LUMINA GOLD CORP.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE THREE MONTHS ENDED MARCH 31, 2022**

**TSX-V: LUM**

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 the Company's wholly owned Cangrejos Project, located in the foothills of the Andes in southwest Ecuador (the "Cangrejos Project").

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".

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 months ended March 31, 2022 and 2021, 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, 2021.

## ADDITIONAL INFORMATION

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

The Company reports its financial information in U.S. dollars and all monetary amounts set forth herein are expressed in U.S. dollars unless specifically stated otherwise. The financial information presented in this MD&A has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (the "IASB"). The Company's unaudited condensed consolidated interim financial statements for the three months ended March 31, 2022 and 2021 were prepared in accordance with IAS 34 *Interim Financial Reporting*.

Leo Hathaway, P.Geo., is a qualified person as defined by National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* ("NI 43-101") and has reviewed and approved for inclusion the scientific and technical disclosure in this MD&A. Mr. Hathaway is 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 and plans;
- the Company's plans and activities to continue exploration, including drilling programs, as well as related initiatives;
- timing of and plans for future exploration and development work and expenditures on the Cangrejos Project;
- estimates of mineral resources at the Cangrejos Project;
- estimates of potential economic recoveries at the Cangrejos Project;
- estimates and / or forecasts of future metal prices;
- possible related discoveries, or extensions, of new mineralization or increases of, or upgrades to, reported mineral resource estimates, and related studies at the Cangrejos Project;
- the potential for the Cangrejos Project to be an economic, large-scale open pit gold and copper mine;
- the upgrading of inferred mineral resources to indicated or measured mineral resources;
- the results of the Company's 2020 Preliminary Economic Assessment ("PEA") on the Cangrejos Project;
- the potential for an updated mineral resource estimate to support a proposed Pre-Feasibility Study ("PFS"), as well as the detailed work to expand upon the studies contained in the 2020 PEA that would be required for a PFS, and estimates as to the timing for the completion of required work programs and the PFS;
- 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;
- the Company´s ability to acquire, secure, and maintain access to surface lands needed for exploration and studies related to the PFS, as well as for future mine development;
- the Company's ability to continue as a going concern;
- the adequacy of the Company's working capital;
- the Company's planned use of proceeds from its financing activities;
- 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 impact of future accounting standards on the Company;
- the Company's efforts to monitor and interpret market and economic, political and social conditions (globally and in Ecuador);
- the Company´s ability to manage relations with economic, political and social stakeholders in Ecuador;
- the Company's ability to identify and, with government support, control and terminate incursions by illegal miners into its concessions;
- the mining assets and properties of the Company being and remaining attractive investment opportunities;
- the effects of the COVID-19 virus and its variants on Ecuador and the Company's areas of operation, as well as the Company's plans and activities; and,
- any additional risks and uncertainties with regard to the Company's business.

In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "goal", "objective", "scheduled", "estimates", "forecasts', "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or information 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; accuracy of metallurgical test work; anticipated political and social conditions and events; expected Ecuador national, provincial and local government policies, including legal and regulatory reforms; and, ability to successfully raise or otherwise access additional capital.

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

- risks relating to the impacts of epidemics, pandemics and other health issues, including COVID-19 and its variants, internationally, nationally across Ecuador, and in the localities where the Company operates as well as the availability of cures and preventative vaccines;
- risks relating to price fluctuations of gold, copper, and other precious and base metals;
- risks relating to the Company having a single project asset;
- risks relating to geological and engineering assumptions (including with respect to the tonnage, grade and recoverability of mineral reserves and resources) in the PEA for the Cangrejos Project;
- risks relating to the PEA proving to be inaccurate in any material respect, including new technical and engineering information and data obtained subsequent to the PEA;
- risks relating to the Company's ability to implement the recommendations contained in the PEA for the Cangrejos Project;
- risks relating to the estimated cost, timing and results of a PFS or other studies;
- risks relating to the Cangrejos Project being located in Ecuador, including political, social, economic, security and regulatory instability;
- risks relating to government expropriation or cancellation of the Company's mineral property interests;
- risks relating to changes in Ecuador's national (including the executive and legislative assembly), provincial and local political leadership, as well as the impacts these may have on general, environmental and mining specific public policies, laws, regulations, and other norms or decisions issued by administrative agencies or provincial or local government bodies, in addition to legal, political and social stability;
- risks relating to governmental administrative and social investment initiatives and measures including: austerity and efficiency programs; government reorganization and restructuring, such as consolidation of ministries and agencies; changes in leadership at different regulatory and other government bodies, such as the Ministry of Energy and Mines, Ministry of Environment, Water and Ecological Transition ("MAATE"), and the Agency for Regulation and Control of Non-Renewable Natural Resources ("ARCERNNR", formerly "ARCOM"); modifications to agency competencies and administrative processes; staffing changes and reductions; and, proposals for public-private partnerships to invest in social programs or infrastructure in local communities and municipalities;
- risks relating to national, provincial and local political and social activism or unrest, including opposition to the government's economic programs and mining industry development policies, as well as to specific mining and infrastructure projects, concerns about the environment and water, pressure for economic benefits such as employment or social donation or investment programs, changes to the taxation and labor regimes, access to land for agricultural or artisanal mining use, or for illegal mining or other unlawful purposes, or other demands;
- risks relating to local communities and municipalities, including social unrest, public consultations, and initiatives seeking to restrict economic activities, including mining;
- risks relating to the political, social, environmental and geological conditions in areas within or in proximity to the concessions under development;
- risks relating to the activities of other mining actors, legal or illegal, in the area of the project and elsewhere in Ecuador, which may result in direct or indirect impacts on Lumina´s project;
- risks relating to Lumina's rights or activities being impacted by litigation or administrative processes;

