



**LUMINA GOLD CORP.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2018**

**TSX-V: LUM**



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

---

## **INTRODUCTION**

Lumina Gold Corp. ("Lumina" or the "Company") is a resource exploration company with a focus on the exploration and development of mining projects in Ecuador. The Company wholly owns the Cangrejos Project, located in the foothills of the Andes in southwest Ecuador and also holds certain areas collectively known as the Condor Project, located in the Province of Zamora-Chinchipe in southern Ecuador. The majority of concession areas that comprise the Condor Project are held by Condormining Corporation S.A. which is 90% owned by the Company. The other 10% is owned by the Instituto de Seguridad Social de las Fuerzas Armadas, which is a pension fund for Ecuador's armed forces personnel. In addition, the Company holds a further 29 mineral concession licenses totaling 118,934 hectares, which were granted pursuant to an auction process in Ecuador. In total, the Company's mineral concessions cover 135,408 hectares.

Lumina's head office is in Vancouver, Canada. The Company was incorporated on March 22, 1988. On November 1, 2016, the Company changed its name from Odin Mining and Exploration Ltd. to Lumina Gold Corp. The Company's common shares are listed on the TSX Venture Exchange ("TSXV") under the symbol "LUM".

On July 9, 2018, Lumina announced that its board of directors had unanimously approved a strategic reorganization of its business (the "Arrangement") whereby all of Lumina's concessions and properties, with the exception of the Cangrejos Project, will be spun out to Lumina shareholders through a newly incorporated company, Luminex Resources Corp. ("Luminex"). As part of the Arrangement, Lumina's current shareholders will receive shares of Luminex by way of a share exchange, pursuant to which each existing share of Lumina is exchanged for one "new" share of Lumina and 0.15 of a share of Luminex. Optionholders of Lumina will receive replacement options of Lumina and options of Luminex which are proportionate to, and reflective of, the terms of their existing options. The reorganization will be effected by way of a plan of arrangement under the *Business Corporations Act* (British Columbia), and must be approved by the Supreme Court of British Columbia and by the affirmative vote of 66 2/3% of Lumina's shareholders in attendance at a shareholders' meeting which was held on August 21, 2018 (the "Meeting"). Shareholder voting at the Meeting approved of the Arrangement with 99.9% of the votes cast in favor of the reorganization. The Agreement is also subject to the approval of the TSXV. The Arrangement, when completed, will have a material impact on Lumina's financial condition, financial performance and cash flows due to the transfer of approximately \$5 million in cash to Luminex as well as various mineral concessions including the Condor Project which is included on the Company's consolidated balance sheet at \$47,487,910.

This management's discussion and analysis ("MD&A") focuses on significant factors that affected Lumina and its subsidiaries during the relevant reporting period and to the date of this report. The MD&A supplements, but does not form part of, the unaudited condensed consolidated interim financial statements of the Company and the notes thereto for the three and six months ended June 30, 2018 and 2017, and, consequently, should be read in conjunction with the aforementioned financial statements and notes thereto. This MD&A should also be read in conjunction with our audited consolidated financial statements for the year ended December 31, 2017.

## **ADDITIONAL INFORMATION**

Additional information about the Company is available under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.luminagold.com](http://www.luminagold.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 Company's unaudited condensed consolidated interim financial statements for the periods ended June 30, 2018 and 2017 were prepared in accordance with IAS 34 *Interim Financial Reporting*.

Leo Hathaway, P.G., 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 a Senior Vice President 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 going-forward strategy;
- Lumina's acquisition of concessions and projects, and the regulatory reporting and amount of spending required to maintain the concessions in good-standing;
- Company plans and activities required to continue or initiate exploration and drilling programs;
- timing and prospects of future exploration and development work and expenditures on the Company's projects;
- estimates of mineral resources at the Company's projects;
- potential economic recoveries at the Company's projects;

- estimates of future metal prices;
- possible related discoveries or extensions of new mineralization or increases or upgrades to reported mineral resource estimates at the Company's projects;
- the Company's plans to follow up on the results and recommendations of the Preliminary Economic Assessment for the Cangrejos Project;
- the upgrading of Inferred Mineral Resources to Indicated or Measured Mineral Resources;
- the Company's efforts to secure strategic partners for development of highly prospective copper and molybdenum deposits found on its new concessions, including proposed and agreed joint venture / earn-in arrangements with third parties on the Company's concessions, e.g., finalizing the agreement announced in a non-binding letter of intent with Anglo American plc;
- the Company's ability to comply with permitting and regulatory requirements related to exploration and development and related operations, as well as any associated costs and timing;
- prospects for identifying and/or acquiring additional mining concessions or projects, within or outside of Ecuador;
- the Company's plans and actions to renounce certain non-core concession areas;
- the implementation of the announced strategic reorganization consisting of the spin out of all properties other than the Cangrejos Project into a newly incorporated company, Luminex;
- the Company's ability to continue as a going concern;
- the impact of future accounting standards on the Company;
- the risks and uncertainties around the Company's business;
- the Company's expectation of sustained improvement in copper and gold markets;
- the adequacy of the Company's working capital;
- the Company's ability to raise additional financing or find alternative ways to advance its corporate objectives, as well as the use of any financing proceeds;
- the Company's efforts to monitor market and political conditions (globally and in Ecuador), including the Government of Ecuador's implementation of a future concession tender process;
- the Company's efforts to evaluate, and bid on, additional exploration project opportunities in Ecuador and elsewhere;
- the Company's ability, with government support, to control incursions by informal miners into its concessions;
- the validity of the Government of Ecuador's mineral concession auction process and the rights granted thereby;
- that the Government of Ecuador will maintain the national policy of making Ecuador an attractive destination for long-term formal mining investment, continuing to build on recent mining reforms, including solidifying the changes made via the Ministerial Agreement that allows for non-systematic exploration drilling;
- Ecuador remaining a jurisdiction that is attractive to mining investors;
- legislative and regulatory reform processes, including those related to the fiscal regime, and their potential effects on Lumina; and,
- the mining assets and properties acquired by the Company being and remaining attractive investment opportunities.

In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "goal", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Any such forward-looking statements are based, in part, on assumptions and factors that may change, thus causing actual results or achievements to differ materially from those expressed or implied by the forward-looking statements. Such factors and assumptions may include, but are not limited to: assumptions concerning gold, copper and other base and precious metal prices; cut-off grades; accuracy of mineral resource estimates and 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 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 inaccurate geological and engineering assumptions (including with respect to the tonnage, grade and recoverability of reserves and resources) in the preliminary economic assessment ("PEA") for the Cangrejos Project;
- risks relating to all the Company's mineral concessions and projects being located in Ecuador, including political, social, economic, security and regulatory instability;
- risks relating to changes in Ecuador's national, provincial and local political leadership, including impacts these may have on general and mining specific public policies, administrative agencies and social stability;
- risks relating to local political and social unrest, including opposition to mining, pressure for economic benefits such as employment or social investment programs, access to land for agricultural or artisanal or illegal mining purposes, or other demands;

- 
- risks relating to the social, environmental and geological conditions in areas in proximity to the concessions under development;
  - risks relating to Lumina's rights or activities being impacted by litigation or administrative processes;
  - risks relating to Lumina's ability to access concession surface areas and other properties needed to advance its exploration and development programs;
  - risks relating to Lumina's operations being subject to environmental requirements, including remediation;
  - risks relating to Lumina'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 Lumina, such as wilful negligence of its counterparties or agents);
  - risks of title disputes or claims affecting mining concessions or surface ownership rights;
  - risks relating to adverse changes to laws, regulations or other norms placing increased regulatory burdens or extending timelines for regulatory approval processes, including environmental, 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 or processes to operate as anticipated;
  - risks relating to performance of human resources, such as accidents and labour disputes;
  - risks relating to competition inherent in the mining exploration industry, in Ecuador and elsewhere;
  - risks of impacts from unpredictable natural occurrences, such as adverse weather conditions, fire, natural erosion, landslides, and geological activity, including earthquakes and volcanic activity;
  - risks relating to inadequate insurance or inability to obtain insurance;
  - risks relating to the fact that Lumina'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 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 related to the PEA proving to be inaccurate in any material respect;
  - risks relating to the Company's ability to implement the recommendations contained in the PEA for the Cangrejos Project;
  - risks relating to the value of the Company's common shares fluctuating based on market factors;
  - risks relating to the Company's dependence on key personnel; and
  - other risks of the mining industry.

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

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

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

---

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

In order to better understand the Company's financial results, it is important to gain an appreciation of the significant events, transactions and activities involving mineral property interests that occurred during the three and six months ended June 30, 2018 and to the date of this MD&A. This overview should be read in conjunction with the remainder of this MD&A to more fully appreciate the Company's results and activities for the three and six months ended June 30, 2018.

**Cangrejos Project**

Lumina holds the Cangrejos Project, which is located in the foothills of the Andes in the southwest of Ecuador. The project lies 30 kilometres ("km") southeast of Machala, the capital of El Oro Province, and 150 km south of Guayaquil, Ecuador's largest city. The project is approximately 40 km from the port of Puerto Bolivar (located near Machala). The Cangrejos Project is a discovery of both high-tonnage, low-grade, gold-copper mineralization in a porphyry environment and of lower-tonnage, higher-grade, gold / copper mineralization in structurally focused settings above and peripheral to the porphyry mineralization.

