



LUMINEX RESOURCES CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2020

TSX-V: LR



www.luminexresources.com

INTRODUCTION

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

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

ADDITIONAL INFORMATION

Additional information about the Company is available under the Company's profile on SEDAR at www.sedar.com and on the Company's website at www.luminexresources.com.

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

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

FORWARD-LOOKING INFORMATION

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

- the Company's ongoing evaluation and management of the impacts of COVID-19;
- the Company's objectives and going-forward strategy;
- the Company's plans to complete a Preliminary Economic Assessment ("PEA") on the Condor Project and the timing for completion of the PEA;
- the Company's acquisition of concessions and projects, and the regulatory reporting and amount of human and financial resources invested to maintain the concessions in good standing, including those concessions subject to earn-in by other companies;
- the Company's and its earn-in partners' plans and activities to continue or initiate exploration and drilling programs on the Company's projects;
- timing and prospects of future exploration and development work and expenditures on the Company's projects;
- estimates of mineral resources at the Company's projects;
- potential economic recoveries at the Company's projects;
- estimates and / or forecasts of future metals prices;
- possible related discoveries or extensions of new mineralization, increases or upgrades to reported mineral resource estimates at the Company's projects, or general expected results of the Company's activities;
- the Company's ongoing evaluation whether to advance projects internally, seek strategic partners for concessions acquired by tender process in Ecuador or to initiate further exploration, project engineering and development studies on its individual assets;
- the company's ability to execute strategic initiatives, including securing deals with strategic partners to further development of concessions;
- the Company's ability to comply with auction, permitting and regulatory requirements related to exploration and development and related operations, as well as any associated costs and timing;
- the Company's plans, actions and timing to renounce any non-core concessions or parts of concessions;
- the Company's ability to manage relations with economic, political and social stakeholders;
- the Company's ability to acquire, secure, and maintain access to surface lands needed for its operations;
- the Company's ability to continue as a going concern;
- the impact of changes in accounting standards on the Company;
- the Company's expectation that global geopolitical and macroeconomic developments will continue to drive sustained improvements in copper and gold markets in the medium to long term;

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

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

Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such risks and other factors include, among others, and without limitation:

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

- risks relating to Luminex's operations being subject to environmental requirements, including remediation, for impacts caused by the Company or third parties;
- risks relating to Luminex's ability to source qualified human resources, including managers, employees, consultants, attorneys, and sub-contractors, as well as the performances of all such resources (including human error and actions outside of the control of Luminex, such as wilful negligence of its counterparties or agents);
- risks of title disputes or claims affecting mining concessions or surface ownership rights;
- risks relating to adverse changes to laws, regulations or other norms placing increased regulatory burdens, limiting operational options, or extending timelines for regulatory approval processes, including environmental, water, safety, social, taxation and other matters;
- risks relating to delays in obtaining governmental approvals or permits necessary for the execution of exploration, development or construction activities;
- risks relating to failure of plant, equipment, personnel or processes to perform as anticipated;
- risks relating to performance of human resources, such as accidents and labour disputes;
- risks relating to competition inherent in the mining exploration industry, in Ecuador and elsewhere;
- risks of impacts from unpredictable natural and / or social occurrences, such as epidemics and pandemics, adverse weather conditions, rainstorms, flooding, fire, natural erosion, landslides, and geological activity, including earthquakes and volcanic activity;
- risks relating to the operational challenges presented by the locations and climatological conditions of the Company's projects, including remote siting with no existing road access, limited communications networks, steep topography, intense rainy seasons, densely forested habitats, and venomous snakes;
- risks relating to inadequate insurance or inability to obtain insurance;
- risks relating to the fact that Luminex's properties are not yet in commercial production;
- risks relating to the Company's ability to obtain necessary funding for its operations, at all or on terms acceptable to the Company;
- risks relating to the Company's concessions that are subject to earn-in arrangements, including the provision of ongoing funding to progress the mineral concessions and meet required spending commitments in Ecuador;
- risks relating to the Company's working capital and requirements for additional capital;
- risks relating to currency exchange fluctuations or change in national currency;
- risks relating to fluctuations in interest and inflation rates;
- risks relating to restrictions on access to and movement of capital;
- risks relating to the value of the Company's common shares fluctuating based on market factors, including volatility;
- risks relating to the Company's dependence on key personnel; and
- other risks common to the mining industry,

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

Although the Company has attempted to identify important factors and risks that could affect the Company and might cause actual actions, events or results to differ, perhaps materially, from those described in forward-looking statements, there may be other factors and risks that cause actions, events or results not to occur as projected, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The forward-looking statements in this MD&A speak only as of the date hereof. The Company does not undertake any obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events, except as required by law.

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

OVERVIEW OF SIGNIFICANT EVENTS AND REVIEW OF ACTIVITIES

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

Described in more detail below are the following:

- COVID-19 Protocols and Measures for the Company's operations;
- an update on the Company's Condor and Cascas Projects;
- an update on the BHP Group plc ("BHP") earn-in and joint venture agreement on the Company's Tarqui concessions;
- an update on the Anglo American plc ("Anglo American") earn-in on the Pegasus Project; and
- an overview of activities and work programs carried out on the Company's other early stage projects including Orquideas, Quimi, La Canela and Tres Picachos.

COVID-19 Protocols and Measures

Although the Government of Ecuador ended the national State of Exception, declared on March 16, 2020, on September 15, 2020, Ecuador continues to be impacted by the COVID-19 pandemic and over 300,000 confirmed cases have been reported. In June 2020, with a view to reactivating the economy, the Government of Ecuador began to relax restrictions, including, permitting a gradual resumption of domestic and international flights and domestic road travel, as well as a staged removal of the mandate that workers of all but a few select strategic industries and necessary sectors (e.g., hospitals, pharmacies and supermarkets) work from home. As mining was deemed a strategic sector, Luminex and its peers were specifically authorized to continue their operations. Therefore, the Company was able to continue operations at the Condor Project, albeit at a slower pace, throughout the pandemic. Operations at Cascas were temporarily suspended due to COVID-19 but resumed in early May 2020. A National Emergency Operations Committee (COE), primarily comprised of authorities, was established and has occasionally imposed temporary restrictions. In addition, provincial and local COEs have been empowered to evaluate conditions and set restrictions at the local and provincial levels, including limits on vehicle circulation, assemblies and timing of nightly curfews.

The Company continues to take measures to protect the health and safety of its employees, in compliance with the Government of Ecuador's norms and recommendations of the World Health Organization ("WHO") and US Centers for Disease Control and Prevention ("CDC"), while also taking into account the realities on the ground, including concerns of employees and local communities.