- risks relating to Lumina's ability to access or secure and maintain control over 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 the ability to harmonize the obligations from the different environmental licenses that applied prior to the consolidation of the four primary concession areas, compliance with Environmental Management Plans, periodic audits, monitoring and remediation;
- risks relating to Lumina's ability to prevent illegal mining on or evict it from its concessions, with or without support from national, provincial or local authorities;
- risks relating to Lumina's ability to safely operate in challenging terrain, habitats, and climates, which can present dangers to worker health and safety, as well as environmental management;
- risks relating to Lumina's ability to source qualified human resources, including managers, employees, contractors / consultants, attorneys, and sub-contractors, as well as the performances of all such resources (including human error, accidents, labour disputes and actions outside of the control of Lumina, such as wilful negligence, including on the part 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 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 competition inherent in the mining exploration industry, in Ecuador and elsewhere;
- risks of impacts from unpredictable natural and / or social occurrences, such as epidemics or pandemics, adverse weather conditions, including rain, 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 the Cangrejos Project is 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 of national currency;
- risks relating to fluctuations in interest and inflation rates;
- risks relating to restrictions on access to and movement of capital;
- risks relating to the value of the Company's common shares fluctuating based on market factors, including volatility, or political risk sentiments;
- 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 the 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 of the data presented herein, the mining industry involves risks and uncertainties and the data is subject to change based on various factors.

## OVERVIEW OF SIGNIFICANT EVENTS AND REVIEW OF ACTIVITIES

In order to better understand the Company's financial results, it is important to gain an appreciation of the significant events, transactions and activities involving mineral property interests that occurred during the three months ended March 31, 2022 and to the date of this MD&A. This overview should be read in conjunction with the remainder of this MD&A to appreciate more fully the Company's results and activities for the three months ended March 31, 2022.

### Cangrejos Project

Lumina holds the Cangrejos Project, a discovery of high-tonnage, low-grade, gold-copper mineralization in a porphyry environment, as well as lower-tonnage, higher-grade, gold-copper mineralization in structurally focused settings above and peripheral to the porphyry mineralization. To date the Company has defined significant gold and copper mineral resources at the Cangrejos and Gran Bestia deposits within the Cangrejos Project. The Cangrejos Project is located in the foothills of the Andes in the southwest of Ecuador and lies 30 kilometres ("km") southeast of Machala, the capital of El Oro Province, and 150 km south of Guayaquil, Ecuador's largest city. It also benefits from close proximity to the port of Puerto Bolivar (located near Machala), located approximately 40 km away on the Pacific Ocean.

The Cangrejos Project consists of seven mineral concessions covering a total area of 6,373 hectares. Within the area of the concessions, Lumina currently owns or controls approximately 1,512 hectares of land / surface rights, which cover various important locations with respect to the known and potential targets. These surface areas include approximately 360 hectares granted by way of government easement on the concession formerly known as Cangrejos 20 ("C20") and approximately 480 hectares of land that were acquired in November 2019 consisting of approximately 400 hectares for possible facility siting and 80 hectares to the north of the Gran Bestia deposit where the deposit remains open. In May 2022, the Company entered into an agreement whereby it is proposed that, upon the satisfaction of various conditions, one of the Company's non-core mineral concessions will be exchanged for approximately 218 hectares of land.

In June 2020, the Company announced the results of its PEA on the Cangrejos Project, prepared in accordance with NI 43-101. Base case economics were calculated using a gold price of $1,400 per ounce, copper price of $2.75 per pound, molybdenum price of $9.00 per pound, and silver price of $16.00 per ounce. The effective date of the PEA is June 8, 2020. The PEA's highlights include the following estimates:

- Life of mine ("LOM") average annual payable production of 366 thousand ounces gold;
- LOM average annual payable by-product production of 46 million lbs copper;
- 25-year mine life;
- 40 ktpd processing operation during years 1-5, with an expansion to 80 ktpd in year 6;
- After-tax NPV (5%) and IRR of $1.6 billion and 16.2%;
- Average cash operating costs of $545/oz and all-in sustaining costs of $604/oz, net of by-product credits;
- LOM processed grades of 0.56 grams per tonne ("g/t") gold and 0.10% copper;
- LOM revenue mix of 78.9% gold, 19.4% copper and 1.7% molybdenum plus silver;
- Initial capital costs including working capital and refundable Value Added Tax ("VAT"), of $1 billion; and,
- Expansion capital to double throughput including working capital of $454 million.

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. Furthermore, there is no certainty that the PEA will be realized. Additional details on the PEA can be viewed in the Company's technical report relating to the PEA, titled "Cangrejos Gold-Copper Project El Oro Province, Ecuador - NI 43-101 Technical Report Preliminary Economic Assessment", with an effective date of June 8, 2020, and an execution date of July 24, 2020. The technical report is available on SEDAR or the Company's website. The PEA includes mineral resources from two adjacent mineral deposits, being Cangrejos and Gran Bestia.

