amount equal to twelve month expected credit losses. For trade receivables the Group applies the simplified approach to providing for expected credit losses, which allows the use of a lifetime expected loss provision. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized. Given the nature and balances of the Company's receivables and financial assets the Group has no material loss allowance as at December 31, 2020 and 2019.

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(o) Impairment of non-financial assets**

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that the assets are impaired. For exploration and evaluation assets (and tangible assets related thereto such as equipment), the Group considers the following indicators of impairment: (i) whether the period for which the Group has the right to explore has expired in the period or will expire in the near future, and is not expected to be renewed; (ii) substantive expenditures on further exploration for and evaluation of mineral resources is neither budgeted nor planned; (iii) exploration and evaluation have not led to the discovery of commercially viable mineral resources and activities are to be discontinued; (iv) sufficient data exists to indicate that, although a development in the area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale; and (v) other factors that may be applicable such as a significant drop in metal prices or deterioration in the availability of equity financing. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate largely independent cash inflows, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Recoverable amount is the higher of fair value less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized in profit or loss.

An impairment loss recognized in respect of a cash-generating unit is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to reduce the carrying amount of the other assets in the cash-generating unit on a pro-rata basis.

With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior periods. A reversal of an impairment loss is recognized in profit or loss.

**(p) Taxes**

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

*Current tax*

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

*Deferred tax*

Deferred taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not recognized on the initial recognition of goodwill, on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss at the time of the transaction, and on temporary differences relating to investments in subsidiaries and jointly controlled entities where the reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future.

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(p) Taxes (continued)**

*Deferred tax (continued)*

Deferred tax assets and liabilities are measured, without discounting, at the tax rates that are expected to apply when the assets are recovered and the liabilities settled, based on tax rates that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilized.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to set off current tax assets against current tax liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities and assets are expected to be settled or recovered.

*Sales tax*

Expenses and assets are recognized net of the amount of sales tax except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable; or
- When receivables and payables are stated with an amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

**(q) Share capital**

Equity instruments are contracts that give a residual interest in the net assets of the Group. Financial instruments issued by the Group are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares are classified as equity instruments. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

**(r) Earnings (loss) per share**

Basic earnings (loss) per common share is computed by dividing the net income (loss) available to common shareholders of the Company by the weighted average number of shares outstanding or committed to issue for the relevant year.

Diluted earnings (loss) per common share is computed by dividing the net income (loss) applicable to common shareholders by the sum of the weighted average number of common shares outstanding or committed plus all additional common shares that would have been outstanding, if potentially dilutive instruments were converted.

**(s) Share-based payments**

The Company has a stock option plan under which it grants stock options to directors, employees, consultants and service providers.

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive loss/income over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.



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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(s) Share-based payments (continued)**

Where the terms and conditions of options are modified before they vest, the increase in fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive loss/income over the remaining vesting period.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of comprehensive loss/income. Options or warrants granted related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model.

All equity-settled share-based payments are reflected in share-based payment reserve, until exercised. Upon exercise the fair value is credited to share capital, along with the cash consideration, with an offsetting reduction in the share-based payment reserve.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

**(t) Significant accounting judgments and estimates**

The preparation of the Group's consolidated financial statements in accordance with IFRS requires management to make certain judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. Actual results are likely to differ from these estimates. Information about the significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses in these consolidated financial statements are discussed below.

*Determination of functional currency:* The determination of functional currency for each company in the Group 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 all companies in the Group is the U.S. dollar.

*Going concern:* The assessment of the Group's ability to continue as a going concern requires significant judgment. The Group considers the factors outlined in Note 2(c) when making its going concern assessment.

*Exploration and evaluation assets:* The application of the Group's accounting policy for exploration and evaluation assets requires judgment in determining whether it is likely that such acquisition 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 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. The carrying value of these assets is detailed at Note 7(a).

*Impairment:* In assessing impairment on E&E assets, the Company determines the fair value of the assets concerned which is a process that is inherently subject to reliance on judgment and estimates. In performing its impairment assessment, the Company relied on various valuation methodologies including the cost approach, the market approach and the net assets approach.

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(t) Significant accounting judgments and estimates (continued)**

*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.

**(u) Changes in accounting policies**

There were no new accounting standards and interpretations effective from January 1, 2020, that had an impact on the Group's financial statements.

**(v) Standards issued but not yet effective**

The Group has not early adopted any amendment, standard or interpretation that has been issued by the IASB but that is not yet effective, nor has it identified any such standard or interpretation that is expected to have a material impact on the Group's consolidated financial statements.

**4. CASH AND CASH EQUIVALENTS**

The Group's cash and cash equivalents, by currency, at December 31, 2020 and 2019 was as follows:

	December 31, 2020		December 31, 2019	
Cash at bank and in hand denominated in Canadian dollars	\$	1,314,692	\$	1,422,298
Cash at bank and in hand denominated in U.S. dollars		1,790,340		6,960,637
Short term deposit denominated in U.S. dollars		3,102,918		-
	\$	6,207,950	\$	8,382,935

**5. RECEIVABLES**

	December 31, 2020		December 31, 2019	
Refundable goods and services tax	\$	32,424	\$	13,070
Other		39,621		108,314
	\$	72,045	\$	121,384

All amounts are short-term and the net carrying value of receivables is considered a reasonable approximation of fair value. The Group anticipates full recovery of these amounts and therefore no impairment has been recorded against receivables. The Group's receivables are all considered current and are not past due. The Group does not hold any collateral related to these assets.

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**6. PROPERTY AND EQUIPMENT AND LEASE OBLIGATIONS**

	Land <sup>(1)</sup>	Right-of-use assets	Property & Equipment	Total
<b>Cost</b>				
December 31, 2018	\$ 553,032	\$ -	\$ 472,403	\$ 1,025,435
Additions	-	90,864	-	90,864
Disposals	-	(10,665)	-	(10,665)
December 31, 2019	553,032	80,199	472,403	1,105,634
Additions	-	-	129,030	129,030
Disposals	-	(7,273)	-	(7,273)
December 31, 2020	\$ 553,032	\$ 72,926	\$ 601,433	\$ 1,227,391
<b>Accumulated Depreciation</b>				
December 31, 2018	\$ -	\$ -	\$ 134,850	\$ 134,850
Depreciation for the year	-	30,726	42,291	73,017
December 31, 2019	-	30,726	177,141	207,867
Depreciation for the year	-	24,736	41,603	66,339
December 31, 2020	\$ -	\$ 55,462	\$ 218,744	\$ 274,206
<b>Net book value</b>				
December 31, 2019	\$ 553,032	\$ 49,473	\$ 295,262	\$ 897,767
December 31, 2020	\$ 553,032	\$ 17,464	\$ 382,689	\$ 953,185

<sup>(1)</sup>The Company holds various small local farm lands in the area of its mineral properties that are of strategic value representing important surface rights over which it has mineral rights and access.

