LUMINA GOLD CORP.

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021

TSX-V: LUM

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Lumina Gold Corp.

Opinion

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

- the consolidated balance sheets as at December 31, 2021 and December 31, 2020
- the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2021 and December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

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

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

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.

Material Uncertainty Related to Going Concern

We draw attention to Note 2(c) in the financial statements, which describes that the Entity has a history of losses, an accumulated deficit at December 31, 2021 and expects to incur further losses in the development of its business.

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

Our opinion is not modified in respect of this matter.

Other Information

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

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

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

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

We have nothing to report in this regard.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

KPMG LLP

Chartered Professional Accountants

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

Vancouver, Canada
April 7, 2022

LUMINA GOLD CORP.
CONSOLIDATED BALANCE SHEETS
(expressed in U.S. dollars)

	Note	December 31, 2021	December 31, 2020
ASSETS			
Current assets			
Cash	4	$ 12,032,208	$ 535,781
Other receivables	5	63,728	53,889
Prepaid expenses		104,812	71,467
Total current assets		12,200,748	661,137
Non-current assets			
Environmental deposit		51,069	-
Property and equipment	6	3,906,663	4,042,629
Exploration and evaluation asset	7(a)	1,701,100	1,701,100
Total assets		$ 17,859,580	$ 6,404,866
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		$ 712,689	$ 142,787
Current portion of lease obligations	6	-	38,325
Standby loan	8	-	1,415,963
Total liabilities		712,689	1,597,075
EQUITY			
Share capital	9	107,979,969	88,026,357
Share-based payment reserve		6,485,901	6,176,775
Accumulated deficit		(97,318,979)	(89,395,341)
Total equity		17,146,891	4,807,791
Total liabilities and equity		$ 17,859,580	$ 6,404,866

Going concern (Note 2(c))
Commitments and contingent liability (Note 19)
Post-reporting date event (Note 20)

APPROVED BY THE DIRECTORS

"Marshall Koval"
Director

"Donald Shumka"
Director

See Accompanying Notes to the Consolidated Financial Statements

LUMINA GOLD CORP.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

For the years ended December 31, 2021 and 2020

(expressed in U.S. dollars)

	Note	Year ended December 31, 2021	2020
Expenses			
Exploration and evaluation ("E&E") expenditures	7(b), 17	$ 5,555,894	$ 5,674,699
Fees, salaries and other employee benefits	11, 17	1,589,056	1,746,749
General and administration ("G&A")	17	395,636	293,986
Professional fees		196,033	179,906
Insurance		34,679	28,006
		(7,771,298)	(7,923,346)
Other income (expenses)			
Gain on settlement of Standby Loan	8	146,122	-
Interest income and other		8,230	13,707
Interest and financing expense		(282,542)	(21,571)
Foreign exchange loss		(24,150)	(41,625)
		(152,340)	(49,489)
Net loss and comprehensive loss for the year		$ (7,923,638)	$ (7,972,835)
Loss per share – basic and diluted	12	$ (0.02)	$ (0.02)
Weighted average number of shares outstanding – basic and diluted	12	343,619,395	332,020,995

LUMINA GOLD CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2021 and 2020

(expressed in U.S. dollars)

	Note	Year ended December 31, 2021	2020
Operating activities			
Loss for the year		$ (7,923,638)	$ (7,972,835)
Adjustment for non-cash items:			
Depreciation	6	176,001	193,512
Environmental deposit interest earned		(1,596)	(1,222)
Foreign exchange on standby loan	8	(11,237)	19,599
Gain on settlement of standby loan	8	(146,122)	-
Share-based payment	10(a)	991,525	1,179,857
Deduct: interest income		(6,551)	(9,351)
Add: interest and financing expense		282,542	21,571
Net changes in non-cash working capital items:			
Other receivables		(9,839)	40,045
Prepaid expenses		(33,345)	40,257
Accounts payable and accrued liabilities		569,902	(357,810)
Net cash utilized in operating activities		(6,112,358)	(6,846,377)
Investing activities			
(Payment) return of environmental deposit		(49,473)	33,428
Expenditures on property and equipment		(38,249)	(950,944)
Interest received		6,551	9,351
Net cash utilized in investing activities		(81,171)	(908,165)
Financing activities			
Payment of lease obligations	6	(40,111)	(35,102)
Interest paid re lease obligations	6	(1,877)	(4,953)
Standby loan proceeds	8	2,989,086	1,431,780
Standby loan fees paid	8	(29,891)	(52,034)
Shares issued	9	15,513,692	702,765
Cost to issue shares	9	(740,943)	-
Net cash provided by financing activities		17,689,956	2,042,456
Increase (decrease) in cash		11,496,427	(5,712,086)
Cash, beginning of year		535,781	6,247,867
Cash, end of year	4	$ 12,032,208	$ 535,781

Non-cash financing activity: see Notes 8 and 9 for details of shares issued to settle the standby loan.