The Company strictly complies with all legal norms and restrictions governing interprovincial transportation in Ecuador. In addition, its health protocols provide for training of all staff and visitors on COVID-19 symptoms and protective measures, PCR testing of all personnel and contractors prior to camp shifts, processes for the safe transportation of personnel to the Condor camp and other sites, restriction of project site access to personnel and contractors that have tested negative for COVID-19, daily medical checkups for personnel on shift, application of social distancing and heightened personal sanitation and cleanliness measures. In addition, modified emergency response procedures have been instituted for the duration of the COVID-19 threat.

Corporate administrative offices in Canada and Quito were temporarily closed and remote work arrangements established for all employees and contractors not on shift. Both offices partially reopened in June 2020, with restricted occupancy (e.g. a maximum 35% occupancy for the Quito office) and implementation of targeted health and safety protocols. Community relations programs are ongoing, and the Company has provided COVID-19 support and resources to local communities.

In order to support drilling activity at the Condor and Cascas Projects (as described in more detail below), the Company established separate standalone camps for drilling contractors. Also, shift patterns for personnel at both locations are arranged to permit required PCR testing and time for COVID-19 symptoms to manifest (and action to be taken as needed) for all personnel and contractors prior to traveling to one of the project camps. Several Company and contractor employees have tested positive for COVID-19 while in the process of returning to shift; these individuals were required to quarantine at their residences in keeping with Ministry of Health protocols. In order to return to work, they were required to test negative for COVID-19 and receive formal Ministry of Health approval. To date, none of the employees or contractors who tested positive have exhibited disease symptoms severe enough to require hospitalization.

Condor Project

The Company holds title to nine contiguous mineral concessions, totalling an area of 10,101 hectares, collectively known as the "Condor Project", located in the Zamora Chinchipe province in southeastern Ecuador. The Condor Project includes the Escondida and Santa Elena concession areas acquired through the Government of Ecuador's auction tender process in 2016. The Company owns land / surface rights over an area of approximately 614 hectares that overlie concessions of the Condor Project. In addition, the Company holds approximately 158 hectares of land access rights obtained by way of easements.

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

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

The Company's primary focus on the Condor Project in 2020 was the continued drill delineation of the Camp deposit and peripheral targets, accompanied by surface mapping and sampling at the nearby Los Cuyes, Prometedor and Soledad deposits. To March 16, 2020, the Company had completed drilling on 32 holes for 17,813 metres at which time the Company decided, in cooperation with its two drilling contractors, to suspend drilling pending further evaluation and clarity around COVID-19. News releases on January 20, March 24, April 28, 2020 and July 7, 2020 summarize results received for drilling up to March 16, 2020.

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

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

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

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

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

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

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

Notes:

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

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

On April 27, 2020, the Company restarted drilling utilizing one rig, initially focussing on the Soledad Baja target along strike to the southeast of the Camp deposit. Subsequently, drilling focused on possible northwest extensions to the Camp deposit and additional exploration holes into the Camp deposit itself. To November 15, 2020, the Company completed 5,464 metres in ten holes at which time drilling was halted. Results from drilling at Soledad Baja were issued in a news release on September 24, 2020.

On August 4, 2020, the Company announced, by news release, the results of an initial screening metallurgical testing program for the Camp deposit that demonstrated that gold, silver, zinc and lead can all be recovered using conventional processing methods. Testing was conducted by C. H. Plenge & CIA S.A. ("Plenge"), an independent metallurgical testing laboratory based in Lima, Peru, which recommended that the process flowsheet include gravity concentration, intensive cyanidation of gravity concentrates, bulk flotation of gravity tailings, Carbon-in-Leach ("CIL") cyanidation of bulk rougher concentrates and lastly separate lead and zinc flotation concentrate production. The proposed flow sheet would generate three saleable products: gold and silver doré, a lead concentrate and a zinc concentrate. Total recoveries for saleable metals were: 95% for gold, 80% for silver, 56% for lead and 62% for zinc. For further details on the program and related results, please refer to the Company's news release of August 4, 2020 titled "Luminex Announces Positive Metallurgical Results for the Camp Deposit", which can be found at the Company's website (www.luminexresources.com) or on the Company's profile on SEDAR.

In January 2021, the Company commenced formal work on a PEA that will include an updated mineral resource estimate including drilling activity completed subsequent to the above-noted Camp mineral resource estimate. Subsequent to the halt in drilling on November 15, 2020, further core drilling at the Condor Project occurred consisting of three metallurgical holes (total of 310 metres) and six short geotechnical holes (total of 164 metres) for surficial materials testing, groundwater monitoring and evaluation of ground stability characteristics. Two of the metallurgical holes were drilled at the Los Cuyes deposit and the third at Enma. All holes were drilled in support of the PEA.

Other Concessions

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

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

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

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

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

Cascas Project

Following the withdrawal of First Quantum Minerals Ltd. ("First Quantum") from its earn-in on the Cascas and Orquideas Projects (as described in more detail below in the sub-section entitled "Orquideas (and Cascas) Concessions – First Quantum Earn-In"), the Company has been working to advance the Cascas Project.

The Company has been actively advancing exploration work on the Cascas Project, which comprises dual multi-kilometre scale porphyry copper and gold anomalies. The Company used legacy geochemical and geophysical databases to generate initial work plans. In the fourth quarter of 2019, the Company completed a 300-metre spaced, 200 line-km ZTEM survey over the western parts of the Cascas 1 and 2 concession areas, covering 46.5 km². The ZTEM results have been incorporated into the prioritization of exploration targets at Cascas 1 and 2.

During the year ended December 31, 2020, the Company continued field exploration at the Cascas Project which consisted primarily of ongoing rock and soil sampling following the 2019 ZTEM flight lines. On October 22, 2020, the Company announced the discovery of a porphyry copper system at Cascas, which has been named "Shakai." Further details can be noted in the Company's news release titled "Luminex discovers attractive copper porphyry target at Cascas: Shakai." An update of the Shakai copper anomaly was announced on January 25, 2021, in a new release titled "Luminex Expands Cascas Porphyry Copper-Molybdenum Anomaly, Discovers New Kuru Gold Zone and Advances Shakai to Drill Stage."