During the three months ended March 31, 2022 and to the date of this MD&A, the Company's activities on the Cangrejos Project include:

- On October 26, 2021, drilling recommenced at the Cangrejos Project for a program contemplating approximately 30,000 metres of infill, step-out, mine geotechnical and hydrogeological drillholes. As of May 17, 2022, the Company has completed 24,733 metres of infill drilling in 81 holes (75 completed and six in progress) along with a further 1,720 metres of geotechnical drilling completed in three holes. The main infill drilling program is designed to convert the resource contained in the Company's PEA ultimate pits to the Measured or Indicated category, for inclusion in a Pre-Feasibility Study. In addition, drill holes are being performed to step-out on the existing resource, to provide further material for metallurgical testing, and to be used for advancing geotechnical and hydrogeological studies. Results of drilling to date have been announced by the Company via news releases dated February 3, 2022, March 15, 2022, March 29, 2022 and May 9, 2022, which are available on the Company's website or on SEDAR under the Company's profile.

- In February 2022, the Company announced that Ausenco Engineering Canada Inc. ("Ausenco") had been appointed to lead the Cangrejos Project PFS (responsible for processing, infrastructure, geotechnical and environmental engineering, including capital and operating costs and economic analysis). Ausenco was responsible for the waste rock, tailings management and site infrastructure portions of the 2020 PEA and has familiarity with the Cangrejos Project. As part of the PFS work for the Cangrejos Project, Lumina and Ausenco have agreed to complete trade-off and optimization studies around the following areas:

    - Process plant layout and siting with the aim of reducing the plant footprint;
    - Overall review of metallurgical test work with the aim to simplify the process flowsheet;
    - Gravity gold recovery circuit cost/benefit analysis and gravity gold treatment method;
    - Gold-copper extraction/recovery circuit optimization, including saprolite and sap-rock processing;
    - Molybdenum concentrate circuit cost/benefit analysis;
    - High Pressure Grinding Rolls ("HPGR") processing cost/benefit analysis versus semi-autogenous grinding ("SAG") / ball mill circuit;
    - Process plant throughput optimization based on current information with the aim to identify capital and operating expenditure reductions versus the 2020 PEA; and
    - Review of the 2020 PEA filter plant and dry stack tailings design to identify optimization opportunities, including evaluating potential conventional slurry tailings and dry stack sites.

  The balance of the consulting team engaged to work on the PFS includes: MTB Project Management (project management); SIM Geological (mineral resource estimation); Independent Mining Consultants (mine engineering); Robert Michel Enterprises (economic model); ND King Consulting (metallurgy); C.H. Plenge & Cia (metallurgical testing); Wiley & Norrish (pit slope design); Global Resource Engineering (hydrology, hydrogeology and geochemical characterization); and, Social Capital Group (social assessment).

**COVID-19**

In response to the COVID-19 pandemic, the Company has implemented a series of special health and safety protocols that are consistent with current Ecuadorian Ministry of Health and Ministry of Labor norms, as well as relevant World Health Organization ("WHO") and US Center for Disease Control and Prevention ("CDC") guidelines. The Government of Ecuador has implemented an aggressive COVID-19 vaccination campaign in order to minimize the spread of the virus and its variants. The Government has also created an Emergency Operations Committee that is tasked with determining an appropriate degree of control and restrictions at the local and provincial levels, including limits on public gatherings and transportation and masking and testing protocols. The Company also abides by all local restrictions on activity that may be imposed by the different municipalities in which it operates, as well as evolving rules governing interprovincial transportation.

In July 2021, as part of the Ministry of Health's national campaign to control COVID-19 in Ecuador, all unvaccinated Company personnel in Ecuador participated in a vaccination program for strategic sector industries (which includes mining and mineral exploration). All the Company's local personnel have now received at least two doses of a COVID-19 vaccine, and a booster program is underway.

The Company's protocols address training of all staff and contractors on COVID-19 symptoms and protective measures, processes for the safe transportation of personnel to the Cangrejos Project's camp, restriction of project site access, testing and masking requirements, and application of social distancing and heightened cleanliness measures. In keeping with recent government directives, polymerase chain reaction ("PCR") testing prior to camp entry has ceased in lieu of medical screening, with the administration of rapid antigen tests if COVID-19 is suspected. Regular follow-on medical checkups are conducted for personnel on shift. Positive cases are referred for confirmatory PCR testing. Although activities at site are slowly returning to normal, modified emergency response procedures are expected to remain in place for as long as the Emergency Operations Committee considers COVID-19 to be a public health threat. Given the periodic appearance of COVID-19 variants and the subsequent changes in preventive measures announced by health authorities in different jurisdictions, these measures are expected to continue in some form or another at least through the end of 2022.

Corporate and in-country administrative offices were temporarily closed early on during the pandemic crisis, and remote work arrangements were established for all employees and contractors as appropriate. The offices have since reopened in keeping with national and municipal health and safety guidelines. Community relations programs are ongoing, and the Company has provided substantial COVID-19 support, including food and educational and health equipment to local communities.