LUMINA GOLD CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2021 and 2020

(expressed in U.S. dollars)

	Note	Share Capital		Share-based	Accumulated	
		Number of shares	Amount	Payment Reserve	Deficit	Total
Balance, December 31, 2019		331,273,893	$ 86,719,445	$ 5,601,065	$ (81,422,506)	$ 10,898,004
Exercise of stock options	9(a)	2,342,535	1,306,912	(604,147)	-	702,765
Share-based payment	10(a)	-	-	1,179,857	-	1,179,857
Comprehensive loss		-	-	-	(7,972,835)	(7,972,835)
Balance, December 31, 2020		333,616,428	88,026,357	6,176,775	(89,395,341)	4,807,791
Shares issued, net of issue costs	9(b)	31,647,611	14,313,815	-	-	14,313,815
Exercise of stock options	9(c)	1,315,321	1,141,333	(682,399)	-	458,934
Shares issued re Standby Loan	9(d)	9,776,913	4,498,464	-	-	4,498,464
Share-based payment	10(a)	-	-	991,525	-	991,525
Comprehensive loss		-	-	-	(7,923,638)	(7,923,638)
Balance, December 31, 2021		376,356,273	$ 107,979,969	$ 6,485,901	$ (97,318,979)	$ 17,146,891

See Accompanying Notes to the Consolidated Financial Statements

1. NATURE OF OPERATIONS

Lumina Gold Corp. ("Lumina" or the "Company") is a publicly listed company incorporated under the Company Act of British Columbia on March 22, 1988. The Company is listed on the TSX-Venture Exchange, having the symbol LUM.V. Lumina and its wholly owned subsidiaries (collectively referred to as the "Group") are engaged in the acquisition, exploration and development of mineral resources in Ecuador. The Group is considered to be in the exploration stage as it has not placed its mineral property into production.

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

2. BASIS OF PREPARATION AND GOING CONCERN

(a) Statement of compliance

These consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These consolidated financial statements were approved and authorized for issue by the Board of Directors ("Board") on April 7, 2022.

(b) Basis of preparation

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

(c) Going concern

These consolidated financial statements have been prepared on the going concern basis which assumes that the Group will be able to realize, in the foreseeable future, its assets and discharge its liabilities in the normal course of business as they come due. As at December 31, 2021, the Group has incurred cumulative losses of $97,318,979 and has reported a net loss of $7,923,638 for the year ended December 31, 2021. The ability of the Company to continue as a going concern is dependent upon obtaining additional financing, entering into a joint venture, a merger or other business combination transaction involving a third party, sale of all or a portion of the Group's assets, the outright sale of the Company, the successful development of the Group's mineral property interests or a combination thereof. The Company believes that it will be able to continue as a going concern for the foreseeable future based on its cashflow forecasts and the ability to reduce expenditures if required, along with the Company's historical and anticipated ability to raise additional financing to further advance the Company's Cangrejos Project. However, the Group will continue to incur losses in the development of its mineral exploration project and, as noted above, the Company will require additional funding in the future.

The COVID-19 pandemic continues to impact world affairs. The situation remains dynamic and the ultimate duration and magnitude of the impact on the economy, capital markets and the Company's financial position cannot be estimated at this time. The Company continues to monitor developments and adapt its business plans accordingly. The actual and threatened spread of COVID-19 globally could adversely impact the Company's ability to carry out its plans and raise capital.

There can be no assurance that management's plans to raise additional financing to further advance the Cangrejos Project will be successful. These factors indicate the existence of a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern. These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Overall considerations

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

(b) Basis of consolidation

These consolidated financial statements include the financial statements of Lumina and its wholly owned subsidiaries, which are controlled by the Company. Control is achieved when Lumina (as the parent company) is exposed, or has rights, to variable returns from its involvement with the investees and has the ability to affect those returns through its power over the investee. Specifically, Lumina controls an investee if, and only if, the Company has all of the following: (i) power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee); (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect its returns.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All significant intercompany transactions, balances, income and expenses are eliminated on consolidation.

(c) Presentation currency and foreign currency translation

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

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

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

(d) Cash and cash equivalents

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

(e) Exploration and evaluation licenses

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

(f) Acquisition of mineral property interests

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Acquisition of mineral property interests (continued)

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

(g) Exploration and evaluation expenditures

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

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

(h) Environmental Deposits

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

(i) Property and Equipment

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

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

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

(j) Leases

Lease definition

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Leases (continued)

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

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

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

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

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

Recognition exemptions

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

(k) Interest income

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

(l) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at management's best estimate of the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in any provision due to passage of time is recognized as accretion expense.