Depreciation expense relating to property and equipment utilized in E&E activities is expensed to E&E and is included in field office costs.

*ROU assets:* The Group has recognized ROU assets in relation to leases for office space and warehouses in Ecuador. The ROU assets were recognized based on the amount equal to the lease liability.

*Lease obligations:* A continuity of the lease liability for the years ended December 31, 2020 and 2019 is as follows:

December 31, 2018	\$ -
Adoption of IFRS 16, January 1, 2019	90,864
Interest accretion	6,028
Lease payments	(33,423)
Adjustment for disposal of lease	(10,665)
December 31, 2019	\$ 52,804
Interest accretion	4,213
Lease payments	(30,726)
Adjustment for disposal of lease	(7,273)
December 31, 2020	\$ 19,018

Minimum lease payments in respect of lease obligations and the effect of discounting are as follows:

	December 31, 2020	December 31, 2019
Undiscounted minimum lease payments		
Within one year	\$ 19,814	\$ 28,935
Between one to two years	-	28,934
Total undiscounted lease obligations	19,814	57,869
Less: future interest charges	(796)	(5,065)
Total discounted lease obligations	19,018	52,804
Less: current portion of lease obligations	(19,018)	(25,225)
Non-current portion of lease obligations	\$ -	\$ 27,579

The weighted average rate applied to the lease liabilities was approximately 9%.

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**7. EXPLORATION AND EVALUATION ASSETS AND EXPENDITURES**

**(a) Exploration and evaluation assets**

The Group holds various mineral exploration projects and concession areas in Ecuador as follows:

*Condor*

The Group has nine concessions located in the Zamora-Chinchipec Province in southeast Ecuador, collectively known as the "Condor Project" and totaling 10,101 hectares, which also includes the following concessions (i) Escondida (1,204 hectares awarded to Lumina pursuant to a public tender process in Ecuador (the "Public Tender") in January 2017) and (ii) Santa Elena (628 hectares obtained by Lumina through Public Tender in December 2016).

*Pegasus*

In November 2016, pursuant to the Public Tender, Lumina was awarded the Pegasus A1-7 and Pegasus B8-14 concessions. These concessions are an early-stage gold project comprising 66,525 hectares and are located approximately 150 kilometres southwest of Quito. In June 2017, Lumina was awarded an additional concession of 835 hectares, known as "Luz," which is adjacent to the Pegasus A concessions.

*Tres Picachos / La Canela / Orquideas*

In December 2016, via Public Tender, Lumina was awarded the following concessions: Tres Picachos (4,828 hectares) and La Canela (3,187 hectares) which are located approximately 100 kilometres southwest of the Condor Project and Orquideas (4,743 hectares) which is located in proximity to the Condor Project.

*Palma Real / Cascas / Santa Elena / Quimi / Tarqui*

These concessions were initially obtained under an option between Lumina and Proyectmin S.A. ("Proyectmin"), a related party. On April 18, 2018, Luminex (which was still a wholly owned subsidiary of Lumina) paid and expensed a payment to Proyectmin for an amount of \$35,000 which eliminated the need for the option and brought ownership of the areas directly under control of Luminex. The concession areas include: Palma Real, obtained in November 2016, and located in Northern Ecuador, consisting of four concession areas totaling 19,775 hectares; Cascas, obtained in January 2017, consisting of two concession areas totaling 9,998 hectares located approximately 25 kilometres southwest of the Condor Project; Santa Elena, as described under "Condor" above; Quimi, obtained in May 2017, consisting of two concession areas totaling 2,732 hectares located on trend with the Condor Project; and Tarqui, obtained in May 2017, consisting of two concession areas totaling 4,817 hectares located on trend with the Condor Project. As at June 30, 2019, the Group had effectively relinquished the Palma Real concessions.

Acquisition costs and carrying value of the Group's exploration projects as at December 31, 2020 and 2019 are as follows:

	December 31, 2020	December 31, 2019
<b>Cost</b>		
Condor Project	\$ 47,487,910	\$ 47,487,910
Rights to acquire / use ("Mineral Concession Rights")		
- Escondida (part of Condor Project)	45,000	45,000
- La Canela	120,000	120,000
- Orquideas	825,000	825,000
- Tres Picachos	240,000	240,000
	<b>\$ 48,717,910</b>	<b>\$ 48,717,910</b>
<b>Impairment</b>		
Condor Project	\$ 17,772,284	\$ 17,772,284
Orquideas	825,000	825,000
	<b>\$ 18,597,284</b>	<b>\$ 18,597,284</b>
<b>Net book value</b>	<b>\$ 30,120,626</b>	<b>\$ 30,120,626</b>

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**7. EXPLORATION AND EVALUATION ASSETS AND EXPENDITURES (continued)**

**(a) Exploration and evaluation assets (continued)**

*BHP Group plc ("BHP") Earn-in Agreement*

On July 12, 2019, the Company entered into an earn-in and joint venture agreement (the "BHP Agreement") with a wholly owned subsidiary of BHP on the Tarqui 1 and 2 mining concessions ("Tarqui"). Under the terms of the BHP Agreement, Luminex received a recovery fee of \$341,337 relating to reimbursement of costs incurred on Tarqui prior to signing the BHP Agreement and BHP will have the right to:

- (i) earn a 51% ownership interest in a joint venture company, which will hold Tarqui, by investing an aggregate amount of \$25 million in exploration expenditures and making \$2.4 million of cash payments to the Company over a four-year period (the "First BHP Earn-in"), such payments to be made in installments of (i) \$100,000 within ten business days of July 12, 2019 (received); (ii) \$200,000 upon completion of the transfer of Tarqui to the joint venture company (received); (iii) \$300,000 by July 12, 2020 (received); (iv) \$450,000 by July 12, 2021; (v) \$450,000 by July 12, 2022; and (vi) \$900,000 by July 12, 2023;
- (ii) earn an additional 9% ownership interest in the joint venture company by sole funding an additional \$10 million of exploration expenditures and making an additional \$4.6 million of cash payments over a further two-year period (with \$1,100,000 due by July 12, 2024 and \$3,500,000 due by July 12, 2025), increasing BHP's aggregate ownership to 60% (the "Second BHP Earn-in"); and
- (iii) earn a further 10% ownership interest in the joint venture company by sole funding an additional \$40 million of exploration expenditures on Tarqui, taking BHP's aggregate ownership to 70% (the "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. Should BHP fail to meet the milestones to earn the initial 51% interest in Tarqui, then the concessions will remain under the sole control of Luminex as BHP's interest in the joint venture company will not vest and sole ownership of the entity will revert to Luminex. In accordance with the terms of the BHP Agreement, BHP has assumed management of the joint venture company and the exploration program for Tarqui and has 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.