**Financing Activity**

On October 28, 2020, the Company entered into an agreement with Ross Beaty, the Company's largest shareholder, to establish a CAD$5 million unsecured credit facility (the "Facility" or "Standby Loan"). The Facility was to provide short-term financing for general corporate and working capital purposes. The Facility bore interest of 8% per annum and had an original maturity on 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 CAD$10 million; or (iii) the date of a change of control of the Company, at which time it was to be repaid in full. The Facility also had a 1% standby fee, as well as a 1% drawdown fee. The Company made an initial draw on the Facility of CAD$500,000 in November 2020. Subsequent draws on the Facility were made from December 2020 through July 2021 totalling CAD$4,500,000 for a total principal amount of CAD$5,000,000. In September 2021, the Company and Ross Beaty agreed to increase the Facility from CAD$5 million to CAD$6 million and to amend the repayment date to December 31, 2021. An additional CAD$600,000 was drawn on the Facility in September 2021. On October 6, 2021, the Company issued 8,666,666 common shares at an agreed price of CAD$0.60 per share to repay a portion of the Facility with a further 1,110,247 common shares being issued on November 29, 2021, also at an agreed price of CAD$0.60 per share, in order to repay the remaining balance of the Facility.

During the year ended December 31, 2021, the Company received proceeds from the exercise of stock options in the amount of $458,934. Additionally, on October 6, 2021, the Company closed concurrent private placement financings consisting of (i) a brokered private placement of 16,179,500 common shares at CAD$0.60 per share and (ii) a non-brokered private placement of 15,468,111 common shares at CAD$0.60 for gross proceeds of CAD$18,988,567 (net amount after share issue costs and finder's fees of $14,313,815). Given the Company's cash balance of $7,675,767 at March 31, 2022, approximately $6.6 million of cash received from the private placement financings had been expended by March 31, 2022.

**OUTLOOK**

As described earlier in this MD&A in the section "Overview of significant events and review of activities," the Company is performing a drilling campaign and engineering studies at the Cangrejos Project in support of the ongoing PFS and has contracted with consultants to provide support and assistance thereto. While the fieldwork and studies completed as part of the 2020 PEA will be built upon and support portions of the PFS, the Company continues to work with the consulting team to further define plans and refine the scoping for the PFS. In addition to the infill drilling, as described earlier in this MD&A, drill holes will also step-out on portions of the existing resource laterally with the goal of adding additional mineral resources, provide further material for metallurgical testing, and be used for collecting further engineering characterization data and advancing geotechnical and hydrogeological studies supporting mine design within the Cangrejos and Gran Bestia deposits. Additional PFS site engineering investigation work is ongoing to support process facility and infrastructure siting and design. Equally important, the Company is continuing to collect project environmental data to support the PFS and as part of its environmental management program and is working with local communities on community development, social programs and employment. The Company currently has eight drill rigs at the Cangrejos Project and expects to complete its current drilling program in July 2022.

In parallel with the drilling program, the majority of trade-off and optimization studies outlined earlier in this MD&A are underway and expected to be completed in the second quarter of 2022. This work, along with an updated mineral resource estimate, mine plan, metallurgical test work, process flowsheet development, facility and infrastructure siting work, and environmental characterization, will define the PFS project design for engineering, cost estimation and economic valuation. The PFS is expected to be completed during the first half of 2023.

**REVIEW OF FINANCIAL RESULTS**

This review of the results of operations should be read in conjunction with the unaudited condensed consolidated interim financial statements of the Company for the three months ended March 31, 2022 and 2021 along with other public disclosure documents of the Company.

For the three months ended March 31, 2022, the Company reported a net loss of $6,140,814 compared to a net loss of $1,840,064 for the three months ended March 31, 2021. The significant increase in net loss arose primarily as a result of the Company's current drilling program in support of a proposed PFS during the three months ended March 31, 2022 as compared to the prior year equivalent period when no significant work programs were being conducted.

**Exploration and Evaluation Asset (Mineral Property)**

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 March 31, 2022, the carrying value of the exploration and evaluation asset related to the Cangrejos Project was $1,701,100 (December 31, 2021 - $1,701,100).

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 months ended March 31, 2022.

**Expenses**

***Exploration and evaluation expenditures***

The Company's E&E expenditures on the Cangrejos Project were as follows for the three months ended March 31, 2022 and 2021:

| | Three months ended March 31, 2022 | 2021 | Increased (decreased) Expenditure |
|---|---|---|---|
| Assays / Sampling | $ 126,982 | $ 2,590 | $ 124,392 |
| Camp | 321,069 | 158,804 | 162,265 |
| Camp access and improvements | 95,967 | 28,573 | 67,394 |
| Drilling | 3,439,738 | - | 3,439,738 |
| Engineering | 360,871 | 53,433 | 307,438 |
| Environmental, Health & Safety | 211,319 | 190,539 | 20,780 |
| Field office | 159,981 | 79,449 | 80,532 |
| Geological consulting | 118,478 | 77,999 | 40,479 |
| Geological and field staff | 102,827 | 5,239 | 97,588 |
| Legal fees | 20,212 | 101,493 | (81,281) |
| Metallurgical | 67,980 | - | 67,980 |
| Mineral rights and property fees | 143,488 | 64,562 | 78,926 |
| Project management | 175,754 | 168,702 | 7,052 |
| Reports | 47,361 | - | 47,361 |
| Social and community | 116,405 | 103,277 | 13,128 |
| Share-based payment | 50,427 | 44,947 | 5,480 |
| Transportation and accommodation | 148,552 | 82,419 | 66,133 |
| | $ 5,707,411 | $ 1,162,026 | $ 4,545,385 |

As discussed earlier in this MD&A, the Company has seen a significant increase in E&E expenditures during the three months ended March 31, 2022 as a result of the current drilling program at the Cangrejos Project and the studies and consultants that have been engaged as part of the work for the Company's proposed PFS. Only minimal activities were being conducted during the three months ended March 31, 2021 with a focus on ongoing community relations and support in light of the COVID-19 pandemic and its impact on both the Company and the residents of towns near the Cangrejos Project.