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

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

As at December 31, 2021 and 2020, the Group did not have any asset retirement obligations.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Decommissioning, restoration and similar liabilities (continued)

The Group is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge or hazardous material and other matters. The Group may be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and also on properties in which it has previously had an interest.

The Group believes it conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Group is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Group.

(n) Financial Instruments

Non-derivative financial assets

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

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

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

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

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

Financial Liabilities

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

(o) Impairment of assets

Impairment of financial assets at amortized cost

The Group recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the loss allowance is measured for the financial asset at an amount equal to twelve month expected credit losses. For trade receivables the Group applies the simplified approach to providing for expected credit losses, which allows the use of a lifetime expected loss provision. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized. Given the nature and balances of the Company's receivables and financial assets the Group has no material loss allowance at December 31, 2021 and 2020.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Impairment of assets (continued)

Non-financial assets

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

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

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

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

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

(p) Taxes

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

Current tax

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

Deferred tax

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Taxes (continued)

Deferred tax (continued)

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

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

Sales tax

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

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

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

(q) Share capital

Equity instruments are contracts that give a residual interest in the net assets of the Group. Financial instruments issued by the Group are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(r) Earnings (loss) per share

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

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

(s) Share-based payments

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Share-based payments (continued)

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

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

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

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

(t) Significant accounting judgments and estimates

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

Going concern

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

Exploration and evaluation assets

The application of the Group's accounting policy for exploration and evaluation assets requires judgment in determining whether it is likely that such acquisition costs incurred will be recovered through successful exploration and development or sale of the asset under review. Furthermore, the assessment as to whether economically recoverable resources exist is itself an estimation process. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off to profit or loss in the period when the new information becomes available. The carrying value of these assets is detailed at Note 7(a).

Share-based payments

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

(u) Changes in accounting policies

There were no new accounting standards and interpretations effective from January 1, 2021, that had an impact on the Group's consolidated financial statements.

(v) Standards issued but not yet effective

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

4. CASH

The Group's cash, by currency, at December 31, 2021 and December 31, 2020 was as follows:

		December 31, 2021		December 31, 2020
Cash at bank and in hand denominated in Canadian dollars	$	4,528,299	$	221,956
Cash at bank and in hand denominated in U.S. dollars		7,503,909		313,825
	$	12,032,208	$	535,781

5. OTHER RECEIVABLES

		December 31, 2021		December 31, 2020
Refundable goods and services tax	$	23,917	$	19,332
Other		39,811		34,557
	$	63,728	$	53,889

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

6. PROPERTY AND EQUIPMENT AND LEASE OBLIGATIONS

		Land[1]		Property & Equipment		Right-of-use assets		Total
Cost								
December 31, 2019	$	2,675,837	$	1,616,316	$	106,979	$	4,399,132
Additions		32,968		53,385		4,177		90,530
Disposals		-		-		(4,283)		(4,283)
December 31, 2020		2,708,805		1,669,701		106,873		4,485,379
Additions		-		38,249		1,786		40,035
December 31, 2021	$	2,708,805	$	1,707,950	$	108,659	$	4,525,414
Accumulated Depreciation								
December 31, 2019	$	-	$	212,455	$	36,783	$	249,238
Depreciation for the year		-		158,722		34,790		193,512
December 31, 2020		-		371,177		71,573		442,750
Depreciation for the year		-		138,915		37,086		176,001
December 31, 2021	$	-	$	510,092	$	108,659	$	618,751
Net book value								
December 31, 2020	$	2,708,805	$	1,298,524	$	35,300	$	4,042,629
December 31, 2021	$	2,708,805	$	1,197,858	$	-	$	3,906,663

[1] The Company has purchased various small local farm lands in the area of its mineral properties that are of strategic value representing important surface rights over which it has mineral rights and access.

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

6. PROPERTY AND EQUIPMENT AND LEASE OBLIGATIONS (continued)

ROU assets

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

Lease obligations

A continuity of the lease liability for the years ended December 31, 2021 and 2020 is as follows:

December 31, 2019	$	73,533
Addition		4,177
Interest accretion		4,953
Lease payments		(40,055)
Adjustment for disposal of lease		(4,283)
December 31, 2020		38,325
Addition		1,786
Interest accretion		1,877
Lease payments		(41,988)
December 31, 2021	$	-

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

		December 31, 2021		December 31, 2020
Undiscounted minimum lease payments				
Within one year	$	-	$	40,162
Between one to two years		-		-
Total undiscounted lease obligations		-		40,162
Less: future interest charges		-		(1,837)
Total discounted lease obligations		-		38,325
Less: current portion of lease obligations		-		(38,325)
Non-current portion of lease obligations	$	-	$	-

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

7. EXPLORATION AND EVALUATION ASSETS AND EXPENDITURES

(a) Exploration and evaluation assets

The Group holds the following mineral exploration project and concession areas in Ecuador:

Cangrejos

The Group has seven contiguous mineral concessions (December 31, 2020 – ten) located near Machala in southwest Ecuador, collectively known as the "Cangrejos Project" and representing a land area of 6,373 hectares. During the year ended December 31, 2021, the Group completed a process of subdividing its mineral concessions allowing the amalgamation of the main concession into an area comprising 4,999 hectares.