*First Quantum Minerals Ltd. ("FQM") Earn-in Agreement*

On June 20, 2018, Lumina signed a formal earn-in agreement (the "Earn-in Agreement") with FQM relating to the Orquideas and Cascas concessions (the "Properties"). Under the terms of the Earn-in Agreement, FQM was 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. A \$150,000 earn-in payment by FQM was received by the Company on February 21, 2019. By letter dated August 4, 2019, FQM notified the Company that it was terminating its earn-in on the Orquideas concession after the first five drill holes at Orquideas failed to produce significant mineralized intercepts. Following this decision, Luminex drilled an additional hole at Orquideas to utilize the available drill rig and test an additional area of the concession. Following this work, the Company ceased ongoing work plans for Orquideas and evaluated the carrying value of the Orquideas project area. It was determined that it was appropriate to record an impairment of \$825,000 to the carrying value during the year ended December 31, 2019.

Subsequent to the FQM withdrawal on Orquideas, a further notice was provided in August 2019 whereby FQM informed the Company that it was also withdrawing from the Cascas concessions, effectively terminating the Earn-in Agreement. Following discussions with FQM, the withdrawal from Cascas was agreed as being effective on August 22, 2019, with FQM remitting a one-time settlement payment of \$149,892 intended to cover certain future costs related to the Cascas concessions, which has been recorded in other income. FQM had not incurred sufficient expenditures to earn an ownership interest in the Properties.

FQM and Lumina also entered into a services agreement (the "Services Agreement") whereby Lumina would act as the manager of the works programs to be conducted under direction of FQM. The Services Agreement was assigned to Luminex pursuant to the Arrangement. As manager, Luminex was entitled to charge an overhead and recovery fee of 10% of the expenditures incurred on the Properties, which cost counted towards FQM's total expenditures under the First Earn-in. For the year ended December 31, 2019, \$191,490 in overhead and recovery fees related to the Services Agreement was included in "interest income and other" on the consolidated statement of comprehensive loss (see Note 18).

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**7. EXPLORATION AND EVALUATION ASSETS AND EXPENDITURES (continued)**

**(b) Investment in Pegasus**

*Anglo American plc (“Anglo American”) Earn-in Agreement:*

Effective September 21, 2018, Luminex signed a formal earn-in and joint venture agreement with Anglo American (“the “Anglo Agreement”) relating to the Pegasus Project. 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, ultimately, should all spending commitments be met, form the joint venture company to operate the Pegasus Project. 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 (received); (ii) \$300,000 by September 21, 2020 (received); 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 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%.

Should Anglo American determine 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 their ownership level being retained at 25%, 51% or 60% respectively.

Luminex acquired a Mineral Concession Right on the Pegasus Project by way of payment of \$2,200,000 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.

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**7. EXPLORATION AND EVALUATION ASSETS AND EXPENDITURES (continued)**

**(c) Exploration and evaluation expenditures**

The Group's exploration and evaluation expenditures on its projects are as follows:

	Year ended December 31, 2020									
	Cascas	Condor	La Canela	Orquideas	Palma Real	Pegasus <sup>(3)</sup>	Quimi	Tarqui <sup>(3)</sup>	Tres Picachos	TOTAL
Assays / Sampling	\$ 48,229	\$ 462,067	\$ 1,894	\$ 196	\$ -	\$ -	\$ -	\$ -	\$ 2,985	\$ 515,371
Camp	377,777	1,280,146	19,466	12,624	-	-	4,466	-	8,817	1,703,296
Camp access and improvements	42,042	504,872	1,352	-	-	-	-	-	391	548,657
Drilling	-	2,276,197	-	-	-	-	-	-	-	2,276,197
Engineering	-	101,722	-	-	-	-	-	-	-	101,722
Environmental, Health & Safety	208,664	348,410	6,622	20,877	-	-	6,519	-	15,037	606,129
Field office	10,440	337,852	1,230	27,529	-	-	-	-	-	377,051
Geological consulting and field staff	550,137	1,463,892	9,230	15,614	-	-	30,093	-	76,610	2,145,576
Legal fees	16,077	88,777	1,224	8,355	4,207	-	2,895	-	1,111	122,646
Metallurgical	-	56,533	-	-	-	-	-	-	-	56,533
Mineral rights and property fees	102,871	158,024	32,208	47,466	-	-	28,195	800	48,852	418,416
Project management <sup>(1)</sup>	63,077	427,636	-	-	-	5,730	3,111	2,947	2,456	504,957
Reports	-	12,864	-	-	-	-	-	-	-	12,864
Social and community <sup>(1)</sup>	201,305	182,661	3,449	26,469	-	-	17,856	437	1,460	433,637
Transportation and accommodation	189,397	333,886	1,601	794	-	-	9,967	-	8,197	543,842
<b>Costs incurred during the year</b>	<b>\$ 1,810,016</b>	<b>\$ 8,035,539</b>	<b>\$ 78,276</b>	<b>\$ 159,924</b>	<b>\$ 4,207</b>	<b>\$ 5,730</b>	<b>\$ 103,102</b>	<b>\$ 4,184</b>	<b>\$ 165,916</b>	<b>\$ 10,366,894</b>
Cumulative E&E incurred by Lumina to August 31, 2018 <sup>(2)</sup>	\$ 247,281	\$ 5,080,081	\$ 175,936	\$ 1,344,244	\$ 600,096	\$ 2,436,866	\$ 132,765	\$ 412,985	\$ 294,458	\$ 10,724,712
Cumulative E&E incurred by Luminex, beginning of year	352,927	7,841,157	154,889	219,901	35,579	27,189	626,172	397,539	229,982	9,885,335
E&E incurred during the year	1,810,016	8,035,539	78,276	159,924	4,207	5,730	103,102	4,184	165,916	10,366,894
<b>Cumulative E&amp;E incurred, end of year</b>	<b>\$ 2,410,224</b>	<b>\$ 20,956,777</b>	<b>\$ 409,101</b>	<b>\$ 1,724,069</b>	<b>\$ 639,882</b>	<b>\$ 2,469,785</b>	<b>\$ 862,039</b>	<b>\$ 814,708</b>	<b>\$ 690,356</b>	<b>\$ 30,976,941</b>

<sup>(1)</sup> Project management and social and community costs include key management personnel costs (see Note 17).