The Shakai discovery lies within a 7-kilometre long, 1-to-2-kilometre-wide northwest oriented zone of anomalous copper in soils. Coincident with this and the Shakai discovery is an irregular conductive zone approximately two kilometres in diameter that was outlined in the Company's 2019 ZTEM survey. Preliminary fieldwork has delineated an approximately 200 by 300 metre zone of intense quartz-sulphide porphyry copper style veining and stockworking that is open in all directions. Mineralization is characterized by chalcopyrite, molybdenite and chalcocite with pyrite and magnetite. The presence of chalcocite indicates supergene copper enrichment and the strong phyllic alteration with abundant pyrite suggests an extensive and well-developed secondary copper zone comprising near-surface, higher grade copper may be present. Additional mapping and sampling has been completed by field crews with the objective of identifying the best targets for drill testing.

Drilling commenced at Shakai on March 10, 2021. As at April 8, 2021, the Company had completed one drill hole for a total of 570 metres and had started drilling a second hole which, to that date, was at a depth of 172 metres.

Other work conducted at Cascas included the initial construction of an exploration camp, providing accommodation for up to thirty people, as well as clearing of access trails and installation of temporary drilling platforms. This camp has since been expanded in order to provide facilities for the drilling campaign and is currently able to service 67 personnel. In addition, the Company has continued its engagement with local communities to facilitate local hiring and procurement, surface access for exploration, and to provide support related to combatting COVID-19.

Tarqui Concessions - BHP Earn-in and Joint Venture Agreement

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

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

Assuming completion of the Third BHP Earn-in, the Company would 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.

In July 2019, BHP 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.

Based on reports provided, the Company estimates that, to December 31, 2020, BHP had incurred approximately \$3,211,000 towards its earn-in on Tarqui. During the year ended December 31, 2020, BHP work has included soil and rock sampling, implementation of COVID-19 protocols and safety measures, securing land access to areas identified for future drilling and initial preparation of access to anticipated drilling targets. In March 2021, BHP commenced an initial 2,000 metre drilling program at Tarqui focusing on a copper porphyry target.

Pursuant to the terms of the BHP Agreement, BHP paid \$100,000 to the Company in July 2019. In June 2020, BHP made further payments to the Company consisting of: (i) \$200,000 which was due upon completion of the transfer of Tarqui to the joint venture company; and (ii) \$300,000 as annual payment pursuant to the BHP Agreement. BHP also reimbursed the Company, in July 2019, \$341,337 in expenses incurred exploring the Tarqui concessions prior to signing the BHP Agreement. The tables below show the cash payments and spending commitments due pursuant to the BHP Agreement in order for BHP to earn up to a 70% interest.

Cash Payment Schedule:

Due Date	Payment Amount	
July 26, 2019 (received)	\$	100,000
Upon transfer of Tarqui to joint venture company (received)		200,000
July 12, 2020 (received)		300,000
July 12, 2021		450,000
July 12, 2022		450,000
July 12, 2023		900,000
51% Interest Cash Payment Milestone	\$	2,400,000
July 12, 2024		1,100,000
July 12, 2025		3,500,000
60% and 70% Interest Cumulative Cash Payment Milestone	\$	7,000,000

Spend Commitment Schedule:

Due Date	Spend Commitment	Estimated Spend Incurred To December 31, 2020
By July 12, 2023 - 51% Interest Spending Milestone	\$ 25,000,000	\$ 3,211,000
By July 12, 2025	10,000,000	-
60% Interest Cumulative Spending Milestone	\$ 35,000,000	\$ 3,211,000
Additional exploration expenditures	40,000,000	-
70% Interest Cumulative Spending Milestone	\$ 75,000,000	\$ 3,211,000

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

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

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

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

At December 31, 2020, Anglo American had incurred approximately \$11,731,000 towards its earn-in. The first earn-in ownership threshold of 25% occurs once \$10 million has been spent across the concessions and \$2.4 million of cash payments have been paid. \$0.5 million in cash payments remain to be paid to satisfy the 25% threshold.

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

**Management's Discussion and Analysis
For the Year Ended December 31, 2020**

April 15, 2021

Cash Payment Schedule:

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

⁽¹⁾ Received by Lumina.

Spend Commitment Schedule:

Due Date	Spend Commitment	Estimated Spend Incurred To December 31, 2020
By September 21, 2019	\$ 2,200,000	\$ 2,200,000
By September 21, 2022	7,800,000	7,800,000
25% Interest Spending Milestone	\$ 10,000,000	\$ 10,000,000
By September 21, 2024	25,000,000	1,731,000
51% Interest Cumulative Spending Milestone	\$ 35,000,000	\$ 11,731,000
By September 21, 2025	15,000,000	-
60% Interest Cumulative Spending Milestone	\$ 50,000,000	\$ 11,731,000

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

As noted in Note 7(b) to the audited consolidated financial statements for the year ended December 31, 2020, Luminex acquired Mineral Concession Rights on the Pegasus Project by way of payment of \$2.2 million to Lumina prior to the Arrangement. In accordance with the Anglo Agreement, Luminex has treated this Mineral Concession Right as its initial contribution in the Pegasus Project to Central Ecuador EC-CT S.A. ("Central Ecuador"), a wholly owned Ecuadorean subsidiary of Central.

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

During the year ended December 31, 2020, Anglo American conducted detailed geological field mapping and sampling in higher priority areas, completed ground geophysics in higher priority areas and commenced preparation for a scout drilling program. Following the advent of COVID-19, in May 2020, Anglo American suspended fieldwork and has focused on offering assistance to local communities, with an expectation that activities will increase in 2021.

Orquideas (and Cascas) Concessions – First Quantum Earn-In

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

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

By letter dated August 4, 2019, First Quantum notified the Company that it was terminating its earn-in on the Orquideas concession. This decision was made after the first five drill holes at Orquideas failed to produce significant mineralized intercepts. Following this decision, Luminex drilled an additional 463 metre hole at Orquideas to utilize the available drill rig and test an additional area of the concession. Following this work, which failed to intercept significant mineralization, the Company determined

that the Orquideas concession area was of lower priority than other concessions that the Company holds. The Company evaluated the carrying value of the Orquideas Project and determined that it was appropriate to record an impairment of \$825,000.

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

During the year ended December 31, 2020 and to date, the Company's efforts on Orquideas have focussed on completion of mandatory environmental reporting following the drilling program and activities conducted in 2019. There has also been some ongoing engagement with and provision of support to local communities.

Other Luminex Concessions and Work Programs

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

Financing Activity

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

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

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

On June 24, 2020, the Company completed a brokered private placement of 10,886,000 common shares at a price of CAD\$0.70 per common share and a non-brokered private placement of 7,685,714 common shares at a price of CAD\$0.70 per common 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. The proceeds of the combined financing are to be used for exploration and advancement of the Company's projects and for general corporate purposes. At December 31, 2020, the Company had utilized approximately \$2.9 million of the proceeds from this financing.