***Other operating expenses***

The Company's other operating expenses for the three months ended March 31, 2022 and 2021 were as follows:

| | Three months ended March 31, 2022 | 2021 | Increased (decreased) Expenditure |
|---|---|---|---|
| Fees, salaries and other employee benefits | $ 304,517 | $ 276,898 | $ 27,619 |
| General and administration ("G&A") | 114,456 | 197,153 | (82,697) |
| Professional fees | 28,112 | 103,666 | (75,554) |
| Insurance | 23,069 | 6,891 | 16,178 |
| | $ 470,154 | $ 584,608 | $ (114,454) |

Fees, salaries and other employee benefits for the three months ended March 31, 2022 include $110,629 of share-based payment expense (three months ended March 31, 2021 - $110,764). Excluding this non-cash expense, fees, salaries and other employee benefits for the three months ended March 31, 2022 were $193,888 compared to $166,134 for the three months ended March 31, 2021. The increase period on period is attributable to an increase in investor relations activity. Other operating expenses (G&A and professional fees) were lower for the three months ended March 31, 2022 compared to the three months ended March 31, 2021. G&A costs were primarily lower in the 2022 period due to travel costs while professional fees vary from period to period as these services are utilized depending on circumstances that arise.

***Other income / expenses***

The Company's other income / expenses for the three months ended March 31, 2022 and 2021 were as follows:

| | Three months ended March 31, 2022 | 2021 |
|---|---|---|
| Interest income and other | $ 5,421 | $ 342 |
| Interest and financing expense | (1,645) | (59,877) |
| Foreign exchange gain (loss) | 32,975 | (33,895) |
| | $ 36,751 | $ (93,430) |

During the three months ended March 31, 2021, the Company incurred interest and financing fee expenses on the Standby Loan which was in place during that period of time. The Standby Loan was repaid by issuance of common shares of the Company in 2021 so was no longer outstanding during the three months ended March 31, 2022. Foreign exchange gains or losses primarily arise as a result of cash and cash equivalents held in Canadian dollars, the Company's Standby Loan (during the 2021 period) which was denominated in Canadian dollars, and the fluctuation of the exchange rate between Canadian and U.S. dollars.

**Related Party Transactions**

The Company incurred the following expenses with related parties:

| Related company | Nature of transactions | Three months ended March 31, 2022 | 2021 |
|---|---|---|---|
| Miedzi Copper Corp. ("Miedzi") | E&E (geological) | $ 341 | $ 3,002 |
| Miedzi | G&A | 9,692 | 10,997 |
| Miedzi | Fees | 50,769 | 47,164 |
| Hathaway Consulting Ltd. | Fees | 26,709 | 25,529 |
| Into the Blue Management Inc. | Fees | 21,528 | 24,545 |
| Koval Management Inc. | Fees | 48,591 | 47,275 |
| La Mar Consulting Inc. | E&E (social/community) | 34,395 | 32,793 |
| Luminex Services Ecuador LS-EC S.A. ("Luminex Services") | E&E (geological; social/community; field office) | - | 70,762 |
| Lyle E Braaten Law Corp. | Fees | 18,959 | 17,021 |
| | | $ 210,984 | $ 279,088 |

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 subsidiary of Luminex Resources Corp. ("Luminex") and provided personnel services to Odin Mining del Ecuador S.A. ("Odin"), the Company's wholly owned subsidiary that holds the Cangrejos Project. 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 March 31, 2022, there were no amounts owing to related parties (December 31, 2021 - $Nil).

**SUMMARY OF QUARTERLY RESULTS (UNAUDITED)**

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

| Three Months Ended: | March 31, 2022 | December 31, 2021 | September 30, 2021 | June 30, 2021 |
|---|---|---|---|---|
| Revenue | $ - | $ - | $ - | $ - |
| Expenses | (6,177,565) | (3,526,977) | (1,184,315) | (1,313,372) |
| Other income (expenses) | 36,751 | 65,323 | 845 | (125,078) |
| Net loss for the period | (6,140,814) | (3,461,654) | (1,183,470) | (1,438,450) |
| Basic and diluted loss per share | (0.02) | (0.01) | (0.005) | (0.01) |

| Three Months Ended: | March 31, 2021 | December 31, 2020 | September 30, 2020 | June 30, 2020 |
|---|---|---|---|---|
| Revenue | $ - | $ - | $ - | $ - |
| Expenses | (1,746,634) | (2,196,328) | (1,384,296) | (1,837,687) |
| Other income (expenses) | (93,430) | (35,206) | 8,135 | 13,556 |
| Net loss for the period | (1,840,064) | (2,231,534) | (1,376,161) | (1,824,131) |
| Basic and diluted loss per share | (0.01) | (0.01) | (0.005) | (0.01) |

The Company's quarterly results reflect the ongoing exploration and evaluation efforts made on the Cangrejos Project, which efforts vary from period to period as described in more detail below depending on the current phase of activity being conducted. During the three months ended June 30, 2020 expenses totalled $1,837,687 reflecting the Company's work on completing the 2020 PEA for the Cangrejos Project.