<sup>(2)</sup> Costs for the Condor Project incurred since November 1, 2016. Costs for all other projects presented are on a cumulative basis since the date of initial award of the concessions to Lumina in 2016 or 2017. Costs are amounts incurred by Lumina either during the period prior to the transfer of the projects to Luminex or that were incurred by legal entities owned by Lumina that were not transferred to Luminex and are shown prior to any reimbursements to Lumina pursuant to the First Quantum or Anglo American Earn-In Agreements. Presented to illustrate total spend incurred on the projects in order to meet Ecuadorean spending commitments (see Note 20).

<sup>(3)</sup> Costs shown do not include expenditures incurred by BHP or Anglo American pursuant to their Earn-In Agreements.

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**7. EXPLORATION AND EVALUATION ASSETS AND EXPENDITURES (continued)**

**(c) Exploration and evaluation expenditures (continued)**

	Year ended December 31, 2019									
	Cascas <sup>(3)</sup>	Condor	La Canela	Orquideas <sup>(3)</sup>	Palma Real	Pegasus <sup>(3)</sup>	Quimi	Tarqui	Tres Picachos	TOTAL
Assays / Sampling	\$ 13,117	\$ 280,079	\$ 3,380	\$ -	\$ -	\$ -	\$ 6,779	\$ 6,694	\$ 4,950	\$ 314,999
Camp	55,993	933,708	3,356	11,358	-	-	93,199	58,595	5,285	1,161,494
Camp access and improvements	8,183	73,429	-	377	-	-	13,052	-	-	95,041
Drilling	-	2,277,381	-	91,407	-	-	-	-	-	2,368,788
Engineering	56,280	108,522	-	-	-	-	-	-	-	164,802
Environmental, Health & Safety	15,796	144,671	7,056	14,522	5,536	-	17,217	16,980	835	222,613
Field office	988	296,170	3,108	45,084	1,987	-	4,099	5,248	1,435	358,119
Geological consulting and field staff	128,356	1,075,802	44,494	36,222	-	-	207,909	139,234	41,032	1,673,049
Legal fees	6,498	46,426	7,615	3,399	8,577	-	1,262	2,258	6,006	82,041
Metallurgical	-	13,173	-	-	-	-	-	-	-	13,173
Mineral rights and property fees	-	217,469	31,392	-	-	-	26,910	52,107	47,556	375,434
Project management <sup>(1)</sup>	4,625	257,995	3,143	3,044	1,075	15,286	14,343	21,789	3,717	325,017
Reports	784	10,044	-	-	-	-	3,024	-	-	13,852
Social and community <sup>(1)</sup>	22,606	114,353	2,701	6,348	227	-	52,657	62,550	2,840	264,282
Transportation and accommodation	32,940	287,936	6,086	8,140	268	-	60,358	53,703	11,154	460,585
Costs incurred during the year	346,166	6,137,158	112,331	219,901	17,670	15,286	500,809	419,158	124,810	7,893,289
Cost recovery <sup>(4)</sup>	-	-	-	-	-	-	-	(341,337)	-	(341,337)
Net costs incurred during the year	\$ 346,166	\$ 6,137,158	\$ 112,331	\$ 219,901	\$ 17,670	\$ 15,286	\$ 500,809	\$ 77,821	\$ 124,810	\$ 7,551,952
Cumulative E&E incurred by Lumina to August 31, 2018 <sup>(2)</sup>	\$ 247,281	\$ 5,080,081	\$ 175,936	\$ 1,344,244	\$ 600,096	\$ 2,436,866	\$ 132,765	\$ 412,985	\$ 294,458	\$ 10,724,712
Cumulative E&E incurred by Luminex, beginning of year	6,761	1,703,999	42,558	-	17,909	11,903	125,363	319,718	105,172	2,333,383
E&E incurred during the year	346,166	6,137,158	112,331	219,901	17,670	15,286	500,809	77,821	124,810	7,551,952
Cumulative E&E incurred, end of year	\$ 600,208	\$ 12,921,238	\$ 330,825	\$ 1,564,145	\$ 635,675	\$ 2,464,055	\$ 758,937	\$ 810,524	\$ 524,440	\$ 20,610,047

<sup>(1)</sup> Project management and social and community costs include key management personnel costs (see Note 17).

<sup>(2)</sup> Costs for the Condor Project incurred since November 1, 2016. Costs for all other projects presented are on a cumulative basis since the date of initial award of the concessions to Lumina in 2016 or 2017. Costs are amounts incurred by Lumina either during the period prior to the transfer of the projects to Luminex or that were incurred by legal entities owned by Lumina that were not transferred to Luminex and are shown prior to any reimbursements to Lumina pursuant to the First Quantum or Anglo American Earn-In Agreements. Presented to illustrate total spend incurred on the projects in order to meet Ecuadorean spending commitments (see Note 20).

<sup>(3)</sup> Costs shown do not include expenditures incurred by First Quantum or Anglo American pursuant to their Earn-In Agreements.

<sup>(4)</sup> Cost recovery represents reimbursement of expenditures by BHP (see Note 7(a)).