In December 2021, an Exploration Investment Protection Agreement ("EIPA") for the Cangrejos Project was signed with the Government of Ecuador (the "Government"). The EIPA provides a foundation that can be built upon as the Cangrejos Project advances, leading towards future negotiation of an Exploitation Agreement and Exploitation Investment Protection Agreement required for mine construction and operations. Such further negotiation would occur after the completion of a Pre-Feasibility Study for the Cangrejos Project. The EIPA explicitly covers an investment totalling a minimum of $36 million for the period 2019-2024 and also covers investments by the Group in Ecuador from December 2010 to the end of 2018. The agreement also extends to any additional investments made in Ecuador during the period to 2024 and beyond. Under the terms of the EIPA, the Government pledges to maintain legal certainty and stability for the Group's investment, as well as to provide non-discriminatory treatment compared to other similar projects with regards to the administration, operation, expansion, and transfer of the Group's investments. In addition, the Government commits that it will not subject the Group and its investments to arbitrary or discriminatory measures. The guarantee also extends to property rights, barring any confiscation or other termination of rights without fair compensation, and also forbids restrictions on the legal transfer of the investment (e.g., the project or local holding companies) by the Group or its shareholders. The agreement also contains detailed procedures for dispute resolution, with arbitration in London pursuant to the rules of the International Chamber of Commerce.

7. EXPLORATION AND EVALUATION ASSETS AND EXPENDITURES (continued)

(a) Exploration and evaluation assets (continued)

Annual expenditures / Acquisition cost and carrying value

To maintain its mineral concessions the Group is required to meet certain spending requirements as communicated to the Government of Ecuador. Further details are provided in Note 19. The carrying value of the Group's Cangrejos Project at December 31, 2021 is $1,701,100 (December 31, 2020 - $1,701,100).

(b) Exploration and evaluation expenditures

The Group's exploration and evaluation expenditures ("E&E") on its Cangrejos Project for the years ended December 31, 2021 and 2020 are as follows:

	Year ended December 31, 2021	2020
Assays / Sampling	$ 8,537	$ 6,595
Camp	754,778	641,445
Camp access and improvements	94,132	100,317
Drilling	1,018,930	-
Engineering	85,607	847,443
Environmental, Health & Safety	502,634	360,450
Field office	372,652	287,727
Geological consulting	390,675	577,334
Geological and field staff	88,098	23,211
Legal fees	165,180	128,351
Metallurgical	-	203,847
Mineral rights and property fees	226,659	80,201
Project management[(1)]	674,933	1,127,298
Reports	-	71,505
Social and community[(1)]	544,929	564,748
Share-based payment (Note 10(a))	304,987	366,793
Transportation and accommodation	323,163	287,434
Costs incurred during the year	$ 5,555,894	$ 5,674,699
Cumulative E&E incurred, beginning of year [(2)]	$ 43,406,157	$ 37,731,458
E&E incurred during the year	5,555,894	5,674,699
Cumulative E&E incurred, end of year	$ 48,962,051	$ 43,406,157

[(1)] Expenses classified and recorded as project management and social and community costs include key management personnel costs (see Note 17).
[(2)] E&E expenditures have been disclosed on a cumulative basis since January 1, 2004 for the Cangrejos Project.

8. STANDBY LOAN

On October 28, 2020, the Company entered into an unsecured credit agreement (the "Standby Loan") with Ross Beaty, a shareholder of the Company, wherein he would make available up to C$5 million that could be used by the Company for general corporate and working capital purposes. The loan bore interest at 8% per annum and was subject to a drawdown fee of 1% (on each draw made) and standby fee of 1% of the total facility (due at the time of the initial draw on the facility). The principal and accrued interest was payable upon the earlier of (i) September 30, 2021; (ii) two business days after the Company receives aggregate gross proceeds from one or more equity financings in excess of C$10 million; or (iii) the date of a change of control of the Company. The Company could prepay the Standby Loan in whole at any time before maturity without notice or penalty. On September 13, 2021, the Company and Ross Beaty entered into an amendment agreement whereby the available amount on the Standby Loan was adjusted to C$6 million and the repayment date of September 30, 2021 amended to December 31, 2021. All other terms and conditions of the Standby Loan remained unchanged.