The Cangrejos Project consists of six mineral concessions covering a total area of 6,374 hectares. Within the area of the concessions, Lumina currently owns or controls about 960 hectares of land / surface rights (including approximately 360 hectares granted by way of easement on the concession known as Cangrejos 20) over various important locations with respect to the known and potential targets.

Lumina resumed drilling at the Cangrejos Project on February 20, 2018, and as of August 20, 2018, has drilled 22 holes for 7,652 metres, including two metallurgical holes of 262 metres which were utilized in PEA studies. The drilling program is ongoing as of the date of this MD&A.

On June 28, 2018, the Company announced the results of its PEA on the Cangrejos Project prepared in accordance with NI 43-101. The PEA was authored by MTB Project Management Professionals Inc. and demonstrates that Cangrejos has the potential to be an economic, large-scale open pit gold and copper mine. Base case economics are based on a gold price of \$1,300 per ounce, copper price of \$3.25 per pound, molybdenum price of \$11.00 per pound and a silver price of \$19.00 per ounce. The effective date of the PEA is June 27, 2018.

The PEA's highlights include the following estimates:

- Life of mine ("LOM") average annual payable production of 373 koz gold and 43 Mlbs copper;
- 16 year mine life;
- 40 ktpd processing operation from years 1-5, with an expansion to 80 ktpd in year 6;
- LOM processed grades of 0.69 grams per tonne ("g/t") gold and 0.12% copper;
- LOM revenue mix of 76.5% gold, 22.0% copper and 1.5% molybdenum plus silver;
- Post-tax net present value of \$920 million at a 5% discount rate;
- Post-tax internal rate of return of 15%;
- Initial capital costs including working capital of \$831 million;
- Expansion capital including working capital of \$406 million; and
- Average cash operating costs of \$523/oz and all-in sustaining costs of \$569, net of by-product credits.

The PEA is preliminary in nature and includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves. Mineral resources are not mineral reserves and do not have demonstrated economic viability. There is no certainty that the PEA will be realized.

Further details on the PEA can be viewed in the Company's news release titled "Lumina Gold Announces Positive Cangrejos PEA Results; 373 koz Gold Per Year Over a 16 Year Mine Life" and dated June 28, 2018, or the technical report relating to the PEA, titled "Cangrejos Gold-Copper Project, Ecuador NI 43-101 Technical Report Preliminary Economic Assessment", with an effective date of June 27, 2018 and an execution date of August 10, 2018. Both the news release and technical report are available on SEDAR or the Company's website. Subsequent to the June 28, 2018 press release, but prior to the filing of the technical report, the Company updated the PEA financial model to account for an error that increased the after-tax net present value of the Cangrejos project to \$920 million at a 5% discount rate and the after-tax IRR to 15%, versus the \$876 million and 14.4% reported in the press release.

In September 2017, the Company submitted an environmental impact study ("EIS") application to the Ecuadorian Ministry of Environment ("MAE"), which must be approved before advanced exploration activity, including infill drilling, can commence at Cangrejos 20. As part of the EIS process, a public participation process was implemented over a period of two weeks commencing April 5, 2018; the activity included a public assembly on April 12, 2018 where the Company's environmental consultants presented the EIS and attendees had the opportunity to express comments and concerns. A required report on the process was submitted to the MAE on May 17, 2018. The Company continues to work with the MAE to obtain the necessary approval of the EIS and issuance of environmental license, as well as with the water authority (SENAGUA) to obtain the related permit for industrial water use.

On July 24, 2018, the Company announced that the Ecuadorian Minister of Energy and Non-Renewable Natural Resources, Carlos Pérez García, enacted a Ministerial Agreement, which will allow mining concession holders to perform "non-systematic" exploration drilling. Drilling activities were previously only permitted during the Advanced Exploration Phase of mining concessions and required an environmental license. The Ministerial Agreement will enable the drilling of previously untested areas on the west side of the Cangrejos deposit (Cangrejos 20), as well as the Gran Bestia satellite deposit, located approximately one kilometre away, where Newmont Mining Corp. previously drilled 978 metres over five holes in 1999. Lumina's tests will help it determine whether Gran Bestia contains mineral resources that would add to the existing Cangrejos deposit and the mine plan which was included in the PEA. Lumina also plans to test whether mineralization at Gran Bestia connects to the existing Cangrejos deposit.

Pursuant to the Ministerial Agreement, Lumina will be able to drill reconnaissance or test holes from a maximum of forty platforms within each of its mining concessions. Prior to commencing non-systematic drilling, each concession will still require authorization for industrial water use from the SENAGUA, as well as an update of the applicable environmental registry to reflect drilling activity; the latter is to be performed via online application with the Ministry of Environment, which is currently developing the necessary forms. The Company is currently developing plans to drill on the Cangrejos 20 concession per the Ministerial Agreement.

### Condor Project

The Company holds title to nine mineral concessions, collectively known as the "Condor Project", in southern Ecuador totalling an area of 10,101 hectares, and which now includes the Escondida and Santa Elena concession areas that were acquired through Ecuador's tender process. The Company owns land / surface rights over an area of approximately 603 hectares that overlie the concessions of the Condor Project. In addition, the Company holds approximately 149 hectares of land access rights granted by way of easements.

Within the overall Condor Project, the Chinapintza and Los Cuyes deposits are hosted in a subvolcanic system consisting primarily of epithermal high-grade gold veins and breccia. South and southwest of this system respectively are the Santa Barbara gold and copper porphyry disseminated deposit and the El Hito copper and molybdenum deposit. In addition to these 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 gold rich anomalies.

The Condor Project is located within the Zamora-Chinchipe Province in southwestern Ecuador. The region 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 km east to the village of Paquisha. From Paquisha there is approximately 35 km of gravel road passing through several villages to the Condor Project. Lundin Gold Inc.'s Fruta del Norte gold project is located approximately 30 km to the north.

A total of 29 kms of IP geophysical surveying on the Condor Project was conducted between November 2017 and January 2018. The survey was initially scheduled for completion before the drill program was initiated on the Condor Project. However, delays importing the geophysics contractor's equipment impacted the schedule and the drill contractors arrived on site prior to the geophysics equipment; as a result, a planned 5,000 metre drill program was initiated at the Santa Barbara deposit on November 6, 2017. Drilling, which was included in the updated mineral resource estimate below, was terminated in February 2018 after a total of 1,907 metres in nine holes. Drilling at Santa Barbara and additional drill targets identified in the geophysical and geochemical surveys is expected to resume in 2018.

On May 14, 2018, the Company announced an updated mineral resource estimate for the Condor Project, with an effective date of April 5, 2018. The mineral resource estimate summary is as follows:

Deposit	Million Tonnes	Average Grade				Contained Metal			
		AuEq (g/t)	Au (g/t)	Ag (g/t)	Cu (%)	AuEq (Moz)	Au (Moz)	Ag (Moz)	Cu (Mlbs)
<b>Indicated</b>									
Santa Barbara	13.3	0.78	0.63	0.7	0.09	0.3	0.3	0.3	27
Soledad	11.6	0.81	0.72	5.3	0.01	0.3	0.3	2.0	3
Los Cuyes	38.6	0.77	0.68	5.5	0.02	1.0	0.8	6.9	13
Enma	0.4	0.91	0.76	11.9	0.01	0.01	0.01	0.1	0.1
<b>Total Indicated</b>	<b>63.8</b>	<b>0.78</b>	<b>0.68</b>	<b>4.5</b>	<b>0.03</b>	<b>1.6</b>	<b>1.4</b>	<b>9.2</b>	<b>43</b>

Deposit	Million Tonnes	Average Grade				Contained Metal			
		AuEq (g/t)	Au (g/t)	Ag (g/t)	Cu (%)	AuEq (Moz)	Au (Moz)	Ag (Moz)	Cu (Mlbs)
<b>Inferred</b>									
Santa Barbara	119.0	0.69	0.52	0.9	0.10	2.6	2.0	3.5	255
Soledad	2.8	0.59	0.54	3.1	0.01	0.05	0.05	0.3	1
Los Cuyes	22.7	0.73	0.65	5.7	0.01	0.5	0.5	4.1	4
Enma	0.03	1.26	1.12	10.4	0.01	0.001	0.001	0.01	0.01
<b>Total Inferred</b>	<b>144.5</b>	<b>0.69</b>	<b>0.54</b>	<b>1.7</b>	<b>0.08</b>	<b>3.2</b>	<b>2.5</b>	<b>7.9</b>	<b>260</b>

Notes:

- (1) There are no known issues related to environmental, permitting, legal, taxation, socio-economic, marketing, or political issues that could materially affect the mineral resource.
- (2) The quantity and grade of reported Inferred mineral resources in this estimation are conceptual in nature 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.
- (3) The mineral resources in this estimate were calculated with the Canadian Institute of Mining, Metallurgy and Petroleum ("CIM"), CIM Standards on Mineral Resources and Reserves, Definitions and Guidelines prepared by the CIM Standing Committee on Reserve Definitions.
- (4) Gold equivalent values were calculated using the following prices: for gold a price of US\$1,400 per ounce, for copper a price of US\$3.25 per pound and for silver a price of US\$17 per ounce. Gold equivalent values can be calculated using the following formula:  $AuEq = Au \text{ g/t} + (Ag \text{ g/t} * 0.0122) + (Cu \% * 1.592)$ .
- (5) The base case cut-off grade for the estimate of mineral resources is 0.35g/t AuEq.
- (6) The Indicated and Inferred mineral resources are contained within a limiting pit shell and comprise a coherent body.
- (7) Rounding of contained metal to Moz may result in rounding differences upon addition of columns.