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**8. SHARE CAPITAL**

**Authorized:** Unlimited common shares, without par value.

<b>Issued and fully paid:</b>	Number of Common Shares	Amount
Balance, December 31, 2018	41,096,558	\$ 53,576,655
Shares issued, net of issue costs (a)	11,290,300	5,212,006
Shares issued on exercise of stock options (b)	592,750	224,638
Shares issued, net of issue costs (c)	19,230,807	7,424,956
Balance, December 31, 2019	72,210,415	66,438,255
Shares issued, net of issue costs (d)	18,571,714	9,089,934
Shares issued on exercise of stock options (e)	231,000	55,352
Balance, December 31, 2020	91,013,129	\$ 75,583,541

- (a) In July 2019, the Company closed a non-brokered private placement of 11,290,300 common shares for proceeds of \$5,212,006, net of issue costs of \$151,145, which includes finder's fees of up to 4% of the proceeds from certain subscribers.
- (b) In August and September 2019, 592,750 stock options were exercised at a weighted average exercise price of \$0.38 (C\$0.50) per common share for total proceeds of \$223,540. Previously recognized share-based payment expense totalling \$1,098 was reclassified from share option reserve to share capital.
- (c) In December 2019, the Company closed a non-brokered private placement of 19,230,807 common shares for proceeds of \$7,424,956, net of issue costs of \$197,591, which includes finder's fees of up to 4% of the proceeds from certain subscribers.
- (d) In June 2020, the Company closed a brokered private placement of 10,886,000 common shares at a price of C\$0.70 per share and a non-brokered private placement for a total of 7,685,714 common shares at a price of C\$0.70 per share for total proceeds of \$9,089,934, net of issue costs of \$475,366, which included finder's fees of up to 6% for a total of \$349,799.
- (e) During the year ended December 31, 2020, a total of 231,000 stock options were exercised at a weighted average exercise price of \$0.23 (C\$0.30) per common share for total proceeds of \$52,812. Previously recognized share-based payment expense totalling \$2,540 was reclassified from share-based payment reserve to share capital.

**9. SHARE-BASED PAYMENTS**

**(a) Stock option plan**

The Company has a stock option plan (the "Plan") whereby the Company may grant options to directors, officers, employees and consultants of the Company. The maximum number of common shares that may be reserved for issuance under the Plan is limited to 9,000,000 (2019 - 4,000,000). In addition, the number of common shares which may be reserved for issuance to any one individual may not exceed 5% of the issued common shares on a non-diluted basis or 2% if the optionee is engaged in investor relations activities or is a consultant. Options are exercisable over periods of up to ten years as determined by the Board and are required to have an exercise price no less than the closing market price of the Company's common shares prevailing on the day that the option is granted. The Plan contains no vesting requirements but permits the Board to specify a vesting schedule in its discretion.

During the year ended December 31, 2020, the Company granted 1,204,000 stock options (2019 - 1,097,000) stock options to directors, officers, employees and consultants at a weighted average exercise price of C\$0.68 and expiry date of November 26, 2025 (2019 - C\$0.63, expiring on October 16, 2024). The weighted average fair value of the options granted in the year ended December 31, 2020 was estimated at \$0.30 per option at the grant date using Black-Scholes (2019 - \$0.41). The vesting schedule of 1,174,000 of the options was  $\frac{1}{3}$  on the grant date,  $\frac{1}{3}$  one year after the grant date and  $\frac{1}{3}$  two years after the grant date. 30,000 options, which were issued to an investor relations consultant, vest as to  $\frac{1}{4}$  every six months with the initial vesting period after six months.

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**9. SHARE-BASED PAYMENTS (continued)**

**(a) Stock option plan (continued)**

The fair value used to calculate the compensation expense related to the stock options granted is estimated using Black-Scholes with the following assumptions:

	Year ended December 31, 2020	Year ended December 31, 2019
Risk-free interest rate	0.39%	1.58%
Expected dividend yield	-	-
Expected stock price volatility	71%	74%
Expected option life in years	5	5
Expected rate of forfeiture	0 – 5%	0 – 5%

The share price and exercise price used in determining share-based payment amounts are equal to the closing share price and exercise price on the day that stock options are granted, in accordance with the Plan. Option pricing models such as Black-Scholes require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options. Volatility is determined based upon historical volatility of the Company's common shares, generally for a period equal to the expected life of the stock options. For the stock options granted in 2020 and 2019, the share price of Luminex from September 2018 was utilized as a reasonable approximation for volatility over the life of the option.

Pursuant to the Company's accounting policy for share-based payments, the fair value of options vesting during the year ended December 31, 2020, in the amount of \$359,637 (2019 - \$382,604) has been recorded in the consolidated statement of comprehensive loss under fees, salaries and other employee benefits (Note 11).

**(b) Outstanding stock options**

Stock options and weighted average exercise prices are as follows for the reporting periods presented:

	Year ended December 31, 2020	
	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	3,286,973	C\$0.65
Granted	1,204,000	C\$0.68
Exercised	(231,000)	C\$0.30
<b>Outstanding, end of year</b>	<b>4,259,973</b>	<b>C\$0.68</b>

  

	Year ended December 31, 2019	
	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	2,782,723	C\$0.63
Granted	1,097,000	C\$0.63
Exercised	(592,750)	C\$0.50
<b>Outstanding, end of year</b>	<b>3,286,973</b>	<b>C\$0.65</b>

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**9. SHARE-BASED PAYMENTS (continued)**

**(b) Outstanding stock options (continued)**

The weighted average share price at the date of exercise for share options exercised during the year ended December 31, 2020 was \$0.58 (2019 - \$0.64). For each reporting period, the Company had outstanding stock options, including weighted average remaining contractual life, as follows:

December 31, 2020					
Options Outstanding				Options Exercisable	
Number of Options	Expiry Date	Weighted average life (years)	Exercise Price	Number of Options	Exercise Price
168,223	April 20, 2021	0.30	C\$0.38	168,223	C\$0.38
242,250	December 30, 2021	1.00	C\$0.65	242,250	C\$0.65
75,000	March 6, 2022	1.18	C\$0.73	75,000	C\$0.73
273,500	December 7, 2022	1.93	C\$0.54	273,500	C\$0.54
1,200,000	October 5, 2023	2.76	C\$0.80	1,200,000	C\$0.80
1,097,000	October 16, 2024	3.79	C\$0.63	726,343	C\$0.63
1,204,000	November 26, 2025	4.91	C\$0.68	391,345	C\$0.68
4,259,973		3.36	C\$0.68	3,076,661	C\$0.69

  

December 31, 2019					
Options Outstanding				Options Exercisable	
Number of Options	Expiry Date	Weighted average life (years)	Exercise Price	Number of Options	Exercise Price
193,500	December 4, 2020	0.93	C\$0.25	193,500	C\$0.25
168,223	April 20, 2021	1.30	C\$0.38	168,223	C\$0.38
257,250	December 30, 2021	2.00	C\$0.65	257,250	C\$0.65
75,000	March 6, 2022	2.18	C\$0.73	75,000	C\$0.73
296,000	December 7, 2022	2.94	C\$0.54	296,000	C\$0.54
1,200,000	October 5, 2023	3.76	C\$0.80	793,750	C\$0.80
1,097,000	October 16, 2024	4.80	C\$0.63	355,680	C\$0.63
3,286,973		3.57	C\$0.65	2,139,403	C\$0.63

**10. NON-CONTROLLING INTEREST ("NCI")**

The following table summarizes information related to the Group's non-controlling interest which has a 10% interest in Condomining Corporation S.A. (see Note 17).