In November 2020, the Company drew C$500,000 of the Standby Loan with further draws totalling C$1,350,000 in December 2020, C$1,000,000 in February 2021, C$500,000 in March 2021, C$500,000 in April 2021, C$400,000 in May 2021, C$350,000 in June 2021, C$400,000 in July 2021 and C$600,000 in September 2021.

For the year ended December 31, 2021, the Company incurred drawdown and standby fee costs totalling C$37,500 (2020 – C$68,500) in respect to the Standby Loan, which were included in the carrying value of the Standby Loan and amortized using effective interest rates ranging from 10.3% to 13.4%.

The Standby Loan (and accrued interest) was settled in two tranches, by the issuance of common shares of the Company: (i) in October 2021, 8,666,666 common shares were issued and (ii) in November 2021, 1,110,247 common shares were issued (see Note 9(d) for more details).

8. STANDBY LOAN (continued)

The following is a summary of the changes in loans and borrowings arising from investing and financing activities for the years ended December 31, 2021 and 2020:

Balance, December 31, 2019	$	-
Draws on Standby Loan, net of deferred financing costs		1,379,746
Accretion and accrued interest		16,618
Unrealized foreign exchange expense		19,599
Balance, December 31, 2020		1,415,963
Draws on Standby Loan, net of deferred financing costs		2,959,195
Accretion and accrued interest		280,665
Foreign exchange gain		(11,237)
Common shares issued to settle Standby Loan (Note 9(d))		(4,498,464)
Gain on settlement of Standby Loan		(146,122)
Balance, December 31, 2021	$	-

9. SHARE CAPITAL

Authorized: Unlimited common shares, without par value.

Issued and fully paid:	Number of Common Shares		Amount
Balance, December 31, 2019	331,273,893	$	86,719,445
Shares issued on exercise of stock options (a)	2,342,535		1,306,912
Balance, December 31, 2020	333,616,428		88,026,357
Shares issued, net of issue costs (b)	31,647,611		14,313,815
Shares issued on exercise of stock options (c)	1,315,321		1,141,333
Shares issued on conversion of Standby Loan (d)	9,776,913		4,498,464
Balance, December 31, 2021	376,356,273	$	107,979,969

(a) During the year ended December 31, 2020, a total of 2,342,535 stock options were exercised at a weighted average exercise price of $0.30 (C$0.40) per common share for total proceeds of $702,765. The previously recognized share-based payment expense relating to these stock options was reclassified from share-based payment reserve to share capital in the amount of $604,147.

(b) In October 2021, the Company closed concurrent private placement financings consisting of (i) a brokered private placement of 16,179,500 common shares at C$0.60 per share and (ii) a non-brokered private placement of 15,468,111 common shares at C$0.60 for proceeds of $14,313,815, net of issue costs of $740,943, which includes 6% finder's fees of $556,935 on a portion of the private placement proceeds.

(c) During the year ended December 31, 2021, a total of 1,315,321 stock options were exercised at a weighted average exercise price of $0.35 (C$0.43) per common share for total proceeds of $458,934. The previously recognized share-based payment expense relating to these stock options was reclassified from share-based payment reserve to share capital in the amount of $682,399.

(d) During the year ended December 31, 2021, the Company issued 9,776,913 common shares at an agreed price of C$0.60 per common share to repay the Standby Loan and accrued interest thereon (Note 8). 8,666,666 common shares were issued in October 2021 with a market price of C$0.58 per common share and 1,110,247 common shares were issued in November 2021 with a market price of C$0.59 per common share.

10. SHARE-BASED PAYMENTS

(a) Stock option plan

The Company has a stock option plan (the "Plan") whereby the Company may grant options to directors, officers, employees and consultants of the Company. The maximum number of shares that may be reserved for issuance under the Plan is limited to 10% of the total number of issued and outstanding shares on the date options are granted. In addition, the number of shares which may be reserved for issuance to any one individual may not exceed 5% of the issued shares on a yearly basis or 2% if the optionee is engaged in investor relations activities or is a consultant. Options are exercisable over periods of up to five years as determined by the Board and are required to have an exercise price no less than the closing market price of the Company's shares prevailing on the day that the option is granted less a discount of up to 25%, the amount of the discount varying with market price in accordance with the policies of the TSX Venture Exchange. The Plan contains no vesting requirements but permits the Board to specify a vesting schedule in its discretion.

During the year ended December 31, 2021, the Company granted 6,000,000 stock options (2020 – 4,915,000) to directors, officers, employees and consultants at a weighted average exercise price of C$0.58 and expiry date of November 23, 2026 (2019 - C$0.75 and expiry date of November 25, 2025). The weighted average fair value of the options granted in the year ended December 31, 2021 was estimated at $0.18 per option at the grant date using Black-Scholes (2020 - $0.18). The vesting schedule of 5,875,000 of the options granted in 2021 was ⅓ on the grant date, ⅓ one year after the grant date and ⅓ two years after the grant date. 125,000 options, which were issued to an investor relations consultant, vest as to ¼ every six months with the initial vesting period after six months.