OUTLOOK

The Company has a three-pronged strategy on the projects it is directly operating, which consists of: (i) advancing exploration and a PEA at the Condor Project and advancing exploration at the Cascas Project; (ii) continuing its evaluation of its other early exploration concessions to ensure that resources are focused on advancing projects with the greatest merit; and (iii) seeking partners or other opportunities for the concessions, similar to the agreements with BHP and Anglo American for their earn-in and joint venture projects, or returning such projects to the Government of Ecuador if they do not meet the Company's evaluation thresholds.

The Company continues to focus its financial resources and field efforts on the known deposits and exploration targets at its Condor and Cascas Projects. In parallel, BHP and Anglo American as operators continue to fund and advance the Tarqui (BHP) and Pegasus (Anglo American) projects. Drill targets have been identified and most drilling permits are in place at all four of the above-mentioned projects. As noted earlier in this MD&A, drilling has commenced at Cascas and Tarqui (in March 2021). Anglo American has, due to the COVID-19 outbreak, curtailed its programs at Pegasus, however, they are expected to restart in 2021.

As noted earlier in this MD&A, regarding the Condor Project, the Company has completed drilling, reported an initial mineral resource and metallurgical testing results at the Camp deposit and initiated a PEA that incorporates the Camp, Los Cuyes, Soledad and Enma deposits (collectively referred to as the Northern Epithermal Area). The PEA is expected to be completed by the end of the first half of 2021, barring any unforeseen delays, including those arising due to COVID-19. In support of the PEA, core was drilled for metallurgical testing at Los Cuyes and Enma comprising three holes totalling 310 metres. The metallurgical testing is being conducted by Plenge in Lima, Peru. The Company also intends to drill test its Prometedor target post the completion of the PEA, which is located approximately 2 km southeast along strike of Soledad Baja. Prometedor is a multi-element bullseye anomaly (Au-Ag-Zn) situated along the epithermal gold belt, confirmed by a rock and soil sample surface geochemical anomaly. Trail construction to access this area is approximately 90% complete. The Company also plans to continue exploration work at its Nayumbi prospect, which is in the southern part of the Condor claims.

With regard to the Condor Project PEA, the Company is continuing to work with its team of consultants. The PEA has advanced significantly: the project mine plan and production schedule are nearing completion; metallurgical test-work is complete; and the process plant flowsheet based on current and historic metallurgical testing is well advanced. The Camp deposit is envisioned as an underground operation, while the Los Cuyes, Soledad and Enma deposits will be mined in open pits. In addition, the plant design (gravity circuit and CIL) and drawings are nearing completion at the time of this MD&A. A field geotechnical facility siting program was completed for tailings, waste rock storage, the plant site and associated road infrastructure. Environmental and social data collection and studies are ongoing in support of the PEA. Major equipment quotes have been solicited from vendors for plant equipment. Once these quotes are received, project capital and operating costs will be estimated for inclusion into a PEA economic model.

Also as noted earlier in this MD&A, the Company has initiated drilling at the Shakai target at the Cascas project. The initial drill program contemplates 3,000 metres of drilling. This will be re-evaluated dependent upon the results of the initial program at which time additional plans on the Cascas Project will be determined.

SELECTED ANNUAL FINANCIAL INFORMATION

The following summary financial information has been derived from the financial statements of the Company, which have been prepared in accordance with IFRS. The Company's significant accounting policies are outlined within Note 3 to the audited consolidated financial statements of the Company for the year ended December 31, 2020.

	Year ended December 31, 2020	Year ended December 31, 2019	Period from March 16 to December 31, 2018
Consolidated Statement of Comprehensive Loss			
Revenue	\$ -	\$ -	\$ -
Expenses	(12,142,192)	(9,555,661)	(3,430,993)
Impairment	-	(825,000)	(17,772,284)
Other income (expenses)	1,018,578	890,969	(30,376)
Net loss and comprehensive loss for the period	\$ (11,123,614)	\$ (9,489,692)	\$ (21,233,653)
Loss attributable to:			
Owners of the Company	\$ (10,492,744)	\$ (8,953,700)	\$ (19,314,585)
Non-controlling interest	(630,870)	(535,992)	(1,919,068)
	\$ (11,123,614)	\$ (9,489,692)	\$ (21,233,653)
Loss per share – basic and diluted	\$ (0.13)	\$ (0.19)	\$ (1.11)
Consolidated Balance Sheet			
Cash and cash equivalents	\$ 6,207,950	\$ 8,382,935	\$ 3,384,161
Exploration and evaluation assets, including investment in Pegasus	32,320,626	32,320,626	33,145,626
Property and equipment	953,185	897,767	890,585
Total assets	39,663,761	41,938,104	37,650,972
Total liabilities	476,316	1,129,428	595,710
Equity:			
Share capital	75,583,541	66,438,255	53,576,655
Share option reserve	1,022,057	664,960	283,454
Accumulated deficit	(38,761,029)	(28,268,285)	(19,314,585)
Non-controlling interest	1,342,876	1,973,746	2,509,738

A review of the results of operations for the year ended December 31, 2020 is presented below in the "Review of Financial Results" section of this MD&A. The Company has only operated since March 16, 2018.

REVIEW OF FINANCIAL RESULTS

This review of the results of operations should be read in conjunction with the audited consolidated financial statements of the Company for the years ended December 31, 2020 and 2019 along with other public disclosure documents of the Company.

For the year ended December 31, 2020 the Company reported a net loss of \$11,123,614 compared to a net loss of \$9,489,692 for the year ended December 31, 2019. Further details of items impacting the Company's net loss are noted in the commentary that follows.

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

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

At December 31, 2020, the Company also has certain mineral concession rights with a net book value totalling \$2,605,000 (December 31, 2019 - \$2,605,000) relating to concession areas transferred to Luminex from Lumina. These are detailed in Notes 7(a) and (b) to the audited consolidated financial statements for the year ended December 31, 2020.

E&E expenditures are expensed to profit and loss as incurred. These expenditures are discussed below and are disclosed in Note 7(c) of the audited consolidated financial statements for the year ended December 31, 2020.

Expenses

Exploration and evaluation expenditures

Total E&E expenses for the year ended December 31, 2020 were \$10,366,894 compared to \$7,551,952 for the year ended December 31, 2019. Further details on expenses as they relate to specific projects and concession areas are noted below.