	December 31, 2020	December 31, 2019
Current assets	\$ 196,406	\$ 1,065,255
Non-current assets	37,410,111	31,662,273
Current liabilities	(132,267)	(411,415)
Net assets	37,474,250	32,316,113
NCI percentage	10%	10%
Net assets of individual entities attributable to the NCI	3,747,425	3,231,611
Adjustments on consolidation of individual entities subject to NCI	(2,404,549)	(1,257,865)
Net assets attributable to the NCI	\$ 1,342,876	\$ 1,973,746

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**10. NON-CONTROLLING INTEREST (continued)**

	Year ended December 31,	
	2020	2019
Net loss and comprehensive loss	\$ 6,308,700	\$ 5,359,920
NCI percentage	10%	10%
<b>Net loss and comprehensive loss attributable to NCI</b>	<b>\$ 630,870</b>	<b>\$ 535,992</b>

The entities subject to a NCI incurred the following cash expenditures during the year ended December 31, 2020: (i) \$6,479,503 on operating activities (2019 - \$5,058,521); and (ii) \$21,840 on investing activities (2019 - \$Nil).

**11. FEES, SALARIES AND OTHER EMPLOYEE BENEFITS**

	Year ended December 31,	
	2020	2019
Fees and salaries	\$ 857,490	\$ 815,387
Other benefits	1,926	4,232
Share-based payments (Note 9(a))	359,637	382,604
	<b>\$ 1,219,053</b>	<b>\$ 1,202,223</b>

**12. LOSS PER SHARE**

The calculation of basic and diluted loss per common share attributable to owners of the Company is based on the following data:

	Year ended December 31,	
	2020	2019
Net loss attributed to owners of the Company	\$ 10,492,744	\$ 8,953,700
Weighted average number of common shares outstanding (basic and diluted)	81,903,790	47,166,764
<b>Loss per share – basic and diluted</b>	<b>\$ 0.13</b>	<b>\$ 0.19</b>

Basic loss per share is computed by dividing the net loss attributed to owners of the Company by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as stock options, in the weighted average number of common shares outstanding during the period, if dilutive.

All of the stock options currently issued (see Note 9) were anti-dilutive for the years ended December 31, 2020 and 2019 and have not been included in the calculation of diluted weighted average number of common shares outstanding.

**13. CAPITAL RISK MANAGEMENT**

It is the Company's objective when managing capital to safeguard its ability to continue as a going concern in order that it may continue to explore and develop its mineral properties and continue its operations for the benefit of its shareholders. The Company's objectives when managing capital are to:

- (a) continue the exploration and development of its mineral properties;
- (b) support any expansion plans; and
- (c) maintain a capital structure which optimizes the cost of capital at acceptable risk.

The Company considers its equity, which includes common shares, share-based payment reserve and accumulated deficit as capital. The Company intends to spend existing working capital by carrying out its planned acquisition, exploration and development activities on mineral properties and continuing to pay administrative costs. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristic of the underlying assets. In order to maintain or adjust the capital structure the Company may issue new common shares. In order to facilitate analysis and management of its capital requirements, the Company prepares and updates annual budgets (as needed) to ensure that its acquisition and exploration operations can continue to progress. Budgets, once finalized, are approved by the Board. There have not been any changes to the Company's capital management objectives, policies and processes compared to the prior year. The Company is not subject to any externally imposed capital requirements.

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**14. FINANCIAL INSTRUMENTS**

**(a) Categories of financial assets and financial liabilities**

The Group's financial assets and financial liabilities are categorized as follows:

	Note	Category	December 31, 2020	December 31, 2019
Cash and cash equivalents	4	Amortized cost	\$ 6,207,950	\$ 8,382,935
Other receivables	5	Amortized cost	39,621	108,314
Environmental deposit		Amortized cost	-	174,325
Accounts payable and accrued liabilities		Amortized cost	457,298	1,076,624

The recorded amounts for cash and cash equivalents, other receivables, environmental deposit and accounts payable and accrued liabilities approximate their fair value due to the short-term maturities of these instruments and/or the market interest rate being earned or charged thereon. Income earned on the Group's cash and cash equivalents has been disclosed in the consolidated statements of loss and comprehensive loss under the caption "interest income and other."

**(b) Fair Value Measurements**

The fair value of financial assets and financial liabilities at amortized cost is determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions.

**15. FINANCIAL INSTRUMENT RISKS**

The Group is exposed to various risks in relation to financial instruments. The main types of risk are credit risk, liquidity risk and market risk. These risks arise from the normal course of the Group's operations and all transactions undertaken are to support the Group's ability to continue as a going concern. The risks associated with financial instruments and the policies on mitigation of such risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

**(a) Credit Risk**

The Group considers that its cash and cash equivalents, receivables and environmental deposit are exposed to credit risk, representing maximum exposure of \$6,247,571 (December 31, 2019 - \$8,665,574). Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group's exposure to credit risk on its cash is minimized by maintaining these assets with high-credit quality financial institutions. At December 31, 2020, the Group's cash was held at two financial institutions (December 31, 2019 – two financial institutions).

**(b) Liquidity Risk**

Liquidity risk is the risk that the Group will be unable to meet its financial obligations as they become due. The Group manages liquidity risk by ensuring that it has sufficient cash available to meet its obligations. These requirements are met through a combination of cash on hand, disposition of assets, accessing capital markets and loans.

At December 31, 2020, the Group's current liabilities consisted of trade and other payables of \$457,298 which are due primarily within three months from the period end. The Group's cash and cash equivalents of \$6,207,950 at December 31, 2020, was sufficient to pay for the current liabilities.

At December 31, 2019, the Group's current liabilities consisted of trade and other payables of \$1,076,624 which were due primarily within three months from the period end. The Group's cash and cash equivalents of \$8,382,935 at December 31, 2019, was sufficient to pay for the current liabilities.