Further details on the updated mineral resource estimate can be found in the Company's news release of May 14, 2018, entitled "Lumina Gold Announces Updated Condor Mineral Resource Estimate" and in the technical report entitled "Condor Project, Ecuador Amended and Restated NI 43-101 Technical Report" with an effective date of May 14, 2018 and an execution date of July 10, 2018.

In addition to the work at Santa Barbara, the Company continues to conduct initial exploration within the Condor Project concessions. The focus of this work has been geologic mapping, soil and rock sampling at the Prometedor, Silica Cap, Camp Zone and Esperanza gold-in-soil anomalies in order to define and prioritize drill targets

**Developments in Ecuador and Additional Concessions Acquired**

Over the past three years, the Government of Ecuador has been proactively implementing measures to improve the investment climate for mining in Ecuador. These have included the following measures and actions: (i) legislation extending the recovery of Value Added Tax to the mining industry after January 1, 2018; (ii) opening up the small mining regime to foreign investment; (iii) implementation and execution of an auction process in 2016 and early 2017 for initial and advanced mineral exploration concessions; and (iv) negotiation and signing of various agreements to allow for the development of the Fruta del Norte and Rio Blanco projects. The agreements signed included an exploitation agreement and an investment protection agreement, instruments intended to provide greater certainty to mining operations in Ecuador. President Lenin Moreno has stated that his administration will continue policies intended to attract investment into, and promote the development of, Ecuador's mining industry.

Lumina participated in the Government of Ecuador's mineral concession auction process. Under the terms of the auction, a company that is awarded a concession is obligated to complete the investments proposed in the related application by the end of a four-year period. Should a company determine that it no longer wishes to retain a concession area it can cease active spending and the concession will be forfeited back to the Government of Ecuador, provided that the Government of Ecuador mandated minimum expenditures have been met to that point in time, which are \$5 per hectare for the first two years of concession ownership and \$10 per hectare for years three and four.

The Company was granted the following areas:

<b>Concession Name</b>	<b>Area (Ha)</b>	<b>General Location</b>
Cangrejos 20	780	Located adjacent to the Company's Cangrejos Project.
Cascas <sup>(1)</sup>	9,998	Two concessions located on trend with the Condor Project.
Escondida <sup>(2)</sup>	1,204	Located adjacent to the Condor Project.
La Canela	3,187	Located on trend with the Condor Project.
Orquideas	4,743	Located on trend with the Condor Project.
Palma Real <sup>(1)</sup>	19,775	Four concessions located approximately 170km northwest of Quito in the western foothills of the Andes in Esmeraldas Province.
Pegasus A / Pegasus B / Luz	67,360	Fifteen adjacent concessions located approximately 150km southwest of Quito in Cotopaxi Province.
Quimi <sup>(1)</sup>	2,732	Two concessions located on trend with the Condor Project.
Santa Elena <sup>(1)(2)</sup>	628	Located adjacent to the Condor Project.
Tarqui <sup>(1)</sup>	4,817	Two concessions located on trend with the Condor Project.
Tres Picachos	4,828	Located on trend with the Condor Project.
Yawi	1,494	Located on trend with the Condor Project.
<b>TOTAL</b>	<b>121,546</b>	

Notes:

(1) Concessions acquired by way of option agreement with Proyectmin S.A., a related party to the Company. Under the terms of the option agreement, the Company was responsible for funding the required work commitments on the concessions. After two years, the concessions were to be transferred to the Company. On April 18, 2018, the Company acquired 100% of the shares of Proyectmin S.A. for \$35,000 which eliminates the option agreement as the ownership of the concessions is now directly controlled by Lumina.

(2) The Escondida and Santa Elena concessions are considered part of the Condor Project for purposes of reporting from January 1, 2018.

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

The Company continues its regional mineral exploration activities, consisting primarily of bedrock, stream sediment and soil sampling for multi-element geochemical analyses, as well as detailed geologic mapping with a view to defining prospective mineralized targets, advancing projects of merit or relinquishing areas those are deemed un-prospective.

A 39 km Induced Polarization geophysical survey was carried out on the Orquideas concession, ending in August 2018. Orquideas Certain among the acquired concessions in Zamora Chinchipe Province, for example Cascas, have legacy databases from which the Company is generating work plans to guide follow-up exploration efforts regarding geochemical sampling and detailed geologic mapping with the aim to better define possible drill targets. While still under evaluation, the Company has acquired several thousand geochemical samples as it continues to evaluate the merits of these new concessions. Quality ranking is ongoing and their suitability for further work remains under discussion by management. The Company has determined that five concession areas (Palma Real 1 – 4 and Yawi) hold minimal potential and, accordingly, has commenced the process to relinquish them. This process includes completion of environmental audits and approval by the Ministry of Environment.

On May 16, 2018, the Company issued a news release titled "Lumina Gold Announces Initial Tarqui Exploration Results." This release summarized the results of initial prospecting in 2018 on the Tarqui concessions, where porphyry copper mineralization and epithermal quartz vein mineralization has been discovered from surface outcrops in structurally partitioned phases of the Zamora Batholith. The Tarqui 1&2 concessions are strategically located in the Zamora Copper-Gold Metallogenic Belt in southeast Ecuador. A recently constructed asphalt road cuts across the eastern part of both Tarqui concessions, which are located approximately 15 kilometres from the town of Gualaquiza. For further details, refer to the Company's news release entitled "Lumina Gold Announces Initial Targui Exploration Results" and dated May 16, 2018. As of the date of this MD&A, the Company continues to conduct exploration work at Tarqui.

At Tres Picachos, located in the southern part of Zamora, copper mineralization hosted in magnetite veins and magnetite / tourmaline breccias have yielded assays of up to 9.5% copper and 56 ppm Ag. A remote exploration camp has been constructed and a four square kilometre ground magnetic survey is planned later in 2018 to define the strike characteristics of this porphyry copper system.

Another remote exploration camp has been recently completed at La Canela to facilitate the concerted exploration of this hitherto poorly explored concession.

---

**Earn-in with First Quantum Minerals Ltd. ("First Quantum") and Proposed Earn-in with Anglo American plc ("Anglo American")*****First Quantum Earn-In***

On June 20, 2018, Lumina signed a formal earn-in agreement (the "Earn-in Agreement") with First Quantum relating to the Orquideas and Cascas concessions (the "Properties"). Under the terms of the Earn-in Agreement, First Quantum has committed to fund a minimum of \$1.5 million in exploration expenditures and fees by the end of year one, after which it can withdraw from the agreement with no retained interest. If First Quantum chooses to continue funding beyond year one they would have the right to earn 51% ownership in the Properties ("First Earn-in") by meeting the required spending commitments over the five-year period and paying certain cash payments to the Company. Spending commitments and estimated concession license fees over the First Earn-in total \$31.5 million. Pursuant to the terms of the Earn-in Agreement, Lumina received \$100,000 upon signing ("Signing Bonus") and in addition, further cash payments of \$6.9 million will be received over the duration of the First Earn-in period. Further to the terms of the Earn-in Agreement, \$984,354 of expenditures incurred on the concessions have been reimbursed to the Company by First Quantum (of which \$202,745 was receivable as at June 30, 2018).

First Quantum has the right under the agreement to stop funding prior to completion of the First Earn-in on either or both of the Properties. First Quantum also has the right to earn an additional 19% ownership in the Properties ("Second Earn-in") by funding all the required work until a decision to commence commercial development of a mine. If the First Earn-in and Second Earn-in are completed, First Quantum's ownership in the Properties will be 70%. After the completion of the Second Earn-in, Lumina would be responsible for funding its 30% share of any capital required to develop and construct a mine at the Properties.

First Quantum and Lumina also entered into a services agreement (the "Services Agreement") whereby Lumina will act as the manager of the works programs to be conducted under the direction of First Quantum. As manager, Lumina is entitled to charge an overhead and recovery fee of 10% of the expenditures incurred on the Properties, which costs will count towards First Quantum's total expenditures under the First Earn-in. During the three months ended June 30, 2018, the Company has recorded other income of \$78,436 relating to the overhead and recovery fee. First Quantum has the right to replace Lumina as Manager in certain circumstances.

Lumina has the right to assign the Earn-In Agreement and the Services Agreement to Luminex.

Further details on the Earn-in Agreement can be viewed in Notes 6 and 17 to the unaudited condensed consolidated interim financial statements of the Company for the three and six months ended June 30, 2018.

***Anglo American Earn-In and Joint Venture***

On March 26, 2018, the Company announced that it had entered into a non-binding letter of intent (the "LOI") for an earn-in and joint venture agreement with a subsidiary of Anglo American on its Pegasus concessions, including the Luz concession, ("Pegasus"). Under the LOI, Anglo American would have the right to earn a 60% ownership interest in Pegasus if it invests an aggregate amount of \$50 million and makes \$7.3 million of cash payments to Lumina over a seven-year period. Lumina has agreed to work exclusively with Anglo American to, along with Luminex, negotiate and complete a binding agreement (the "JV Agreement").