Condor Project

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

	Year ended December 31,	
	2020	2019
Assays / Sampling	\$ 462,067	\$ 280,079
Camp	1,280,146	933,708
Camp access and improvements	504,872	73,429
Drilling	2,276,197	2,277,381
Engineering	101,722	108,522
Environmental, Health & Safety	348,410	144,671
Field office	337,852	296,170
Geological consulting and field staff	1,463,892	1,075,802
Legal fees	88,777	46,426
Metallurgical	56,533	13,173
Mineral rights and property fees	158,024	217,469
Project management	427,636	257,995
Reports	12,864	10,044
Social and community	182,661	114,353
Transportation and accommodation	333,886	287,936
	\$ 8,035,539	\$ 6,137,158

Expenditures on the Condor Project reflect ongoing exploration, management, camp, and support (social and environmental management) staff costs which are included in the field office category. The Company conducted drilling at the Condor Project until March 16, 2020, notably on the Camp deposit as described earlier in this MD&A. Drilling resumed at a reduced rate on April 27, 2020 and continued through to November 15, 2020. The increase in costs for the year ended December 31, 2020 as compared to 2019 consisted primarily of the initiation of work to be used in support of the PEA that is being completed in 2021 and additional costs in 2020 to develop or repair access to current and future proposed areas of exploration. The Company also increased its community support in 2020, including to provide COVID-19 assistance.

Cascas Project

The Company's E&E expenditures on the Cascas Project for the years ended December 31, 2020 and 2019 were as follows:

	Year ended December 31,	
	2020	2019
Assays / Sampling	\$ 48,229	\$ 13,117
Camp	377,777	55,993
Camp access and improvements	42,042	8,183
Engineering	-	56,280
Environmental, Health & Safety	208,664	15,796
Field office	10,440	988
Geological consulting and field staff	550,137	128,356
Legal fees	16,077	6,498
Mineral rights and property fees	102,871	-
Project management	63,077	4,625
Reports	-	784
Social and community	201,305	22,606
Transportation and accommodation	189,397	32,940
	\$ 1,810,016	\$ 346,166

As described earlier in this MD&A, during the year ended December 31, 2020, the Company's main activities and expenditures on Cascas consisted of rock and soil sampling programs, improving access to and construction of an exploration camp, engaging the local communities and payment of the 2020 annual concession fees. During the majority of the year December 31, 2019, the Cascas Project was subject to earn-in by First Quantum and accordingly, the Company was not incurring any expenses related to the project during those periods. In the fourth quarter of 2019, following the withdrawal of First Quantum from the Cascas

**Management's Discussion and Analysis
For the Year Ended December 31, 2020**

April 15, 2021

Project, the Company completed a 300-metre spaced, 200 line-km ZTEM survey over the western parts of the Cascas concessions, covering 46.5 km². In 2019, the Company also commenced its rock and soil sampling programs.

Other Projects

Details of expenses incurred on the Company's other projects can be reviewed in Note 7(c) to the audited consolidated financial statements of the Company for the year ended December 31, 2020. Total expenditures of \$521,339 were incurred on the Company's other projects during the year ended December 31, 2020 compared to \$1,068,628 for the year ended December 31, 2019.

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

Tres Picachos Project	Year ended December 31,	
	2020	2019
Assays / Sampling	\$ 2,985	\$ 4,950
Camp	8,817	5,285
Camp access and improvements	391	-
Environmental, Health & Safety	15,037	835
Field office	-	1,435
Geological consulting and field staff	76,610	41,032
Legal fees	1,111	6,006
Mineral rights and property fees	48,852	47,556
Project management	2,456	3,717
Social and community	1,460	2,840
Transportation and accommodation	8,197	11,154
	\$ 165,916	\$ 124,810

During the year ended December 31, 2020, the Company renewed the Tres Picachos concession for 2020 and conducted a small field campaign which resulted in the discovery of a new copper mineralized extension to the vein and breccia zone that was discovered in late 2019's field campaign. For the majority of 2020, only minimal work was undertaken as the Company focused its efforts on other areas.

Orquideas Project	Year ended December 31,	
	2020	2019
Assays / Sampling	\$ 196	\$ -
Camp	12,624	11,358
Camp access and improvements	-	377
Drilling	-	91,407
Environmental, Health & Safety	20,877	14,522
Field office	27,529	45,084
Geological consulting and field staff	15,614	36,222
Legal fees	8,355	3,399
Mineral rights and property fees	47,466	-
Project management	-	3,044
Social and community	26,469	6,348
Transportation and accommodation	794	8,140
	\$ 159,924	\$ 219,901

**Management's Discussion and Analysis
For the Year Ended December 31, 2020**

April 15, 2021

Activities during the year ended December 31, 2020, primarily comprised of undertaking environmental compliance reporting following the drilling conducted in 2019 and payment of the 2020 annual concession fees. For the majority of the year ended December 31, 2019, the Orquideas Project was subject to earn-in by First Quantum. The Company completed one drill hole in the year ended December 31, 2019, as described earlier in this MD&A.

Quimi Project	Year ended December 31,	
	2020	2019
Assays / Sampling	\$ -	\$ 6,779
Camp	4,466	93,199
Camp access and improvements	-	13,052
Environmental, Health & Safety	6,519	17,217
Field office	-	4,099
Geological consulting and field staff	30,093	207,909
Legal fees	2,895	1,262
Mineral rights and property fees	28,195	26,910
Project management	3,111	14,343
Reports	-	3,024
Social and community	17,856	52,657
Transportation and accommodation	9,967	60,358
	\$ 103,102	\$ 500,809

During the year ended December 31, 2020, the Company paid the 2020 annual concession fees for the Quimi Project and continued to maintain a basic presence to engage with the local communities; however, there were no active work programs during the year. During the year ended December 31, 2019, in addition to the annual concession fee, work programs mainly consisted of rock sampling, community engagement and building an exploration base in the central area of the detected soil copper anomalies.

Other operating expenses

The Company's other operating expenses were as follows:

	Year ended December 31,	
	2020	2019
Fees, salaries and other employee benefits	\$ 1,219,053	\$ 1,202,223
General and administration ("G&A")	264,584	366,336
Pre exploration and evaluation expenditures	-	19,667
Professional fees	291,661	415,483
	\$ 1,775,298	\$ 2,003,709

Fees, salaries and other employee benefits for the year ended December 31, 2020 include \$359,637 of share-based payment expense (2019 - \$382,604). Accordingly, fees, salaries and other benefits paid in the year ended December 31, 2020 were \$859,416 compared to \$819,619 for the year ended December 31, 2019, which is broadly consistent given the continuity of the engaged personnel. G&A costs decreased in the year ended December 31, 2020 as compared to 2019 primarily as a result of reduced travel and related activities following the commencement of the COVID-19 pandemic. Professional fees vary from period to period in accordance with the amount of time that the Company's external advisors are engaged as matters arise. Professional fees were higher in the year ended December 31, 2019 primarily as a result of legal time incurred negotiating the BHP Agreement whereas the professional fees in 2020 did not include such matters.