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**15. FINANCIAL INSTRUMENT RISKS (continued)**

**(c) Market Risks**

The significant market risk exposures to which the Group is exposed are interest rate risk, currency risk and price risk.

*Interest Rate Risk*

Interest rate risk is the risk that the future cash flows and fair values of the Group will fluctuate because of changes in market interest rates. Based on the Group's cash as at December 31, 2020 and 2019, and assuming that all other variables remained constant, a 1% increase or decrease in interest rates would result in an increase or decrease of approximately \$62,000 and \$84,000, respectively, in the Group's interest income on an annual basis.

*Currency Risk*

The functional currency of the Company and its subsidiaries is the U.S. dollar. The carrying amounts of financial assets and financial 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 Group is exposed to currency risks arising from fluctuations in foreign exchange rates primarily among the U.S. dollar and Canadian dollar and the degree of volatility of these rates. While the Group incurs the majority of its expenditures in U.S. dollars, corporate G&A expenses are primarily paid in Canadian dollars. The Group does not use derivative instruments to reduce its exposure to foreign exchange and currency risks. The Group's exposure to foreign currency risks on cash balances held in foreign currencies is not expected to be significant.

Each of the tables below shows the impact that a 1% fluctuation in foreign currency rates compared to the U.S. dollar would have on the Group's consolidated loss, comprehensive loss and equity based upon the assets held at each date disclosed.

The foreign exchange risk exposure of the Group's cash and accounts payable and accrued liabilities, as at December 31, 2020 is as follows:

Financial Instrument Type	U.S. Dollar	Currency	+/- 1% Fluctuation	
Cash	\$ 1,314,692	CAD dollar	\$ 13,147	\$ (13,147)
Accounts payable and accrued liabilities	(4,235)	CAD dollar	(42)	42
<b>Total</b>	<b>\$ 1,310,457</b>		<b>\$ 13,105</b>	<b>\$ (13,105)</b>

The foreign exchange risk exposure of the Group's cash and accounts payable and accrued liabilities, as at December 31, 2019 was as follows:

Financial Instrument Type	U.S. Dollar	Currency	+/- 1% Fluctuation	
Cash	\$ 1,422,298	CAD dollar	\$ 14,223	\$ (14,223)
Accounts payable and accrued liabilities	(28,662)	CAD dollar	(287)	287
<b>Total</b>	<b>\$ 1,393,636</b>		<b>\$ 13,936</b>	<b>\$ (13,936)</b>

*Other Price Risk*

The Group did not hold any financial instruments that had direct exposure to other price risks at December 31, 2020 and 2019.

**16. SEGMENTED DISCLOSURE**

The Company is organized into business units based on the location of its mineral properties and has one reportable operating segment, being that of the acquisition, exploration and evaluation of mineral properties in Ecuador. Reporting to the chief decision makers is carried out on a consolidated basis.

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**17. GROUP INFORMATION AND RELATED PARTY TRANSACTIONS**

*Information about subsidiaries*

The consolidated financial statements include the following subsidiaries:

	Country of Incorporation	% Equity interest at	
		December 31, 2020	December 31, 2019
Ecuador Gold Holdings Ltd.	Canada	100	100
Proyectmin Holdings Ltd.	Canada	100	100
Southern Ecuador Holdings Ltd.	Canada	100	100
Central Ecuador Holdings Ltd.	Canada	30 <sup>(1)</sup>	30 <sup>(1)</sup>
Tarqui Holdings Ltd.	Canada	100	100
EMH S.A.	Ecuador	100	100
Condomining Corporation S.A.	Ecuador	90	90
Corporacion FJTX Exploration S.A.	Ecuador	100	100
Bestminers S.A.	Ecuador	90	90
Condomine S.A.	Ecuador	90.1	90.1
Proyectmin S.A.	Ecuador	100	100
Luminex Services Ecuador LS-EC S.A. ("Luminex Services")	Ecuador	100	100
Southern Ecuador SN-EC S.A.	Ecuador	100	100
Central Ecuador EC-CT S.A.	Ecuador	30 <sup>(1)</sup>	30 <sup>(1)</sup>

<sup>(1)</sup> See Note 7(b) for details around the equity interest held by Anglo American pursuant to the Anglo Agreement.

*Related party expenses and balances*

The Group incurred the following expenses with related parties:

Company	Nature of transactions	Year ended December 31,	
		2020	2019
Hathaway Consulting Ltd.	Fees	\$ 129,051	\$ 102,133
Into the Blue Management Inc.	Fees	87,591	62,924
Koval Management Inc.	Fees	163,922	160,914
La Mar Consulting Inc.	E&E (social / community)	158,230	95,049
Lumina	E&E (field office / travel)	1,955	4,987
Lumina	G&A	35,377	47,945
Lyle E Braaten Law Corp.	Fees	99,923	82,531
Miedzi Copper Corp. ("Miedzi")	E&E (geological)	97,108	50,677
Miedzi	G&A	57,816	54,874
Miedzi	Fees	233,545	230,404
		\$ 1,064,518	\$ 892,438

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 December 31, 2020, there were no amounts owing to related parties (December 31, 2019 - \$695 owing to Lumina was included in accounts payable).

Luminex Services 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 the Company's financial statements as a reduction of cost associated to E&E expenditures. The total amount recharged to Odin for the year ended December 31, 2020 was \$377,315 (2019 - \$413,952). Included in accounts receivable is \$Nil due from Odin (December 31, 2019 - \$6,157). At December 31, 2019, Southern Ecuador SN-EC S.A. had an account payable of \$250 owing to Odin relating to withholding tax on the transfer of the Orquideas concession pursuant to the Arrangement.

As at December 31, 2020, the Group, through its subsidiary company Proyectmin S.A., was providing a corporate guarantee in the amount of \$92,640, for the environmental bond obligations of Odin. The guarantee provided by Proyectmin S.A. was terminated subsequent to December 31, 2020.

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**17. GROUP INFORMATION AND RELATED PARTY TRANSACTIONS (continued)**

*Key management personnel compensation*

Key management of the Group are the directors and officers of Luminex and their remuneration includes the following:

	Year ended December 31,	
	2020	2019
Short-term benefits (i)	\$ 1,047,864	\$ 857,960
Share-based payments (ii)	243,038	224,590
<b>Total remuneration</b>	<b>\$ 1,290,902</b>	<b>\$ 1,082,550</b>

(i) Short-term benefits include fees and salaries, including where those costs have been allocated to E&E expenditures (see Note 7(c)).