The LOI envisages a three stage earn-in by Anglo American where it will have the right to: (i) a 25% interest on completion of cumulative \$10 million of exploration expenditures before the 4th anniversary of the JV Agreement and \$2.4 million of cash payments to Lumina (including \$1.3 million payable upon signing the JV Agreement) before the 3rd anniversary of the signing of the JV Agreement; (ii) an aggregate 51% interest on completion of cumulative \$35 million of exploration expenditures before the 6th anniversary of the JV Agreement and \$4.8 million of cumulative cash payments to Lumina before the 5th anniversary of the signing of the JV Agreement; and (iii) an aggregate 60% interest on completion of cumulative \$50 million of exploration expenditures before the 7th anniversary of the JV Agreement and \$7.3 million of cumulative cash payments to Lumina before the 6th anniversary of the signing of the JV Agreement.

Under the LOI, Anglo American will have the right to assume management of the joint venture company and Pegasus following signing of the JV Agreement and will have the right, in certain circumstances, to accelerate parts of the exploration program such that it may complete certain expenditure commitments and outstanding cash payments to Lumina in a period shorter than the earn-in term.

Anglo American will have the right to earn an additional 10% ownership in Pegasus ("Fourth Pegasus Earn-in") by solely funding all the required work until a decision is made to construct a mine at Pegasus, taking Anglo American's aggregate ownership in Pegasus to 70%. After the completion of the Fourth Pegasus Earn-in, Lumina (or Luminex) would be responsible for funding its 30% pro rata share of any capital required to develop and construct a mine at Pegasus (or a 40% pro rata share, if Anglo American does not exercise the Fourth Pegasus Earn-in).

Entering into the JV Agreement and completing the transactions described above are subject to customary conditions for a transaction of this nature, including the JV Agreement being approved by Lumina's and Luminex's board of directors, and receipt of all necessary governmental and regulatory approvals.

---

**Financing Activity**

On November 29, 2017, the Company completed a brokered private placement of 32,258,064 common shares at a price of CAD\$0.62 per common share, for aggregate gross proceeds of approximately CAD\$20,000,000 (\$15,560,569). The proceeds of the private placement are to be used to explore and advance the Company's projects in Ecuador and for general corporate purposes. The Company incurred \$803,501 in share issue costs which included finder's fees of up to 6% of the proceeds from certain subscribers. The Company has expended approximately \$8 million of these funds for exploration and advancement of the Company's projects in Ecuador.

On July 26, 2018, the Company completed a non-brokered private placement of 9,730,000 common shares at a price of CAD\$0.72 per common share, for aggregate gross proceeds of approximately CAD\$7 million (\$5,362,113). The proceeds of the private placement are to be used to fund working capital for the Luminex spin-out and for general corporate purposes. The Company incurred \$101,731 in finder's fees of up to 4% of the proceeds from certain subscribers.

**OUTLOOK**

The Government of Ecuador has been working systematically to address economic concerns. On April 2, 2018, President Lenin Moreno announced a 14-point program to improve Ecuador's precarious fiscal and macroeconomic conditions. Proposed austerity measures included institutional reforms aimed at reducing bureaucracy, including the elimination and optimization of numerous government entities. Among these proposals was a merger of the ministries of energy, mines and hydrocarbons into a Ministry of Energy and Non-Renewable Resources. This economic reform package became the Production Development Law which took effect on August 21, 2018. In parallel, senior government in Ecuador officials have stepped up their collaboration with the International Monetary Fund and World Bank with a view to improving Ecuador's access to foreign credit, and have started negotiations with the United States to improve commercial relations.

The formal elimination of the windfall tax became a pressing issue for the Government of Ecuador following the national public consultation vote on February 4, 2018 (the "Public Consultation"). This referendum put seven questions to a popular vote, including the derogation of the Organic Law to Prevent Speculation on the Value of Land and Speculation of Taxes implemented under the government of President Correa. While the primary objective of the Government of Ecuador with this law had been to target land speculation, its text also included language that effectively served to revoke a recent law containing language that had virtually nullified the effects of the windfall tax. Subsequently, the Ecuadorian Ministry of Mines concluded that the windfall tax, based on a determination that its effects on dissuading investment significantly outweighed potential future income benefits, should be cancelled. The Public Consultation also approved a norm to prohibit metallic mining in all its stages, in protected areas, intangible zones and urban centres, which the Company anticipates will not have a significant impact on any of the mineral areas of its concessions.

Under the leadership of new Minister Carlos Perez, Ministry of Energy and Non-Renewable Resources, the administration moved to eliminate the mining windfall tax and to continue to work to improve the mining legal and tax framework in order to attract responsible investment for the benefit of the country and local communities. The Production Development Law, drafted by the Executive and approved by the Legislature, contains provisions eliminating the windfall profits tax, changing the net smelter return (NSR) royalty rate for large mining from 5% to a range of 3%-8%, and mitigating the effects of the capital gains tax up to 10% for companies that do not reside in Ecuador.

Senior government officials continue to espouse the Government's commitment to consolidating Ecuador's status as an attractive mining jurisdiction that competes for significant foreign investment. On recent trips to Europe and Chile, the President and his Ministers have highlighted the country's mining potential and opportunities for investment. At the same time, the mining auction process remains suspended, as the Government reviews the mining cadastre and rectifies approximately 2.5 million hectares of concessions that were not in good legal standing.

The Company is also actively engaged with the mining community and Government of Ecuador to collaborate towards further positive reform and remains confident that under President Moreno the Government of Ecuador will build on the foundation laid by the prior administration and will continue working to transform Ecuador into a destination for long-term mining investment. That being said, President Moreno's approach differs significantly from that of former President Rafael Correa; Moreno has emphasized dialogue and consensus, an approach that at times has generated delays, particularly with regards to permitting, but is anticipated to generate greater long-term social and political support for the mining sector. As part of this process, the government is drafting a regulation aimed at bringing the country into compliance with international norms regarding popular consultation. In keeping with this approach, on March 5, 2018, Ecuador signed onto the Extractive Industries Transparency Initiative, which aims to improve transparency and governance of oil, gas and mineral resources.

The Company's advancement of Cangrejos, acquisition of Ecuador Gold and Copper Corp. ("EGX"), participation in the government concession auction process, and increased investment across its project portfolio were a direct response to the improving support for mining in Ecuador, as well as management's view that these assets are attractive investment opportunities. The Company also had determined that the gold and copper sectors had stabilized and it remains optimistic that geopolitical developments will continue to drive a sustained improvement in both markets over the mid to long-term. The Company monitors market and political conditions (both globally and in Ecuador), while it continues to evaluate additional exploration project opportunities in Ecuador and elsewhere. The Company also intends to continue to monitor the Government of Ecuador's

concession tender process and will bid on further prospective targets should they become available after the tender process is resumed.

The Company's strategy going forward focuses on development of the Cangrejos Project, advancing exploration at the Condor Project and the First Quantum and Anglo American earn-in and joint venture projects, and continuing its rigorous evaluation of the remaining newly acquired concessions to ensure that resources are focused on advancing projects with greatest merit, including Tarqui and Tres Picachos. As discussed earlier in this MD&A, the Company continues to drill at the Cangrejos Project, with 14,577 metres drilled since March 2017, not including holes for metallurgical test work. Having completed the PEA at the Cangrejos Project, the Company will continue to test priority drill targets on the Cangrejos 20 concession including the Grand Bestia deposit in 2018. In addition, the Company will assess the additional drilling requirements to upgrade the mineral resource to the Measured or Indicated categories for inclusion in an updated mineral resource estimate and reserve estimate that would support a prefeasibility study should the company elect to initiate such a study. In the process of producing the PEA, the Company completed an updated mineral resource estimate, metallurgical, geotechnical, mine planning, facility siting and infrastructure, social and environmental studies and project related engineering studies for project design. Should the Company elect to initiate a prefeasibility study, detailed work to expand on PEA design and findings would include resource drilling, mineral reserve estimation, mine geotechnical drilling and pit slope design, mine design and planning, metallurgical drilling and testing to support process plant design, site characterization and design of infrastructure, access roads, tailings and waste rock storage facilities, hydrology/hydrogeology drilling and site wide water balance, environmental studies to support project permitting and social programs, and marketing/transport studies. The PEA estimate for completion of a prefeasibility study is \$12.8 million.

At the Condor Project, a soil, rock chip and channel sampling program focusing on the Santa Barbara deposit, where mineral resources have been defined, and at other prospective but less advanced deposits (Prometedor, Camp Zone, Silica Cap Warintza, etc.), has recently been completed. The results of this program are being evaluated and are being combined with previous drilling, geological and geophysical data to identify additional potential drilling targets. Exploration drilling and completion of the 29 kilometre Induced Polarization geophysics program has confirmed potential targets for resource extensions at Santa Barbara. In addition to targets at Santa Barbara, Lumina has identified a large, four by two kilometre surface gold anomaly at the Prometedor prospect and an extension to the Los Cuyes deposit defined by a 200 metre by 200 metre surface gold anomaly that remains open to the west and at depth. The Santa Barbara, Los Cuyes extensions, Prometedor drill targets and others, continue to be advanced to drill stage. The Company expects to initiate drilling on priority targets in 2018.