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

	Year ended December 31, 2021	2020
Risk-free interest rate	1.47%	0.26%
Expected dividend yield	-	-
Expected stock price volatility	42%	45%
Expected option life in years	5	3
Expected rate of forfeiture	0 – 5%	0 – 5%

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

Pursuant to the Company's accounting policy for share-based payments, the fair value of options vesting during the year ended December 31, 2021, in the amount of $991,525 (2020 - $1,179,857) has been recorded in the consolidated statement of comprehensive loss. Of this amount, $686,538 (2020 - $813,064) has been included in fees, salaries and other employee benefits (Note 11) and $304,987 (2020 - $366,793) has been expensed to exploration and evaluation expenditures (Note 7(b)).

(b) Outstanding stock options

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

	Year ended December 31, 2021			2020		
	Number of Options		Weighted Average Exercise Price	Number of Options		Weighted Average Exercise Price
Outstanding, beginning of year	21,856,119	C$	0.61	19,458,654	C$	0.55
Granted	6,000,000	C$	0.58	4,915,000	C$	0.75
Exercised	(1,315,321)	C$	0.43	(2,342,535)	C$	0.40
Expired	(1,740,000)	C$	0.71	(175,000)	C$	0.65
Outstanding, end of year	24,800,798	C$	0.60	21,856,119	C$	0.61

10. SHARE-BASED PAYMENTS (continued)

(b) Outstanding stock options (continued)

The weighted average share price at the date of exercise for share options exercised in 2021 was $0.49 (2020 – $0.65). For each reporting period, the Company had outstanding stock options, including weighted average remaining contractual life, as follows:

December 31, 2021					
Options Outstanding				Options Exercisable	
Number of Options	Expiry Date	Weighted average life (years)	Exercise Price	Number of Options	Exercise Price
500,000	March 6, 2022	0.18	C$ 0.80	500,000	C$ 0.80
1,905,000	December 7, 2022	0.93	C$ 0.58	1,905,000	C$ 0.58
4,689,133	December 4, 2023	1.93	C$ 0.56	4,689,133	C$ 0.56
6,791,665	October 11, 2024	2.78	C$ 0.54	6,791,665	C$ 0.54
4,915,000	November 25, 2025	3.90	C$ 0.75	3,255,840	C$ 0.75
6,000,000	November 23, 2026	4.90	C$ 0.58	1,958,347	C$ 0.58
24,800,798		3.16	C$ 0.60	19,099,985	C$ 0.60

December 31, 2020					
Options Outstanding				Options Exercisable	
Number of Options	Expiry Date	Weighted average life (years)	Exercise Price	Number of Options	Exercise Price
1,173,654	April 20, 2021	0.30	C$ 0.42	1,173,654	C$ 0.42
1,740,000	December 30, 2021	1.00	C$ 0.71	1,740,000	C$ 0.71
500,000	March 6, 2022	1.18	C$ 0.80	500,000	C$ 0.80
1,905,000	December 7, 2022	1.93	C$ 0.58	1,905,000	C$ 0.58
4,764,133	December 4, 2023	2.93	C$ 0.56	4,764,133	C$ 0.56
6,858,332	October 11, 2024	3.78	C$ 0.54	4,440,007	C$ 0.54
4,915,000	November 25, 2025	4.90	C$ 0.75	1,596,674	C$ 0.75
21,856,119		3.22	C$ 0.61	16,119,468	C$ 0.59

11. FEES, SALARIES AND OTHER EMPLOYEE BENEFITS

	Year ended December 31, 2021	2020
Fees and salaries	$ 900,920	$ 922,246
Other benefits	1,598	11,439
Share-based payments (Note 10(a))	686,538	813,064
	$ 1,589,056	$ 1,746,749

12. LOSS PER SHARE

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

	Year ended December 31, 2021	2020
Net loss	$ (7,923,638)	$ (7,972,835)
Weighted average number of common shares outstanding (basic and diluted)	343,619,395	332,020,995
Loss per share – basic and diluted	$ (0.02)	$ (0.02)

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

All of the stock options currently issued (see Note 10) were anti-dilutive for the years ended December 31, 2021 and 2020.