Expenses for the three months ended September 30, 2020 were $1,384,296, a reduction of $453,391 compared to the quarter ended June 30, 2020. The final PEA report was issued in July 2020 following which the Company's expenditures with the various consultants related thereto decreased. The Company's exploration work in the quarter ended September 30, 2020 primarily consisted of a rock sampling program while ongoing support was provided to local communities.

The Company's work efforts on its Cangrejos Project in each of the three months ended December 31, 2020, March 31, 2021, June 30, 2021 and September 30, 2021, continued to primarily consist of ongoing rock sampling and community support. E&E expense for the quarter ended December 31, 2020 was $1,280,988, which was broadly consistent with the quarter ended September 30, 2020 at $1,009,803. Fees, salaries and employee benefits expense in the quarter ended December 31, 2020 was $811,448 compared to $308,611 for the quarter ended September 30, 2020. The increase arose due to year-end bonuses and share-based payment expense related to stock options granted in November 2020.

Expenses for the three months ended March 31, 2021 totalled $1,746,634, a reduction of $449,694 compared to the previous quarter while expenses for the three months ended June 30, 2021 totalled $1,313,372, a further reduction of $433,262. These costs reflect the Company's decision to reduce work programs and holding costs for the Cangrejos Project during this period. The further reduction in costs for the three months ended June 30, 2021 arose as the Company continued its general work programs at the Cangrejos Project but also sought to minimize operating costs to preserve cash to the extent possible. These efforts to reduce costs continued in the three months ended September 30, 2021 while the Company was in the process of raising additional equity financing (which closed in early October 2021) in order to commence work on a PFS.

Expenses for the three months ended December 31, 2021 increased significantly compared to the prior quarters. The single largest factor contributing to the increase in expenses arose as a result of the recommencement of drilling at the Cangrejos Project in support of a PFS. Drilling expense alone for the three months ended December 31, 2021 was $1,018,930. Included in expenses are fees, salaries and other employee benefits expense which totalled $761,484 in the three months ended December 31, 2021 compared to $269,323 for the three months ended September 30, 2021. Consistent with prior years, this expense increased in the three months ended December 31, 2021 as a result of year-end bonuses and share-based payment expense related to the stock options granted in November 2021.

As described earlier in this MD&A, the Company has continued and expanded its drilling program and PFS work during the three months ended March 31, 2022 which resulted in total expenses for the period of $6,177,565. E&E expenses totalled $5,707,411 which includes $3,439,738 on drilling alone, significantly higher than in the prior periods noted above.

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

Additional disclosure concerning the Company's expenses and mineral property costs is provided earlier in this MD&A and in Note 6 of the Company's unaudited condensed consolidated interim financial statements for the three months ended March 31, 2022 and 2021.

## LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2022, the Company had cash of $7,675,767 compared to cash of $12,032,208 at December 31, 2021. The Company's working capital at March 31, 2022 was $5,508,505 compared to $11,488,059 at December 31, 2021. The Company's cash at March 31, 2022, was sufficient to meet the Company's current accounts payable and accrued liabilities at that date.

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

At March 31, 2022, the Company's cash was held at Scotiabank, a major chartered bank in Canada, and one bank in Ecuador. Management is not aware of any liquidity issues associated with any of the banks in which funds have been deposited.

The Company had no long-term debt obligations or off-balance sheet arrangements at March 31, 2022.

In order to keep its mineral concessions in Ecuador in good standing, the Company is required to meet certain spending commitments each year, which are communicated to the Government of Ecuador on an annual basis. The Company's 2022 commitment of $845,000 has been satisfied as at the date of this MD&A.

To date, the capital requirements of the Company have been met by equity or loan proceeds. As described in Note 2(b) to the unaudited condensed consolidated interim financial statements of the Company for the three months ended March 31, 2022, the Company has incurred cumulative losses of $103,459,793 and will continue to incur losses in the development of its business. The Company's ability to continue as a going concern is dependent upon obtaining additional financing, entering into a joint venture, a merger or other business combination transaction involving a third party, sale of all or a portion of the Company's assets, the outright sale of the Company, the successful development of the Company's mineral property interests, or a combination thereof. In addition, the Company has recently expanded the pace of its E&E activities at the Cangrejos Project as it seeks to work on a PFS. This increase in the level and pace of E&E activities will require additional financing to be sought in the near-term in order to continue the work required for the Company's proposed PFS.

The COVID-19 pandemic remains ongoing. 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 reasonably estimated at this time. The Company is monitoring developments and will adapt its business plans accordingly. The actual and threatened spread of COVID-19 and its variants globally could adversely impact the Company's ability to carry out its plans and raise capital. The ability to raise additional financing for future activities 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 March 31, 2022, the Company's financial instruments consist of cash, other receivables, environmental deposit and accounts payable and accrued liabilities. Fair value estimates are made at the balance sheet date based on generally accepted pricing models, discounted cash flow analysis or using prices from observable current market transactions. These estimates are subjective in nature and may involve significant uncertainties in matters of judgment and, therefore, cannot be determined with precision. The fair values of the Company's financial instruments approximate their carrying values due to their short terms to maturity or capacity for prompt liquidation and the interest rates being charged or earned on these amounts.