On the newly obtained concessions, Lumina has commenced and continues to carry out extensive geological mapping, soil, rock and stream sediment sampling and geophysics surveys as required to focus the Company's exploration efforts on prospective gold and copper mineralized areas. This work has enabled the Company to identify drill targets at Orquideas, where the Company is currently applying for the required permits to drill. For further prospective copper and molybdenum deposits found on the new concessions, the Company will evaluate on a case-by-case basis whether to advance the project internally or to continue to look for strategic partners such as in the case of First Quantum and Anglo American. The Company also plans to initiate further exploration, project engineering and development studies for its different assets on a case by case basis.

In recent months, critics of the mining sector have 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 International Labor Organization convention, to which Ecuador is a signatory, and which requires free, prior and informed consultation to aboriginal or indigenous communities (ILO 169). On August 3, 2018, the Provincial Court of Azuay province denied a government appeal of a lower court ruling suspending operations at an Ecuadorian company's (Ecuagoldmining South America S.A., owned by the Junefield Group) Rio Blanco mine. Some legal analysts have concluded that the court's legal reasoning is confusing and flawed and therefore does not establish a valid precedent. Furthermore, additional pleadings could effectively unwind the ruling. During July 2018, a judge suspended work at mining concessions in northeast Ecuador (in the Sucumbios Province) covering lands belonging to the indigenous Cofan, a people who until recent decades were uncontacted, finding that they had not been appropriately consulted. Likewise, the Mirador project, owned by Ecuacorriente S.A. is facing a similar challenge. While the Cangrejos and Pegasus projects are not known to have indigenous peoples or communities within their boundaries, several other Company assets may meet that criteria. While the Company has taken steps to obtain their social license before gaining access to any lands to conduct mining work, there is a possibility that in some instances additional consultation will be required.

## **REVIEW OF FINANCIAL RESULTS**

This review of the results of operations should be read in conjunction with the unaudited condensed consolidated interim financial statements of the Company for the three and six months ended June 30, 2018 and 2017 along with other public disclosure documents of the Company.

For the three and six months ended June 30, 2018, the Company reported net losses of \$3,999,706 and \$9,264,827, respectively, compared to \$3,091,533 and \$6,040,747 for the three and six months ended June 30, 2017. The overall increase in expenditures arose primarily due to (i) increased annual concession and easement fees, (ii) drilling and related exploration work at the Cangrejos, Condor and other project areas, including work for the PEA on the Cangrejos Project and (iii) increased personnel.

**Exploration and Evaluation Assets (Mineral Properties)**

The Company capitalizes costs incurred acquiring exploration and evaluation assets (mineral projects) and any required licenses related thereto with a term of more than one year. At June 30, 2018, the carrying value of the exploration and evaluation asset related to the Cangrejos Project was \$1,701,100 (December 31, 2017 - \$1,701,100) while the carrying value of the Condor Project was \$47,487,910 (December 31, 2017 - \$47,487,910).

Exploration and evaluation ("E&E") expenditures are expensed to profit and loss as incurred. These are discussed below and are disclosed in Note 6(b) of the unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2018.

**Expenses**

**Exploration and evaluation expenditures**

Total E&E expenses for the three and six months ended June 30, 2018 were \$3,146,788 and \$7,606,835, respectively, compared to \$2,544,120 and \$4,821,974 for the three and six months ended June 30, 2017. Further details on specific projects and concession areas within the Company's portfolio of projects are noted below.

*Cangrejos Project*

The Company's E&E expenditures on the Cangrejos Project were as follows for the three and six months ended June 30, 2018 and 2017:

	<b>Three months ended June 30,</b>		<b>Increased (decreased)</b>
	<b>2018</b>	<b>2017</b>	<b>Expenditure</b>
Mineral rights	\$ 15,791	\$ 1,286	\$ 14,505
Legal fees	44,193	217,739	(173,546)
Assays / Sampling	90,924	59,773	31,151
Camp	117,593	181,726	(64,133)
Camp access and improvements	29,018	4,606	24,412
Drilling	817,667	471,278	346,389
Engineering	317,794	-	317,794
Environmental, Health & Safety	49,033	23,169	25,864
Field office	114,161	75,924	38,237
Geological consulting	113,345	73,181	40,164
Geological and field staff	65,768	150,343	(84,575)
Metallurgical	87,418	-	87,418
Project management	432,339	47,113	385,226
Reports	114,505	-	114,505
Social and community	92,793	27,116	65,677
Share-based payment	24,246	23,943	303
Transportation and accommodation	102,155	3,286	98,869
	<b>\$ 2,628,743</b>	<b>\$ 1,360,483</b>	<b>\$ 1,268,260</b>

	<b>Six months ended June 30,</b>		<b>Increased (decreased)</b>
	<b>2018</b>	<b>2017</b>	<b>Expenditure</b>
Mineral rights	\$ 81,350	\$ 52,675	\$ 28,675
Legal fees	76,902	267,917	(191,015)
Assays / Sampling	101,719	62,045	39,674
Camp	226,947	215,903	11,044
Camp access and improvements	44,057	8,002	36,055
Drilling	1,110,718	471,278	639,440
Engineering	415,240	-	415,240
Environmental, Health & Safety	102,503	29,480	73,023
Field office	215,856	122,180	93,676
Geological consulting	273,702	123,922	149,780
Geological and field staff	185,735	262,987	(77,252)
Metallurgical	152,273	-	152,273
Project management	694,451	91,813	602,638
Reports	141,256	7,010	134,246
Social and community	156,818	37,220	119,598
Share-based payment	48,224	50,880	(2,656)
Transportation and accommodation	196,848	39,276	157,572
	<b>\$ 4,224,599</b>	<b>\$ 1,842,588</b>	<b>\$ 2,382,011</b>

**Management's Discussion and Analysis  
For the Three and Six Months Ended June 30, 2018**

**August 21, 2018**

E&E expenditures on the Cangrejos Project include non-cash expenses for share-based payment expense relating to the vesting of stock options granted under the Company's stock option plan of \$24,246 and \$48,224 for the three and six months ended June 30, 2018 compared to \$23,943 and \$50,880 for the three and six months ended June 30, 2017. Excluding share-based payment expense, the overall increase in E&E expenditures for the three and six months ended June 30, 2018 compared to the equivalent periods in 2017 is \$1,267,957 and \$2,384,667. The increase in expenditures reflects the Company's overall level of activity at Cangrejos, in particular with regard to work being performed to support the PEA. Expenditures increased most significantly in the following areas:

- i. Drilling costs in the three and six months ended June 30, 2018 were \$817,667 and \$1,110,718 compared to \$471,278 for the three and six months ended June 30, 2017;
- ii. Project management, engineering, geological consulting, metallurgical costs and report expenses all increased in the three and six months ended June 30, 2018 compared to the equivalent periods in 2017 (for a total increase of \$945,107 and \$1,454,177, respectively) primarily as a result of the Company's PEA work and activity; and
- iii. The increased levels of activity on the project resulted in additional staffing requirements and activity at the Cangrejos Project camp, including local and international travel to the camp. Accordingly, there were cost increases in all of these areas, as noted in the table above.

*Condor Project*

The Company's E&E expenditures on the Condor Project were as follows for the three and six months ended June 30, 2018 and 2017:

	<b>Three months ended June 30,</b>		<b>Increased (decreased)</b>
	<b>2018</b>	<b>2017</b>	<b>Expenditure</b>
Mineral rights	\$ 9,772	\$ 142,888	\$ (133,116)
Legal fees	7,293	13,859	(6,566)
Assays / Sampling	18,270	35,137	(16,867)
Camp	122,976	59,519	63,457
Camp access and improvements	2,955	-	2,955
Drilling	15,654	-	15,654
Environmental, Health & Safety	30,631	-	30,631
Field office	59,083	213,168	(154,085)
Geological consulting	115,446	23,139	92,307
Geological and field staff	52,143	175,201	(123,058)
Project management	63,768	29,228	34,540
Reports	-	16,425	(16,425)
Social and community	34,365	35,871	(1,506)
Share-based payment	24,245	14,530	9,715
Transportation and accommodation	78,251	50,182	28,069
	<b>\$ 634,852</b>	<b>\$ 809,147</b>	<b>\$ (174,295)</b>

	<b>Six months ended June 30,</b>		<b>Increased (decreased)</b>
	<b>2018</b>	<b>2017</b>	<b>Expenditure</b>
Mineral rights	\$ 93,333	\$ 195,140	\$ (101,807)
Legal fees	13,540	34,950	(21,410)
Assays / Sampling	75,268	35,137	40,131
Camp	314,245	92,622	221,623
Camp access and improvements	44,800	-	44,800
Drilling	113,903	3,083	110,820
Environmental, Health & Safety	66,439	-	66,439
Field office	147,176	380,307	(233,131)
Geological consulting	282,022	50,506	231,516
Geological and field staff	112,280	232,254	(119,974)
Project management	131,763	58,928	72,835
Reports	-	16,425	(16,425)
Social and community	93,656	54,112	39,544
Share-based payment	48,223	30,874	17,349
Transportation and accommodation	191,548	83,072	108,476
	<b>\$ 1,728,106</b>	<b>\$ 1,268,410</b>	<b>\$ 459,696</b>

Expenditures on the Condor Project reflect ongoing exploration, management, camp, and support (social and environmental management) staff costs which are included in the field office category. In addition, and as described earlier in this MD&A, the Company has performed geologic mapping and geophysics programs, rock and soil geochemical analyses and drilling which will be incorporated into future exploration plans and drilling programs on the Condor Project. During the three months ended June

**Management's Discussion and Analysis  
For the Three and Six Months Ended June 30, 2018**

**August 21, 2018**

30, 2018, overall activity levels were lower at the Condor Project as the Company has sought to lower the overall cash burn on the Project while continuing to perform targeted rock sampling programs.