Other income / expenses

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

	Year ended December 31,	
	2020	2019
Impairment	\$ -	\$ (825,000)
Interest income and other	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

The Company's interest and other income for the year ended December 31, 2020, includes the following significant items: (i) \$500,000 received from BHP pertaining to the BHP Agreement and fees due thereunder; (ii) \$300,000 received from Anglo American relating to an annual option payment under the Anglo Agreement; and (iii) a gain of \$130,000 relating to settlement of

a liability for less than the amount initially accrued. During the year ended December 31, 2019, the Company's other income included: (i) \$100,000 earn-in payment from BHP; (ii) \$300,000 option payment from Anglo American; (iii) \$150,000 annual earn-in payment fee received from First Quantum; (iv) \$191,490 relating to the overhead and recovery fee charged to First Quantum pursuant to the Services Agreement with First Quantum that was in place at that time; and (v) a one-time termination settlement fee from First Quantum for \$149,892. In addition, the Company earns interest income from cash on deposit.

A full breakdown of the Company's interest and other income can be seen in Note 18 to the audited consolidated financial statements for the years ended December 31, 2020 and 2019. Interest expense arises from the implied interest on the Company's lease obligations as required under IFRS 16 *Leases*. For the year ended December 31, 2020, the Company recorded a foreign exchange gain primarily on Canadian dollars held to fund Canadian G&A expenditures and as a result of holding Canadian dollars following the Company's private placement financings in June 2020, as compared to a small loss on foreign currency for the year ended December 31, 2019.

Related Party Transactions

The Company 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 and community)	158,230	95,049
Lumina	E&E (field office and 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 these related parties (December 31, 2019 - \$695 owing to Lumina).

Luminex Services Ecuador LS-EC S.A. ("Luminex Services"), a wholly owned subsidiary, provides personnel services to Odin Mining del Ecuador S.A. ("Odin"), a subsidiary of Lumina, whereby personnel time is recharged based on time worked and at a rate of cost plus 6%. These services are recorded in the Company's financial statements as a reduction of cost associated to E&E expenditures. The total amounts charged to Odin for the year ended December 31, 2020 was \$377,315 (2019 - \$413,952). Included in accounts receivable at December 31, 2020 is \$Nil due from Odin (December 31, 2019 - \$6,157). At December 31, 2019, Southern Ecuador SN-EC S.A. (a subsidiary of the Company) had an account payable of \$250 owing to Odin relating to withholding tax on the transfer of the Orquideas concession pursuant to the Arrangement.

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.

SUMMARY OF QUARTERLY RESULTS AND FOURTH QUARTER (UNAUDITED)

The information presented below highlights the Company's unaudited quarterly results for the past eight quarters.

Three months ended:	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
Revenue	\$ -	\$ -	\$ -	\$ -
Expenses	(3,726,709)	(2,895,671)	(2,081,923)	(3,437,889)
Other income (expenses)	100,988	501,304	511,275	(94,989)
Impairment expense	-	-	-	-
Net loss for the period	(3,625,721)	(2,394,367)	(1,570,648)	(3,532,878)
Net loss for the period attributable to owners of the Company	\$ (3,480,029)	\$ (2,225,929)	\$ (1,451,507)	\$ (3,335,279)
Basic and diluted loss per share attributable to owners of the Company	\$ (0.04)	\$ (0.02)	\$ (0.02)	\$ (0.05)

Three months ended:	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019
Revenue	\$ -	\$ -	\$ -	\$ -
Expenses	(4,429,396)	(2,024,349)	(1,663,716)	(1,438,200)
Other income	164,654	463,802	68,250	194,263
Impairment expense	-	(825,000)	-	-
Net loss for the period	(4,264,742)	(2,385,547)	(1,595,466)	(1,243,937)
Net loss for the period attributable to owners of the Company	\$ (4,003,170)	\$ (2,234,702)	\$ (1,525,123)	\$ (1,190,705)
Basic and diluted loss per share attributable to owners of the Company	\$ (0.07)	\$ (0.04)	\$ (0.04)	\$ (0.03)

During the three months ended March 31, 2019, the Company incurred general early-stage exploration expenses (including rock and soil sampling) on its various mineral projects in Ecuador, as well as payment of the annual mineral concession fees in Ecuador which are due annually by March 31 each year. This was expanded in the three months ended June 30, 2019 as the Company undertook a 4-hole drill program at the Condor Camp deposit. In addition, legal expenses increased in the three months ended June 30, 2019 as the Company negotiated its earn-in agreement with BHP.

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

The Company's expenses for the three months ended December 31, 2019 increased by \$2,405,047 compared to the three months ended September 30, 2019, primarily as a result of (i) an increase in share-based payment expense relating to stock options granted in October 2019; (ii) year end bonus payments to personnel in Canada and Ecuador; and (iii) an increase in exploration and evaluation expenditures of \$2,157,879 which was comprised principally of ongoing work at the Condor project, notably drilling expenditures which were \$1,337,559 for the three months ended December 31, 2019 compared to \$728,088 for the three months ended September 30, 2019. The Company also contracted helicopter-based ZTEM surveys on various concessions during the three months ended December 31, 2019, which studies were not performed in earlier periods.

Expenses for the three months ended March 31, 2020 totalled \$3,437,889, a reduction of \$991,507 compared to the previous quarter. The reduction in spend is as a result of (i) terminating drilling in mid March 2020, as described earlier in this MD&A, and (ii) the increase in costs in the three months ended December 31, 2019 as a result of year end bonus payments and share-based payment expense arising from the October 2019 stock option grant (approximately \$350,000 of combined incremental cost). Expenses declined in the three months ended June 30, 2020 as the Company curtailed activities before resuming drilling on the Condor Project with just one drill running one shift per day in order to mitigate the potential impact of COVID-19. Other income for the three months ended June 30, 2020, increased, as discussed earlier in this MD&A, as a result of payments received from BHP pursuant to the BHP Agreement on Tarqui.