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

- Cash: amortized cost.
- Other receivables: amortized cost.
- Environmental deposit: 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 described in more detail below.

### 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 months ended March 31, 2022.

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

**Liquidity Risk**

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

At March 31, 2022, the Company's current liabilities consisted of accounts payable and accrued liabilities of $2,271,045, due primarily within the next quarter. The Company's cash of $7,675,767 at March 31, 2022 was sufficient to pay these current 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 months ended March 31, 2022 is interest income earned on the Company's cash. Based on the Company's cash at March 31, 2022, 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 $77,000 (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 Canadian dollars of which the 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 March 31, 2022, the Company's cash included $2,063,899 held in Canadian dollars as disclosed in Note 3 of the unaudited condensed consolidated interim financial statements for the three months ended March 31, 2022. In addition, the Company had $81,267 in accounts payable that was denominated in Canadian dollars at March 31, 2022. 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 $20,000 to the results of operations based upon the foreign currency financial instruments (including cash) held at March 31, 2022.

**SHARE CAPITAL**

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

| | | |
|---|---|---|
| Common shares: | 376,356,273 | |
| Common share purchase options: | 24,192,465 | exercisable between CAD$0.54 - CAD$0.75 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.

**Going concern**

The assessment of the Company's ability to continue as a going concern requires significant judgment. As disclosed in Note 2(b) of the unaudited condensed consolidated interim financial statements for the three months ended March 31, 2022, the Company has incurred cumulative losses of $103,459,793. The ability of the Company to continue as a going concern is dependent upon obtaining additional financing, entering into a joint venture, a merger or other business combination transaction involving a third party, sale of all or a portion of the Company's assets, the outright sale of the Company, the successful development of the Company's mineral property interests or a combination thereof. Factors that the Company evaluates include forecasts, the ability to reduce expenditures if required, and indications of shareholder support.

**Exploration and evaluation assets**

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

**Share-based payments**

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

## CHANGES IN ACCOUNTING STANDARDS

The Company has not early adopted any amendment, standard or interpretation that has been issued by the IASB but that is not yet effective, nor has it identified any such standard or interpretation that is expected to have a material impact on the Company's 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, regulatory, security, financial, economic, and metals pricing. Additionally, often due to factors that cannot be predicted or foreseen, few exploration projects successfully achieve development. While risk management cannot eliminate the impact of all potential risks, the Company strives to manage risks to the extent possible and practicable.

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

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

The impacts of the still spreading and ongoing COVID-19 pandemic and its variants on the Company are unpredictable. The Company continues to adapt work in Quito and at the Cangrejos Project in response to the mandates of the governmental authorities of Ecuador, and to employee and local concerns. Health and safety rules in all jurisdictions are constantly evolving and the Company will continue to evaluate and adapt to announcements and norms. Government and local restrictions on the movement of people and goods may cause visits, fieldwork and analysis performed by the Company and its contractors to slow or even cease, as well as impact operating costs. While it appears that Ecuador´s national vaccination campaign has been a success, future aggressive measures to counter contagion, including the imposition of localized restrictions, cannot be ruled out. Likewise, other jurisdictions, including Canadian provinces and states in the United States of America, have at times instituted work and/or mobility restrictions. Such disruptions may sideline Company personnel temporarily, as well as cause the Company to push out forecasts for activity and increase fiscal losses. In addition, the outbreak of COVID-19 continues to cause considerable disruption to the world economy and financial and metals markets, which could have a material adverse impact on the ability of the Company to execute its strategy or raise funding and might negatively impact, among other factors, the Company's share price. While the Company has taken measures to protect its operations, the implementation of remote working practices for the Company as a result of COVID-19 increases the risk of exposure and susceptibility to information technology challenges including attempted actions by malicious third parties.

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

Mineral exploration involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. The property interests owned by the Company are in the exploration stage only, are without known bodies of commercial mineralization and the Company has no ongoing mining production at any of them. The Company's mineral exploration activities may not result in any discoveries of commercial bodies of mineralization. If the Company's efforts do not result in any discovery of commercial mineralization, the Company will be forced to look for other exploration projects or cease operations. As well, the exploration and development activities of the Company may be disrupted by a variety of risks and hazards, which may be beyond the control of the Company. These risks include, but are not limited to, social and political opposition or strife, litigation, 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.

- *The Cangrejos Project is the Company's sole material property*.

The Cangrejos Project is the Company's sole material property. Actual development costs may differ materially from the Company's estimates and may render the development of the Cangrejos Project economically unfeasible. The Company is largely dependent upon the Cangrejos Project for future revenue and profits, if any. Should the development of the Cangrejos Project not be possible or practicable for engineering, technical, environmental, economic, regulatory, political or social reasons, then the Company's business and financial position will be significantly and adversely affected.

While the Company has discovered a potentially economic mineral resource at the Cangrejos Project, there is no assurance that the Company will be able to monetize the asset by developing a mine thereon, or otherwise strategically benefit from such mineral resource or mineral reserve, and this could materially adversely affect the Company's financial condition 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 management and protection;
  - land use designations and restrictions;
  - social consultation and public referendums;
  - corporate social responsibility;
  - judicial rulings and precedents regarding laws, regulations and other norms;
  - 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, including duties;
  - securities and finance regulations;
  - taxation;
  - mining royalties;
  - escalated fees or other financial contributions for solidarity purposes in response to the COVID-19 virus or other public emergency;
  - 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);
  - restrictions on the movement of people into and out of Ecuador, as well as their permanence in-country;

- transportation;
- hiring practices and labour standards by companies and contractors, as well as occupational health and safety, including mine safety;
- reporting requirements related to work activity, investment, social and environmental impacts, health and safety, and other matters;
- processes for preventing, controlling or halting artisanal or illegal mining activities;
- historic, archaeological and cultural preservation; and,
- restrictions and requirements related to responses to COVID-19.