*Other Projects*

The Company's E&E expenditures on the Pegasus, Cascas and Orquideas, and other projects were as follows for the three and six months ended June 30, 2018 and 2017:

<b>Pegasus Project</b>	<b>Three months ended June 30,</b>		<b>Increased (decreased)</b>
	<b>2018</b>	<b>2017</b>	<b>Expenditure</b>
Mineral rights	\$ 6,233	\$ 367	\$ 5,866
Legal fees	8,720	-	8,720
Assays / Sampling	17,268	55,097	(37,829)
Camp	11,541	9,309	2,232
Environmental, Health & Safety	12,599	524	12,075
Field office	33,260	97	33,163
Geological consulting	2,582	1,847	735
Geological and field staff	100,748	46,767	53,981
Project management	20,197	7,204	12,993
Reports	1,960	-	1,960
Social and community	-	963	(963)
Transportation and accommodation	17,457	5,616	11,841
	\$ 232,565	\$ 127,791	\$ 104,774

<b>Pegasus Project</b>	<b>Six months ended June 30,</b>		<b>Increased (decreased)</b>
	<b>2018</b>	<b>2017</b>	<b>Expenditure</b>
Mineral rights	\$ 658,428	\$ 639,594	\$ 18,834
Legal fees	18,347	25,853	(7,506)
Assays / Sampling	28,670	58,093	(29,423)
Camp	18,304	35,878	(17,574)
Environmental, Health & Safety	12,971	647	12,324
Field office	56,889	24,675	32,214
Geological consulting	9,354	1,847	7,507
Geological and field staff	214,085	104,163	109,922
Project management	36,420	30,231	6,189
Reports	1,960	-	1,960
Social and community	-	8,732	(8,732)
Transportation and accommodation	31,216	13,063	18,153
	\$ 1,086,644	\$ 942,776	\$ 143,868

The most significant expense item for the Pegasus Project related to mineral concession fees which were paid in March 2018. The Company has also continued to perform geologic reconnaissance and mapping, soil, stream and rock sampling and analysis in 2018 as part of its initial exploration program, mainly utilizing in-house staffing.

<b>Cascas / Orquideas Projects</b>	<b>Three months ended June 30,</b>		<b>Increased (decreased)</b>
	<b>2018</b>	<b>2017</b>	<b>Expenditure</b>
Mineral rights	\$ -	\$ 1,619	\$ (1,619)
Legal fees	12,276	946	11,330
Assays / Sampling	29,831	11,761	18,070
Camp	88,489	15,185	73,304
Camp access and improvements	1,308	-	1,308
Environmental, Health & Safety	4,451	52	4,399
Field office	21,718	329	21,389
Geological consulting	90,401	2,077	88,324
Geological and field staff	56,327	38,810	17,517
Project management	13,367	4,748	8,619
Reports	54,513	-	54,513
Social and community	10,061	7,117	2,944
Transportation and accommodation	62,130	3,775	58,355
Expenses before cost recovery	444,872	86,419	358,453
Cost recovery from First Quantum	(984,354)	-	(984,354)
	\$ (539,482)	\$ 86,419	\$ (625,901)

**Management's Discussion and Analysis**  
**For the Three and Six Months Ended June 30, 2018**

**August 21, 2018**

<b>Cascas / Orquideas Projects</b>	<b>Six months ended June 30,</b>		<b>Increased (decreased)</b>
	<b>2018</b>	<b>2017</b>	<b>Expenditure</b>
Mineral rights	\$ 144,117	\$ 142,421	\$ 1,696
Legal fees	27,395	3,599	23,796
Assays / Sampling	40,433	15,405	25,028
Camp	148,244	18,360	129,884
Camp access and improvements	1,308	-	1,308
Environmental, Health & Safety	33,653	52	33,601
Field office	46,645	5,709	40,936
Geological consulting	91,610	2,077	89,533
Geological and field staff	84,050	50,242	33,808
Project management	25,148	7,085	18,063
Reports	60,795	-	60,795
Social and community	22,922	7,873	15,049
Transportation and accommodation	104,645	9,183	95,462
Expenses before cost recovery	830,785	262,006	568,779
Cost recovery from First Quantum	(984,354)	-	(984,354)
	\$ (153,569)	\$ 262,006	\$ (415,575)

The main focus during the three and six months ended June 30, 2018 has been on the Orquideas concession area, working in conjunction with First Quantum as described earlier in this MD&A. Work performed has included geologic mapping and sampling, line-cutting and IP geophysical surveying as well as auger soil sampling along the geophysical lines.

<b>Other Project Areas</b>	<b>Three months ended June 30,</b>		<b>Increased (decreased)</b>
	<b>2018</b>	<b>2017</b>	<b>Expenditure</b>
Mineral rights	\$ -	\$ 44,930	\$ (44,930)
Legal fees	7,401	6,407	994
Assays / Sampling	32,540	5,618	26,922
Camp	20,557	12,185	8,372
Camp access and improvements	782	-	782
Environmental, Health & Safety	9,127	1,177	7,950
Field office	13,107	6,193	6,914
Geological consulting	2,554	7,261	(4,707)
Geological and field staff	59,959	59,857	102
Project management	19,127	10,806	8,321
Social and community	6,378	944	5,434
Transportation and accommodation	18,578	4,902	13,676
	\$ 190,110	\$ 160,280	\$ 29,830

<b>Other Project Areas</b>	<b>Six months ended June 30,</b>		<b>Increased (decreased)</b>
	<b>2018</b>	<b>2017</b>	<b>Expenditure</b>
Mineral rights	\$ 357,168	\$ 347,754	\$ 9,414
Legal fees	27,184	13,429	13,755
Assays / Sampling	48,518	5,695	42,823
Camp	28,939	19,080	9,859
Camp access and improvements	2,072	-	2,072
Environmental, Health & Safety	11,182	1,203	9,979
Field office	31,348	13,339	18,009
Geological consulting	3,726	7,261	(3,535)
Geological and field staff	129,671	74,183	55,488
Project management	34,155	15,142	19,013
Social and community	15,424	2,357	13,067
Transportation and accommodation	31,668	6,751	24,917
	\$ 721,055	\$ 506,194	\$ 214,861

The most significant expense items for the other projects held by the Company related to mineral concession fees. Work performed included geologic reconnaissance and mapping, soil, stream and rock sampling and analysis as part of the Company's initial exploration program, mainly using in-house staffing.

**Management's Discussion and Analysis  
For the Three and Six Months Ended June 30, 2018**

**August 21, 2018**

**Other expenses**

The Company's other expenses for the three and six months ended June 30, 2018 and 2017 were as follows:

	Three months ended June 30,		Increased (decreased)
	2018	2017	Expenditure
Fees, salaries and other employee benefits	\$ 315,497	\$ 309,258	\$ 6,239
General and administration ("G&A")	174,934	124,963	49,971
Pre exploration and evaluation expenditures	-	5,898	(5,898)
Professional fees	479,298	121,728	357,570
Insurance	20,256	12,667	7,589
	\$ 989,985	\$ 574,514	\$ 415,471

	Six months ended June 30,		Increased (decreased)
	2018	2017	Expenditure
Fees, salaries and other employee benefits	\$ 659,056	\$ 681,454	\$ (22,398)
General and administration ("G&A")	360,570	223,113	137,457
Pre exploration and evaluation expenditures	-	5,898	(5,898)
Professional fees	634,800	338,428	296,372
Insurance	29,039	12,667	16,372
	\$ 1,683,465	\$ 1,261,560	\$ 421,905

Fees, salaries and other employee benefits for the three and six months ended June 30, 2018 include \$128,957 and \$280,202, respectively, of share-based payment expense (three and six months ended June 30, 2017 - \$150,029 and \$370,974 respectively). Excluding this non-cash expense, fees, salaries and other employee benefits for the three and six months ended June 30, 2018 were \$186,540 and \$378,854 compared to \$159,229 and \$310,480 for the three and six months ended June 30, 2017. The increase in fees, salaries and other employee benefits and G&A costs (as noted in the table above) arose due to the generally increased levels of activity as described earlier in this MD&A. Professional fees increased by \$357,570 and \$296,372 for the three and six months ended June 30, 2018 compared to the 2017 equivalent periods primarily as a result of additional legal fees incurred relating to the proposed spin-out of Luminex.