13. CAPITAL RISK MANAGEMENT

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

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

The Company considers its equity, which includes common shares, share-based payment reserve and accumulated deficit as capital. The Company intends to spend available working capital by carrying out its planned acquisition, exploration and development activities on mineral properties and continuing to pay administrative costs.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristic of the underlying assets. In order to maintain or adjust the capital structure the Company may issue new common shares. In order to facilitate analysis and management of its capital requirements, the Company prepares and updates annual budgets (as needed) to ensure that its acquisition and exploration operations can continue to progress. Budgets, once finalized, are approved by the Board. There have not been any changes to the Company's capital management objective, policies and processes compared to the prior year. The Company is not subject to any externally imposed capital requirements.

14. FINANCIAL INSTRUMENTS

(a) Categories of financial assets and financial liabilities

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

	Note	Category	December 31, 2021	December 31, 2020
Cash	4	Amortized cost	$ 12,032,208	$ 535,781
Other receivables	5	Amortized cost	39,811	34,557
Environmental deposit		Amortized cost	51,069	-
Accounts payable and accrued liabilities		Amortized cost	712,689	142,787
Standby Loan	8	Amortized cost	-	1,415,963

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

(b) Fair Value Measurements

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

15. FINANCIAL INSTRUMENT RISKS

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

(a) Credit Risk

The Group considers that its cash, other receivables and environmental deposit are exposed to credit risk, representing maximum exposure of $12,123,088 (2020 - $570,338). Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group's exposure to credit risk on its cash is minimized by maintaining these assets with high-credit quality financial institutions. At December 31, 2021, the Group's cash was held at two financial institutions (2020 – two financial institutions).

(b) Liquidity Risk

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

At December 31, 2021, the Group's current liabilities consisted of trade and other payables of $712,689, due primarily within three months from the period end. The Group's cash of $12,032,208 at December 31, 2021, was sufficient to pay for these current liabilities.

At December 31, 2020, the Group's current liabilities consisted of trade and other payables of $142,787 which were due primarily within three months from the period end and a Standby Loan of $1,415,963, due on September 30, 2021. The Group's cash of $535,781 at December 31, 2020, was not sufficient to pay for the current liabilities. Additional financing was raised during the year ended December 31, 2021, including conversion of the Standby Loan into common shares of the Company (see Notes 8 and 9).

(c) Market Risks

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

Interest Rate Risk

Interest rate risk is the risk that the future cash flows and fair values of the Group will fluctuate because of changes in market interest rates. Based on the Group's cash as at December 31, 2021 and 2020, and assuming that all other variables remained constant, a 1% increase or decrease in interest rates would result in an increase or decrease of approximately, $120,000 and $5,400 respectively, in the Group's interest income on an annual basis.

Currency Risk

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

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

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

15. FINANCIAL INSTRUMENT RISKS (continued)

(c) Market Risks (continued)

Currency Risk (continued)

The foreign exchange risk exposure of the Group's cash and accounts payable and accrued liabilities, as at December 31, 2021 was as follows:

Financial Instrument Type		U.S. Dollar	Currency		+/- 1% Fluctuation		
Cash	$	4,528,299	CAD dollar	$	45,283	$	(45,283)
Accounts payable and accrued liabilities		(12,716)	CAD dollar		(127)		127
Total	$	4,515,583		$	45,156	$	(45,156)

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

Financial Instrument Type		U.S. Dollar	Currency		+/- 1% Fluctuation		
Cash	$	221,956	CAD dollar	$	2,220	$	(2,220)
Accounts payable and accrued liabilities		(15,910)	CAD dollar		(159)		159
Standby Loan		(1,415,963)	CAD dollar		(14,160)		14,160
Total	$	(1,209,917)		$	(12,099)	$	12,099

Other Price Risk

The Group did not hold any financial instruments that had direct exposure to other price risks at December 31, 2021 and 2020.

16. SEGMENTED DISCLOSURE

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

17. GROUP INFORMATION AND RELATED PARTY TRANSACTIONS

Information about subsidiaries

The consolidated financial statements include the following material subsidiary:

	Country of Incorporation	% Equity interest at December 31, 2021	2020
Odin Mining del Ecuador S.A. ("Odin")	Ecuador	100	100

17. GROUP INFORMATION AND RELATED PARTY TRANSACTIONS (continued)

Related party expenses and balances

In addition to the related party transactions described elsewhere in these financial statements (see Note 8 for Standby Loan from shareholder Ross Beaty), the Group incurred the following expenses with related parties:

Company	Nature of transactions		Year ended December 31, 2021		2020
Miedzi Copper Corp. (“Miedzi”)	E&E (geological)	$	8,917	$	31,523
Miedzi	G&A		63,967		46,086
Miedzi	Fees		248,755		243,091
Hathaway Consulting Ltd.	Fees		145,788		146,205
Into the Blue Management Inc.	Fees		134,332		135,073
Koval Management Inc.	Fees		240,329		248,503
La Mar Consulting Inc.	E&E (social and community)		158,420		165,961
Luminex Services Ecuador LS-EC S.A. (“Luminex Services”)	E&E (geological; social and community; and field office)		229,789		377,315
Lyle E Braaten Law Corp.	Fees		122,801		117,524
		$	1,353,098	$	1,511,281

Miedzi is considered a company related by way of directors, officers and shareholders in common. Hathaway Consulting Ltd., Into the Blue Management Inc., Koval Management Inc., La Mar Consulting Inc. and Lyle E Braaten Law Corp. are related by way of being owned by directors or officers of the Company. Luminex Services is a wholly owned subsidiary of Luminex Resources Corp. (“Luminex”) and provided personnel services to Odin. Luminex is considered a related party by way of directors, officers and shareholders in common.