(ii) Share-based payments are the fair value of options granted (vested and unvested) to key management personnel as at the grant date.

(iii) Key management personnel were not paid post-employment benefits, termination benefits, or long-term benefits during the years ended December 31, 2020 and 2019.

**18. INTEREST INCOME AND OTHER**

Interest income and other consists of the following components:

	Year ended December 31,	
	2020	2019
BHP earn-in payments (Note 7(a))	\$ 500,000	\$ 100,000
FQM earn-in payment (Note 7(a))	-	150,000
FQM Services Agreement fee (Note 7(a))	-	191,490
FQM termination settlement (Note 7(a))	-	149,892
Anglo American option payment (Note 7(b))	300,000	300,000
Gain on settlement of liability	130,000	-
Interest - bank / environmental deposits	9,627	19,434
Other	7,623	-
	<b>\$ 947,250</b>	<b>\$ 910,816</b>

**19. TAXES**

Deferred tax assets and liabilities are recognized for temporary differences between the carrying amount of the balance sheet items and their corresponding tax values as well as for the benefit of losses available to be carried forward to future years for tax purposes that are likely to be realized. Deferred tax assets have not been recognized for the temporary differences noted below as the Group does not presently have sufficient evidence to establish that it is probable that the respective entities to which they relate will generate future taxable income against which to utilize the temporary differences.

	December 31, 2020	December 31, 2019
Deferred income tax assets		
Exploration and evaluation asset	\$ 2,362,000	\$ 1,409,000
Non-capital income tax losses carried forward	1,710,000	1,133,000
Other assets	159,000	75,000
	4,231,000	2,617,000
Unrecognized deferred income tax assets	(4,231,000)	(2,617,000)
	<b>\$ -</b>	<b>\$ -</b>



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**19. TAXES (continued)**

Reconciliation of income tax computed at statutory rates to the reported income tax provision is as follows:

	Year ended December 31,	
	2020	2019
Loss before income taxes	\$ (11,123,614)	\$ (9,489,692)
Canadian statutory rate	27%	27%
Income tax benefit computed at Canadian statutory rates	\$ (3,003,000)	\$ (2,562,000)
Permanent differences	1,105,000	105,000
Impairment expense	-	223,000
Other	(175,000)	(28,000)
Difference between foreign and Canadian statutory rates	459,000	457,000
Change in unrecognized deferred tax assets	1,614,000	1,805,000
	\$ -	\$ -

At December 31, 2020, the Group has Canadian non-capital income tax losses carried forward of approximately \$4,787,000 expiring in various years to 2040, that may be available to offset future taxable income. The Group also has net operating losses which can be carried forward in Ecuador for five years of approximately \$1,898,000.

The Group's tax losses expire as follows:

Year of Expiry	Canada	Ecuador
2021	\$ -	\$ 67,000
2022	-	125,000
2023	-	430,000
2024	-	714,000
2025	-	562,000
2037	119,000	-
2038	1,296,000	-
2039	1,498,000	-
2040	1,874,000	-
	\$ 4,787,000	\$ 1,898,000

The Group's other deductible temporary differences are comprised principally of \$10,735,000 in relation to exploration and evaluation assets in Ecuador.

**20. COMMITMENTS AND CONTINGENT LIABILITIES**

*Commitments*

As at December 31, 2020, the Group has entered into agreements that are not recognized as ROU assets and that include rental agreements, infrastructure improvements and contracted studies that require minimum payments in the aggregate as follows:

Within one year	\$ 155,000
After one year but not more than five years	12,000
	\$ 167,000

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**20. COMMITMENTS AND CONTINGENT LIABILITY (continued)**

*Commitments (continued)*

In addition, the Group is obligated to fulfil certain investment obligations on its mineral concessions in Ecuador pursuant to the following rules:

- (a) New concessions granted pursuant to the Public Tender (see Note 7(a)) require minimum expenditures per year (commencing on the registration date of the concession with the Government of Ecuador) of \$5 per hectare for each of Years 1 and 2 and \$10 per hectare for each of Years 3 and 4. This spending commitment is required to be applied by the Government of Ecuador in situations where a company seeks to reduce the area that was obtained under the tender process.
- (b) Applications for new concessions via Public Tender in Ecuador, require that an investment offer be presented for each concession. The investment offer represents the total amount that is required to be spent in order to maintain possession of the concession area at the end of the four-year investment period required by the Government of Ecuador. Current interpretations of the law in Ecuador are that all costs related to the project (direct and indirect and incurred in Ecuador or overseas) are able to be utilized against the four-year commitment. Should a concession holder resign from a concession prior to the end of the 4-year anniversary, the concession is relinquished without requiring the 4-year spend total be reached. In December 2020, the Ecuadorian Ministry of Energy and Non-Renewable Natural Resources issued a Ministerial Decree that, among other items, had the effect of extending the timeframe of the 4-year commitment period, on a case-by-case basis. For the concessions held by the Company, the resulting time extensions ranged from three months to three and a half years.
- (c) Concessions in Ecuador require the Group to submit an annual expenditure plan to the Government of Ecuador outlining the minimum amount of committed expenditures for the upcoming year. Should a company resign from a concession area during the following year, there is no minimum commitment applicable except that the company shall pay for the portion of annual concession fees to the date that the relinquishment is completed.

Accordingly, should the Group wish to retain possession of all the concession areas it holds, excluding the Pegasus Project which is being managed and earned-in by Anglo American and Tarqui which is being managed and earned-in by BHP, as at December 31, 2020, the Group's commitment is as follows:

Within one year (i)	\$	698,000
After one year but not more than five years (ii)		2,611,000
	\$	3,309,000

(i) Consists of the 2021 commitment per the annual expenditure plan submitted to the Government of Ecuador.

(ii) Relates to 4-year commitment spend requirement with due dates ranging from July 2, 2022 to October 2, 2022.

*Contingent liability*

Luminex has entered into an agency agreement with Miedzi to facilitate transactions between the entities and provide clarity around ongoing G&A costs in case of withdrawal from the agency agreement, including provisions for rent of premises and personnel costs. At December 31, 2020, and assuming withdrawal from the agency agreement at that date, Luminex's obligation to Miedzi would be approximately \$340,000 (2019 - \$381,000).