**Related Party Transactions**

The Company incurred the following expenses with related parties:

Company	Nature of transactions	Three months ended June 30,	
		2018	2017
Miedzi Copper Corp.	E&E (geological)	\$ 22,327	\$ 12,511
Miedzi Copper Corp.	G&A	33,193	20,470
Miedzi Copper Corp.	Fees	72,484	61,349
Mozow Copper Sp. z o. o.	E&E (field office)	665	-
Hathaway Consulting Ltd.	Fees	36,911	34,229
Koval Management, Inc.	Fees	43,158	40,228
La Mar Consulting Inc.	E&E (social and community)	30,945	30,063
Lyle E Braaten Law Corp.	Fees	10,532	9,801
Proyectmin S.A. <sup>(1)</sup>	E&E (field office)	-	31,305
Zen Capital & Mergers Ltd.	Fees	1,128	1,111
		\$ 251,343	\$ 241,067

Company	Nature of transactions	Six months ended June 30,	
		2018	2017
Miedzi Copper Corp.	E&E (geological)	\$ 43,376	\$ 21,860
Miedzi Copper Corp.	G&A	63,009	35,565
Miedzi Copper Corp.	Fees	149,080	112,052
Mozow Copper Sp. z o. o.	E&E (field office)	1,397	-
Hathaway Consulting Ltd.	Fees	75,172	69,255
Koval Management, Inc.	Fees	87,260	81,289
La Mar Consulting Inc.	E&E (social and community)	61,890	60,126
Lyle E Braaten Law Corp.	Fees	21,450	19,795
Proyectmin S.A. <sup>(1)</sup>	E&E (field office)	3,173	73,556
Zen Capital & Mergers Ltd.	Fees	2,291	2,233
		\$ 508,098	\$ 475,731

**Management's Discussion and Analysis  
For the Three and Six Months Ended June 30, 2018**

**August 21, 2018**

Notes:

(1) Proyectmin S.A. was acquired on April 18, 2018. As a wholly-owned subsidiary of the Company it is no longer considered a related party as intercompany transactions and balances are eliminated on consolidation.

Miedzi Copper Corp. is considered a company related by way of directors and shareholders in common. Mozow Copper Sp. z o. o. ("Mozow") is a wholly owned subsidiary of Miedzi Copper Corp. Hathaway Consulting Ltd, Koval Management, Inc., La Mar Consulting Inc., Lyle E Braaten Law Corp., Proyectmin S.A. and Zen Capital & Mergers Ltd. 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 June 30, 2018, \$665 owing to Mozow was included in accounts payable.

**SUMMARY OF QUARTERLY RESULTS (UNAUDITED)**

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

<b>Three Months Ended:</b>	<b>June 30, 2018</b>	<b>March 31, 2018</b>	<b>December 31, 2017</b>	<b>September 30, 2017</b>
Revenue	\$ -	\$ -	\$ -	\$ -
Expenses	(4,136,773)	(5,153,527)	(4,426,990)	(3,091,991)
Other income (expenses)	137,067	(111,594)	127,791	32,512
Net loss for the period	(3,999,706)	(5,265,121)	(4,299,199)	(3,059,479)
Net loss for the period attributable to owners of the Company	(3,952,727)	(5,175,143)	(4,193,667)	(3,006,174)
Basic and diluted loss per share attributable to owners of the Company	(0.01)	(0.02)	(0.02)	(0.01)

<b>Three Months Ended:</b>	<b>June 30, 2017</b>	<b>March 31, 2017</b>	<b>December 31, 2016</b>	<b>September 30, 2016</b>
Revenue	\$ -	\$ -	\$ -	\$ -
Expenses	(3,118,634)	(2,964,900)	(1,829,056)	(750,693)
Other income (expenses)	27,101	15,686	(33,776)	19,174
Net loss for the period	(3,091,533)	(2,949,214)	(1,862,832)	(731,519)
Net loss for the period attributable to owners of the Company	(3,031,817)	(2,915,529)	(1,846,563)	(731,519)
Basic and diluted loss per share attributable to owners of the Company	(0.01)	(0.01)	(0.01)	(0.01)

The Company's expenses increased throughout 2016 as a result of the acquisition of EGX and the related due diligence and legal costs associated thereto. The four quarters in 2017 saw further increases in expenses as the Company made payments to the Government of Ecuador for annual concession fees and recommenced active exploration programs, including drilling on Cangrejos and Condor. Expenses in the three months ended December 31, 2017 were higher than the prior periods primarily as a result of annual bonus payments to staff and also the grant of stock options and related share-based payment expense. Activity levels continued to increase during the three months ended March 31, 2018, primarily as a result of the PEA work on the Cangrejos Project and also the payment of annual mineral concession fees in Ecuador for the 2018 fiscal year. The results for the three months ended June 30, 2018, are after recording cost recoveries and other income from First Quantum (total of \$1,162,790). After adjusting for these amounts, the overall expenditures in the three months ended June 30, 2018 are broadly consistent with the prior quarter, reflecting completion of the PEA, ongoing work programs on the Company's various projects and also the additional legal fees incurred due to the proposed spin-out of Luminex.

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

Additional disclosure concerning the Company's expenses and mineral property costs is provided earlier in this MD&A and in Note 6 of the Company's unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2018 and 2017.

**LIQUIDITY AND CAPITAL RESOURCES**

As at June 30, 2018, the Company had cash of \$6,225,799 compared to cash of \$14,692,983 at December 31, 2017. The Company's working capital at June 30, 2018 was \$4,695,386 compared to \$13,689,881 at December 31, 2017. The Company's cash and current assets at June 30, 2018, were sufficient to meet the Company's current accounts payable, accrued liabilities and commitments.

**Management's Discussion and Analysis  
For the Three and Six Months Ended June 30, 2018**

**August 21, 2018**

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 International Financial Reporting Standards ("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 June 30, 2018, approximately \$3.3 million of the Company's cash and cash equivalents were held at Scotiabank, a major chartered bank in Canada, and approximately \$2.9 million was held at two banks 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 June 30, 2018.

As noted earlier in this MD&A, the Company has increased exploration expenditures in Ecuador. In order to keep its mineral concessions in Ecuador in good-standing, the Company is required to meet certain spending commitments each year. Further details on the commitments are provided in Note 18 of the unaudited condensed consolidated interim financial statements of the Company for the three and six months ended June 30, 2018.

For 2018, the Company has the following spending commitments on its projects, which are either mandated by laws in Ecuador or committed to by the Company via submission of reports to the Government of Ecuador:

- (i) \$878,639 on the Cangrejos Project (excluding Cangrejos 20, which is discussed in more detail earlier in this MD&A and included in item (iii) below);
- (ii) \$351,037 on the Condor Project; and
- (iii) \$619,195 relating to mandated \$5 per hectare spending on new concessions awarded through the auction process as discussed in the section "Developments in Ecuador and Additional Concessions Acquired" earlier in this MD&A.

As disclosed in Note 6(b) to the unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2018, the Company has incurred approximately \$8.4 million (excluding share-based payment expense and adjusting for costs recovered from First Quantum) of expenditures on its projects during the six months ended June 30, 2018. The majority of these expenses will count towards the committed spending requirement outlined above.

While the Company's current working capital is sufficient to meet these commitments, any further expansion of plans will require additional funding.

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. These amounts are in excess of the government mandated minimum spend per hectare. An annual report is sent to ARCOM noting the amount of expenditures incurred on each concession which reduces the remaining total commitment amount. The total four-year commitment, amounts reported to ARCOM, and remaining total commitment, for each concession obtained and held at June 30, 2018, and assuming all concessions are retained, is as follows:

Concession Name	Total Four-year Spending Commitment	Cumulative Amounts Reported to ARCOM	Remaining Four- year Commitment <sup>(1)</sup>
Cangrejos 20	\$ 9,170,419	\$ 3,512,959	\$ 5,657,460
Cascas (2 concessions)	2,338,430	106,559	2,231,871
Escondida	977,140	27,272	949,868
La Canela	2,052,253	67,618	1,984,635
Orquideas	6,058,333	370,647	5,687,686
Palma Real (4 concessions)	1,460,025	385,931	1,074,094
Pegasus A / Pegasus B / Luz (15 concessions)	4,656,235	1,393,448	3,262,787
Quimi (2 concessions)	2,035,300	47,777	1,987,523
Santa Elena	1,530,025	64,903	1,465,122
Tarqui (2 concessions)	1,210,355	64,264	1,146,091
Tres Picachos	2,050,248	120,701	1,929,547
Yawi	979,740	27,541	952,199
<b>TOTAL</b>	<b>\$ 34,518,503</b>	<b>\$ 6,189,620</b>	<b>\$ 28,328,883</b>

Notes:

(1) The current expenditures of approximately \$8.4 million for the six months ended June 30, 2018 will, for the majority of items, count towards this total commitment but have not been shown as a reduction in the table above.

To date, the capital requirements of the Company have been met by equity or loan proceeds. As noted in Note 2(b) to the unaudited condensed consolidated interim financial statements of the Company for the three and six months ended June 30, 2018, the Company has incurred cumulative losses of \$48,621,692. The Company's long-term ability to continue as a going concern is dependent upon successfully obtaining additional financing. As described earlier in this MD&A in the section "Financing Activity," the Company

closed a private placement for gross proceeds of approximately CAD\$7 million in July 2018. The ability to raise additional financing, for future activities beyond those contemplated by the aforementioned financing activity may be impaired, or such financing may not be available on favourable terms, due to conditions beyond the control of the Company, such as uncertainty in the capital markets, depressed commodity prices or country risk factors. This exposure is discussed in more detail in the "Risks and Uncertainties" section of this MD&A. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

## **FINANCIAL INSTRUMENTS**

At June 30, 2018, the Company's financial instruments consist of cash, receivables, environmental deposits and accounts payable and accrued liabilities. Fair value estimates are made at the balance sheet date based on generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions. These estimates are subjective in nature and may involve significant uncertainties in matters of judgment and, therefore, cannot be determined with precision. The fair values of the Company's financial instruments approximate their carrying values due to their short terms to maturity or capacity for prompt liquidation and the interest rates being charged or earned on these amounts.