Related party transactions are recognized at the amounts agreed between the parties. Outstanding balances are unsecured and settlement occurs in cash. At December 31, 2021, there were no amounts owing to related parties for transactions between the above-noted companies (2020 – $Nil).

Key management personnel compensation

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

		Year ended December 31, 2021		2020
Short-term benefits (i)	$	1,082,018	$	1,103,685
Share-based payments (ii)		666,449		561,366
Total remuneration	$	1,748,467	$	1,665,051

(i) Short-term benefits include fees and salaries, including where those costs have been allocated to E&E expenditures (see Note 7(b)).
(ii) Share-based payments are the fair value of options granted (vested and unvested) to key management personnel as at the grant date (see Note 10(a)), including where those amounts have been allocated to E&E expenditures.
(iii) Key management personnel were not paid post-employment benefits, termination benefits, or long-term benefits during the years ended December 31, 2021 and 2020.

18. TAXES

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

	December 31, 2021	December 31, 2020
Deferred income tax assets		
Exploration and evaluation asset	$ 6,663,000	$ 5,899,000
Non-capital income tax losses carried forward	8,260,000	7,270,000
Capital losses carried forward	1,187,000	1,124,000
Other assets	389,000	317,000
	16,499,000	14,610,000
Unrecognized deferred income tax assets	(16,499,000)	(14,610,000)
	$ -	$ -

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

	Year ended December 31, 2021	2020
Loss before income taxes	$ (7,923,638)	$ (7,972,835)
Canadian statutory rate	27%	27%
Income tax benefit computed at Canadian statutory rates	$ (2,139,000)	$ (2,153,000)
Permanent differences	194,000	458,000
Expiry of losses carried forward	73,000	96,000
Other	(229,000)	199,000
Differences between foreign and Canadian statutory rates	212,000	142,000
Change in unrecognized deferred tax assets	1,889,000	1,258,000
	$ -	$ -

At December 31, 2021, the Group has Canadian capital losses that may be carried forward indefinitely of approximately $8,792,000 and Canadian non-capital income tax losses carried forward of approximately $27,616,000 expiring in various years to 2041, that may be available to offset future taxable income. The Group also has net operating losses which can be carried forward in Ecuador for five years of approximately $3,654,000. The Group's tax losses expire as follows:

Year of Expiry	Canada	Ecuador
2022	$ -	$ 431,000
2023	-	737,000
2024	-	924,000
2025	-	987,000
2026	295,000	575,000
2027	97,000	-
2028	403,000	-
2029	336,000	-
2030	486,000	-
2031	148,000	-
2032	207,000	-
2033	1,420,000	-
2034	1,524,000	-
2035	1,462,000	-
2036	2,003,000	-
2037	3,781,000	-
2038	3,105,000	-
2039	4,819,000	-
2040	4,391,000	-
2041	3,139,000	-
	$ 27,616,000	$ 3,654,000

18. TAXES (continued)

The Group's other deductible temporary differences are comprised principally of $30,133,000 in relation to exploration and evaluation assets and land in Ecuador and $1,451,000 in exploration tax pools and share issue costs in Canada.

19. COMMITMENTS AND CONTINGENT LIABILITY

Commitments

As at December 31, 2021, the Group has entered into agreements that are not recognized as ROU assets and that include investment obligations in Ecuador on mineral concessions, rental agreements and contracted studies that require minimum payments in the aggregate as follows:

Within one year	$	63,000

The amount of the commitment for 2022 pertaining to mineral concessions in Ecuador is $845,000.

Contingent liability

Lumina has entered into an agency agreement with Miedzi and Luminex to facilitate transactions between the entities and provide clarity around ongoing G&A costs in the case of withdrawal from the agency agreement, including provisions for rent of premises and personnel costs. At December 31, 2021, and assuming withdrawal from the agency agreement at that date, Lumina's obligation to Miedzi would be approximately $356,000 (2020 - $286,000).

20. POST-REPORTING DATE EVENT

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorization of the consolidated financial statements except that 608,333 stock options with exercise prices ranging from C$0.54 to C$0.80 per common share expired in March and April 2022.