Expenses for the three months to September 30, 2020 increased by \$813,748 compared to the three months ended June 30, 2020. This increase arose primarily as a result of drilling activity at the Condor Project for the entirety of the period compared to the pause in drilling for a portion of the three months ended June 30, 2020. In addition, the Company expanded operations and programs for its Cascas Project as it prepared to start drilling in 2021.

The Company's expenses for the three months ended December 31, 2020 (the "Fourth Quarter") increased by \$831,038 compared to the three months ended September 30, 2020, primarily as a result of (i) share-based payment expense for stock options granted in November 2020; and (ii) year end bonus payments to personnel in Canada and Ecuador. Operating expenses for the Fourth Quarter, compared to the equivalent prior year period were lower by \$702,687 primarily as a result of (i) less drilling being conducted at the Condor Project; and (ii) the absence of one-time costs for the ZTEM surveys carried out across the Company's projects.

ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

Additional disclosure concerning the Company's expenses and mineral property costs is provided earlier in this MD&A and in Note 7 of the Company's audited consolidated financial statements for the year ended December 31, 2020.

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2020, the Company had cash and cash equivalents of \$6,207,950 compared to cash of \$8,382,935 at December 31, 2019. The Company's working capital balance at December 31, 2020 was \$5,913,634 compared to \$7,443,537 at December 31, 2019. The Company's cash at December 31, 2020, was sufficient to meet the Company's current accounts payable and accrued liabilities at that date.

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

At December 31, 2020, approximately \$5,796,000 of the Company's cash and cash equivalents were held at Scotiabank, a major chartered bank in Canada, and approximately \$412,000 was held at a bank in Ecuador. Management is not aware of any liquidity issues associated with any of the banks in which funds have been deposited.

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

In order to keep its mineral concessions in Ecuador in good-standing, the Company is required to meet certain spending commitments each year. Further details on the nature of the commitments are provided in Note 20 of the audited consolidated financial statements of the Company for the year ended December 31, 2020. Those disclosures, and the commitment amounts below, exclude amounts for the Pegasus Project which is being managed by Anglo American, and the Tarqui Project, which is being managed by BHP. Based upon expenditures reported by Anglo American and BHP, the Company believes that the 4-year commitments (see below) for the Tarqui concessions (BHP) and Pegasus Project concessions (Anglo American) have been achieved.

For 2021, the Company has made a commitment to ARCERNNR to spend a total of approximately \$698,000 on its projects.

In addition, for the mineral concessions that were received via tender process, the Company has four years from the concession registration date to satisfy the full amount that was committed in the tender process or the concession will be forfeited. 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. The dates for the Company's 4-year reporting periods now range from May 11, 2021 to July 15, 2024. The exact reporting process and allowable costs are yet to be tested in Ecuador. The Company has sought guidance from its external legal advisors in Ecuador to determine the reporting status and its allowable costs, which include amounts incurred by the Company, Lumina and First Quantum, as the case may be. The remaining commitments noted below are based upon this guidance.

At December 31, 2020, the overall commitments for the Company's concessions, including those subject to the 4-year commitment reporting were as follows:

Annual ARCERNNR Commitment for 2021 ⁽¹⁾	Unfulfilled 4-year Commitment Spending ⁽²⁾	Total
\$ 698,000	\$ 2,611,000	\$ 3,309,000

⁽¹⁾ Annual required commitment made by the Company for 2021 as reported to ARCERNNR in Ecuador. This applies to tender concessions subject to the 4-year reporting rules as well as the Company's other concessions, notably those that comprise the majority of the overall Condor Project area.

⁽²⁾ The unfulfilled 4-year commitment represents amounts that, at December 31, 2020, are still required to be incurred, in addition to the ARCERNNR amounts, to meet the Company's remaining obligation on certain tender concessions with 4-year reporting dates ranging from July 2, 2022 to October 2, 2022.

As noted in Note 2(c) to the audited consolidated financial statements of the Company for the year ended December 31, 2020, the Company has incurred cumulative losses of \$38,761,029 and will continue to incur losses in the development of its business. The

Company's ability to continue as a going concern is dependent upon obtaining additional financing, entering into a joint venture, a merger or other business combination transaction involving a third party, sale of all or a portion of the Company's assets, the outright sale of the Company, the successful development of the Company's mineral property interests, or a combination thereof.

The COVID-19 pandemic continues to present challenges, and the ultimate duration and magnitude of its impact on the economy, capital markets and the Company's financial position cannot be reasonably estimated at this time. The Company continues to monitor developments in Ecuador and elsewhere and adapt its business plans accordingly. The spread of COVID-19 and its growing number of variants could adversely impact the Company's ability to carry out its plans and raise capital.

The ability to raise additional financing for future activities may be impaired, or such financing may not be available on favourable terms, due to conditions beyond the control of the Company, such as uncertainty in the capital markets, depressed commodity prices or country risk factors. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. This exposure is discussed in more detail in the "Risks and Uncertainties" section of this MD&A.

FINANCIAL INSTRUMENTS

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

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

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

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

Credit Risk

It is management's opinion that the Company is not exposed to significant credit risk arising from the above-noted financial instrument assets, as disclosed in Note 15(a) to the audited consolidated financial statements for the year ended December 31, 2020.

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

Liquidity Risk

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

At December 31, 2020, the Company's current liabilities consisted of accounts payable and accrued liabilities of \$457,298 which are due primarily within the next quarter. The Company's cash and cash equivalents of \$6,207,950 at December 31, 2020 were sufficient to pay the accounts payable and accrued liabilities.

Market Risks

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

Interest Rate Risk

Interest rate risk is the risk that the future cash flows of the Company will fluctuate because of changes in market interest rates. Included in net loss for the year ended December 31, 2020 is interest income earned on the Company's cash and cash equivalents. Based on the Company's cash and cash equivalents at December 31, 2020, and assuming that all other variables remain constant, a 1% increase or decrease in interest rates would result in an increase or decrease to the Company's interest income of approximately \$62,000 (on an annualized basis).

Currency Risk

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

The Company is exposed to foreign exchange and currency risks arising from fluctuations in foreign exchange rates among the U.S. dollar and Canadian dollar and the degree of volatility of these rates. The Company usually keeps the majority of its cash and cash equivalents in U.S. dollars, but this can be affected by the timing of financings as private placements are done in Canadian dollars such as the financing in June 2020. Canadian G&A expenses are primarily paid in Canadian dollars. The Company does not use derivative instruments to reduce its exposure to foreign exchange and currency risks.