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

- Cash: amortized cost.
- Receivables: amortized cost.
- Environmental deposits: 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 these financial instruments, as disclosed in Note 14(a) to the unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2018.

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

### **Liquidity Risk**

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

At June 30, 2018, the Company's current liabilities consisted of accounts payable and accrued liabilities of \$1,898,773 which are due primarily within the next quarter. The Company's cash of \$6,225,799 at June 30, 2018 was sufficient to pay the accounts payable and accrued liabilities.

### **Market Risks**

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

#### ***Interest Rate Risk***

Interest rate risk is the risk that the future cash flows of the Company will fluctuate because of changes in market interest rates. Included in net loss for the three and six months ended June 30, 2018 is interest income earned on the Company's cash. Based on the Company's cash at June 30, 2018, 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 period.

The Company is exposed to foreign exchange and currency risks arising from fluctuations in foreign exchange rates among the U.S. dollar and Canadian dollar and the degree of volatility of these rates. The Company has historically raised funds from equity financings primarily in U.S. dollars or in Canadian dollars of which the vast majority of the cash is converted to U.S. dollars upon conclusion of the financing. 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 June 30, 2018, the Company's cash was primarily held in U.S. dollars as disclosed in Note 3 of the unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2018. 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 \$13,500 to the results of operations based upon the foreign currency financial instruments (including cash) held at June 30, 2018.

#### **SHARE CAPITAL**

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

Common shares:	273,809,893	
Common share purchase options:	11,084,276	exercisable between CAD\$0.315 - CAD\$0.96 per option.

#### **CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES**

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

The accounting policy estimates and judgments described below are considered by management to be essential to the understanding and reasoning used in the preparation of the Company's consolidated financial statements and the uncertainties that could have a bearing on its financial results. Further details, and a description of certain other areas of estimation and judgment, can be found at Note 2(d) in the Company's unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2018.

#### **Going concern**

The assessment of the Company's ability to continue as a going concern requires significant judgment. As disclosed in Note 2(b) of the unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2018, the Company has incurred cumulative losses of \$48,621,692. The ability of the Company to continue as a going concern is dependent upon successfully 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 resources exist is itself an estimation process. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off to profit or loss in the period when the new information becomes available.

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

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

---

**CHANGES IN ACCOUNTING STANDARDS**

The IASB, from time to time, issues new accounting standards that may impact the Company's future reported financial statements:

*IFRS 9 – Financial Instruments*

The IASB published the final version of IFRS 9 in July 2014. The final standard brings together the classification, measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes a loss impairment model, amends the classification and measurement model for financial assets and provides additional guidance on how to apply the business model and contractual characteristics test. This final version of IFRS 9 supersedes all previous versions of IFRS 9 and is effective for annual periods commencing on or after January 1, 2018, with early adoption permitted. The Company adopted the new standard on January 1, 2018 and has provided additional details concerning the accounting policy and impact on the financial statements in Note 2(c) to the unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2018.

*IFRS 16 – Leases*

On January 13, 2016, the IASB published a new standard, IFRS 16, eliminating the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Under the new standard, a lease becomes an on-balance sheet liability that attracts interest, together with a new right-of-use asset. In addition, lessees will recognize a front-loaded pattern of expense for most leases, even when cash rentals are constant. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted. The Company is assessing the impact of adopting this standard on its consolidated financial statements.

**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, 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.

- *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 which 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, labour stoppages, the inability to obtain adequate power, water, and labour, including consultants or other experts, as well as suitable machinery and equipment. In addition, the Company may be unable to acquire or obtain such necessities as water and surface rights, which may be critical for the continued advancement of exploration and development activities on its mineral property rights.

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

Even if the Company's mineral property interests are proven to host economic mineral resources, governmental expropriation may result in the total loss of the Company's mineral property interests without any compensation to the Company. Similarly, expropriation or shutdown of financial institutions or other entities the Company does business with could impact operations. Further, expropriation of 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 protection;
- social consultation and investment;
- 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;
- 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 company 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; and,
- historic and cultural preservation.

The costs associated with compliance with laws and regulations are already substantial and future laws and regulations, changes to existing laws and regulations or more stringent application and enforcement of current laws and regulations by governmental authorities, could cause additional expenses, capital expenditures, delays in the development of the Company's properties, and even restrictions on or suspensions of Company operations. Moreover, these laws and regulations may 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 parties 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 challenging to comply strictly with all of the norms that apply to the Company. The Company retains competent and well trained staff, professionals, attorneys and consultants in 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. The 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 to comply strictly with applicable laws, regulations and local practices relating to mineral rights applications and tenure could result in loss, reduction, cancellation or expropriation of entitlements, or the imposition of additional 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, increasing complexity of mining laws and regulations may render the Company incapable of strict compliance.

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

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

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

Several of the Company's concessions are located close to communities with long-standing artisanal, often illegal, mining traditions. Limited economic opportunities in these areas contribute to making gold mining an attractive field of work for local individuals and small associations and companies, who at times view properties belonging to the Company as particularly attractive targets for alluvial or hard rock mining. In some cases, the local operators (occasionally financed by outsiders), having exhausted development opportunities at their current location may seek to expand or relocate their activities into areas controlled by the Company, in other cases, illegal miners may relocate to one of the Company's concession areas in response to government pressure that has shut down their prior operations. Local and national political and regulatory authorities may come under pressure to support or not impede the ambitions of these local actors. The Company monitors local mining activities and is in regular contact with regulatory and political authorities to anticipate and manage issues as they arise, however not every incursion can be readily identified. Nonetheless, there is a risk that in the future, due to political or social factors, regulators may make decisions to grant access to artisanal miners that impact the viability of the Company's 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 new governmental permits as well as renew permits for exploration and development activities and any ultimate development, construction and commencement of new mining operations. Obtaining or renewing necessary permits can be a complex and time-consuming process, which at times may involve several political jurisdictions and different government agencies that may not have the necessary expertise, resources or political disposition needed for efficient and timely processing, and may require public hearings and costly undertakings on the Company's part. The duration and success of the Company's efforts to obtain and renew permits are contingent upon many variables not within its control, including the interpretation of applicable requirements implemented by permitting authorities and timeframes for agency decisions. 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, and 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 the Company 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 cash flow from operations, the Company will have to raise funding through financing activities. However, there is no certainty the Company will be able to raise funds at all or on terms acceptable to the Company in the event it needs to do so. Furthermore, additional funds raised by the Company through the issuance of equity or convertible debt securities would cause the Company's current shareholders to experience dilution. Such securities also may grant rights, preferences or privileges senior to those of the Company's common shareholders.

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

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

The mineral exploration industry is intensely competitive in all its phases. The Company competes with many companies, including those possessing greater financial resources and technical capabilities, for the acquisition of mineral concessions, claims, leases, other mineral interests, and equipment required to conduct its activities as well as for the recruitment and retention of qualified employees, and contracting of attorneys, consultants and technical experts. Ecuador is an emerging mining country with no large mines in production and as a result mining expertise is limited and competition for 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 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 (CIM) Guidelines. 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 resource mineralization could be mined or processed profitably.

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

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

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

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

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

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

Mining, development, exploration and production activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power and fuel sources, as well as water supplies are important determinants which affect capital, as well as operating costs and safety. The lack of availability on acceptable terms or the delay in the availability of any one or more of these items could prevent or delay development of the Company's projects. If adequate infrastructure is not available in a timely manner, there can be no assurance that the development of the Company's projects will be commenced or completed on a timely basis, if at all. In addition, unusual or infrequent weather phenomena, tectonic activity, sabotage, government 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, 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 property interests or surface property 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 limited 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 has fluctuated significantly in recent years and may adversely affect the economic viability of any of the Company's mineral properties.*

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, and are affected by numerous factors beyond the Company's control, including: international economic and political trends; expectations of inflation; currency exchange fluctuations; interest rates; consumption patterns; speculative activities; and, increased production due to new mine developments and improved mining and production methods. The effect of these factors on the price of gold and copper, as well as other precious and base metals, and, therefore, on the economic viability of any of the Company's mining properties, cannot be accurately predicted, but nonetheless may adversely impact the Company's ability to raise capital and conduct its 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, security, and other risks and uncertainties.*

The Company's mineral properties, and related subsidiaries, are located in Ecuador. It may, therefore, be exposed to various types and degrees of security, economic, labour, political and other risks and uncertainties. These risks and uncertainties include, but are not limited to: terrorism; hostage taking; military repression; high rates of inflation; labour unrest; 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 the government's enforcement of norms restricting these activities; changes in taxation and mining-related laws and regulations; trade protectionism, including restrictions or tariffs on imports; changes to the foreign exchange regime; changes to the currency regime; currency controls; restrictions on repatriation of funds; changing political conditions, including electoral results; challenges to the validity of governmental acts; 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 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 any required exploration and development financing for its projects.

Changes in mining or investment policies or shifts in political 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 government legislation and regulations 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; land claims or other demands by local people; social consultation and other permitting requirements; artisanal and illegal mining operations; labour; transportation; water use; and, mine safety. Failure to comply strictly with applicable laws, regulations and local practices relating to mineral rights applications and tenure, could result in 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.