At December 31, 2020, the Company's cash was primarily held in U.S. dollars as disclosed in Note 4 of the audited consolidated financial statements for the year ended December 31, 2020. The Company estimates that a 1% fluctuation in foreign currency exchange rates of the Canadian dollar compared to the U.S. dollar would have an impact of approximately \$13,000 to the results of operations based upon the foreign currency financial instruments (including cash) held at December 31, 2020.

SHARE CAPITAL

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

Common shares:	91,013,129	
Common share purchase options:	4,259,973	exercisable between CAD\$0.38 - CAD\$0.80 per option.

CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

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

The accounting policy estimates and judgments described below are considered by Management to be essential to the understanding and reasoning used in the preparation of the Company's consolidated financial statements and the uncertainties that could have a bearing on its financial results. Further details, and a description of certain other areas of estimation and judgment, can be found at Note 3(t) in the Company's audited consolidated financial statements for the year ended December 31, 2020.

Determination of functional currency

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

Going concern

The assessment of the Company's ability to continue as a going concern requires significant judgment. As disclosed in Note 2(c) of the audited consolidated financial statements for the year ended December 31, 2020, the Company has incurred cumulative losses of \$38,761,029 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. The ability of the Company to continue as a going concern is dependent upon obtaining additional financing, entering into a joint venture, a merger or other business combination transaction involving a third party, sale of all or a portion of the Company's assets, the outright sale of the Company, the successful development of the Company's mineral property interests or a combination thereof. Factors that the Company evaluates include forecasts, the ability to reduce expenditures if required, and indications of shareholder support.

Exploration and evaluation assets

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

Impairment

In assessing impairment on exploration and evaluation 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.

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.

CHANGES IN ACCOUNTING STANDARDS

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

RISKS AND UNCERTAINTIES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Company's exploration and mine development activities are subject to extensive laws and regulations, which often include extensive reporting requirements, governing the protection of the environment and water, waste management and disposal, worker and community safety, employee health (including norms and guidelines related to COVID-19), mine development, and preservation of archaeological remains, endangered and protected species, as well as extensive reporting and community engagement requirements, and more. The Company's ability to obtain permits and other approvals and to successfully operate in particular locations may be adversely impacted by real or perceived detrimental events associated with the Company's rights or activities or those of other mining companies or associations, or even artisanal or illegal miners affecting the environment, human health, and safety of nearby communities, both within and outside of Ecuador. Delays in obtaining or failure to attain government permits and approvals, or to secure evictions of illegal miners or other invaders, may adversely affect the Company's ability to access, explore or develop its properties. The Company has made, and expects to make in the future, significant expenditures to comply with laws and regulations and, to the extent reasonably possible, generate social and economic benefit in nearby communities. Persistently, areas of the Company's mineral properties are occupied by illegal miners, and these incidents are reported and dealt with by the Company using procedures available to it under Ecuadorian law. The Company, however, may be required to remediate areas on its concessions affected by the activities of third parties. Future changes to environmental laws, regulations and permitting processes or changes in their enforcement or regulatory interpretation could have an adverse impact on the Company's operating and financial condition.

- *The Company's ability to operate on its concessions depends on its success obtaining and maintaining social licenses.*

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

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

In recent years, local political and social groups and organizations, including indigenous confederations, at times funded at least in part by international non-governmental organizations, have increased their activities related to extractive industries in many jurisdictions, including Ecuador. Activists have taken such actions as road closures and work stoppages, as well as succeeded in attracting the attention of different local and national media outlets, at times negatively impacting the reputations of the mining sector and/or specific companies. In 2019, anti-mining activists in Ecuador succeeded in bringing about a public vote on mining activity in a canton in the highlands of Azuay province near a significant mining project. Subsequent efforts to promote similar

votes in Azuay and Imbabura Provinces were denied by the Constitutional Court. However, on September 8, 2020, a petition for a public consultation vote on metallic mining production filed by the Municipality of Cuenca in Azuay province covering the water charge zones of five local rivers was approved by the Constitutional Court and implemented by the National Electoral Council on February 7, 2021, with the anti-mining vote earning a majority vote. The Company's local counsel interpreted the Court's ruling approving the Cuenca petition as applying only to future mining concessions that might be granted by the Government of Ecuador, however there is scope for others to present contrary views, which the Mayor of Cuenca has done; eventually, this disagreement will have to be resolved by the Constitutional Court. In the meantime, on March 29, 2021, actors opposed to mining presented a petition for a consultation opposing metallic mining in the metropolitan district of Quito, the nation's capital, where some metallic mining concessions have been granted. It is likely that activists will continue to propose similar consultations in other Ecuadorian mining districts.

Activists have also brought claims before the courts seeking to constitutionally enjoin mining companies from advancing projects until the Government of Ecuador complies with its commitments under article 57 of the Constitution of the Republic of Ecuador and the ILO convention, which requires free, prior and informed consultation to aboriginal or indigenous communities. Such initiatives may have a material adverse effect on the Company's operations and on its financial position, cash flows and results of operations.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Company's mineral properties, and related subsidiaries, are located entirely in Ecuador. It may, therefore, be exposed to various types and degrees of security, economic, labour, political, social and other risks and uncertainties. These risks and uncertainties include, but are not limited to: illness; terrorism; hostage taking; military repression; high rates of inflation; labour unrest; social pressure; war or civil unrest; creeping or outright expropriation and nationalization; renegotiation or nullification of existing concessions, licenses, permits and contracts, including by way of invalidation of governmental acts; artisanal and illegal mining operations and government enforcement of norms restricting these activities; changes in taxation and mining-related laws and regulations; trade protectionism, including restrictions or tariffs on imports; changes to the foreign exchange regime; changes to the currency regime; currency controls; restrictions on repatriation of funds; changing political conditions, including national and more localized electoral results and political appointments; government austerity, restructuring and other measures impacting the political will and operational capabilities of ministries, agencies and other government entities; challenges to the validity of governmental acts; litigation and judicial decisions, including approval of processes for popular votes to ban mining in different jurisdictions, that run counter to the Government of Ecuador's pro-mining policies, possibly precipitated by activists or indigenous groups opposed to extractive industries and/or foreign investment; corrupt or unethical behaviour by government officials or agents, judges, and even Company employees; and, governmental regulations that may favour or require the awarding of contracts to local contractors or require foreign contractors to employ residents of, or purchase supplies from, a particular jurisdiction. The reputation of Ecuador as a developing nation, perceived by many as having a track record of economic and political instability and measures contrary to attracting investment in the mining sector and other areas of the economy, may make it more difficult for the Company to obtain required exploration and development financing or strategic investment for its projects.

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

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

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

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

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

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

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

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

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

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