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

It is a challenge to comply strictly with all of the norms that apply to the Company. The Company retains competent and trained staff, professionals, attorneys, advisors and consultants in the different jurisdictions in which it does business; however, there is no certainty that both it and its contractors will continuously be compliant with all applicable laws and regulations. Failure to comply with all applicable norms could lead to financial restatements, fines, penalties and other material negative impacts on the Company.

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

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

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

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

The Company´s concessions are in close proximity to and, in limited areas, overlap with local communities. It needs local community approvals, explicit or otherwise, in order to access and operate continuously in some areas. The Company often enters into agreements with local communities, groups or individuals that address surface access, road or trail usage, local employment, social investment and other key issues. The ethnic composition, social organization and landownership structure of the communities may differ on a case by case basis, as may the Company´s exploration requirements and impacts. Similarly, local concerns regarding environmental and social impacts, both current and historic, including pressures and worries related to the activities of illegal miners and other formal miners in the vicinity of the project, as well as expectations related to Company employment, social investment programs and other benefits, as well as concerns over land and water use and impacts, typically vary from place to place. Every local stakeholder relationship, however, requires ongoing dialogue and relationship management. For these purposes, the Company has assembled a Community Relations team, which is led by experienced professionals and, when necessary, supported by expert consultants, who develop and execute social communications strategies and implementation plans aimed at creating sustainable and enduring relationships based on dialogue, collaboration, shared interests and trust. Events do not always unfold as intended or according to plan, however, and the status of relations can deteriorate for any number of reasons, including, but not limited to: influences of local or external political or social actors or organizations, shifts in the agendas or interests of individuals or the community as a whole, the Company´s inability to deliver on community demands, expectations or its commitments, worries about the Company´s exploration activities and related impacts, or concerns stemming from communities' historic or recent experiences with legal and/or illegal miners. The Community Relations team is prepared to manage such situations and issues are usually resolved through dialogue within a reasonable timeframe. However, if under extreme circumstances the Company were to lose its social license with influential local stakeholders and be unable to recover it, this could impact the viability of the project. By the same token, if the Company is unable to obtain social licenses from some communities, some of its activities could be affected.

Additionally, in recent years, local political and social groups and organizations, including indigenous confederations, at times funded at least in part by international non-governmental organizations, have increased their activities related to extractive industries in many jurisdictions, including Ecuador. Activists have taken such actions as road closures and work stoppages, as well as succeeded in attracting the attention of different local, national and international media outlets, at times negatively impacting the reputations of the mining sector and/or specific companies. In 2019, anti-mining activists in Ecuador succeeded in bringing about a public vote on mining activity in a canton in the highlands of Azuay province near a significant mining project. Subsequent efforts to promote similar votes in Azuay and Imbabura Provinces were denied by the Constitutional Court. However, on September 8, 2020, a petition for a public consultation vote on metallic mining activities filed by the Mayor of Cuenca in Azuay province covering the water charge zones of five local rivers was approved by the Constitutional Court and implemented by the National Electoral Council on February 7, 2021, with the anti-mining option earning a majority vote. The Court subsequently made clear that such votes can not affect pre-existing rights and therefore apply solely to future mining concessions.

On June 30, 2021, the Constitutional Court denied a petition for a consultation opposing metallic mining in the metropolitan district of Quito, the nation's capital, where some metallic mining concessions have been granted. As in prior denials, the Court found the petition did not comply with basic clarity and transparency requirements, and also that the geographic scope would enable residents of one canton to decide on matters affecting residents of neighboring cantons. A revised petition was approved on January 28, 2022, however, and the petitioners were given six months to collect the 200,000 signatures required for the National Election Council to proceed with the popular consultation vote, which will involve residents of the Metropolitan District of Quito.

Activists have also brought claims before the courts seeking to constitutionally enjoin mining companies from advancing projects until the Government of Ecuador complies with its commitments under article 57 of the Constitution of the Republic of Ecuador and the ILO convention, which requires free, prior and informed consultation to aboriginal or indigenous communities. While it is the Company's understanding that there are no aboriginal or indigenous communities in the area of the Cangrejos Project, the expansion of such initiatives can not be entirely ruled out and, if pursued, may have a material adverse effect on the Company's operations at the Cangrejos Project and on its financial position, cash flows and results of operations. The National Assembly in Ecuador is obligated to enact a law to regulate the free, prior and informed consultation to aboriginal or indigenous communities in accordance with Article 57.7 of the Ecuadorean Constitution. However, drafts of this law are still being discussed and input would have to be provided by stakeholders with no certain timelines as to when such a law may be enacted.

In June 2021, activists presented a petition for a national popular consultation on five questions to the Constitutional Court, two of which targeted mining activities. The Constitutional Court dismissed the petition on formal grounds. However, activists can be expected to continue filing similar petitions and indeed on October 19, 2021 they filed a new petition asking the Constitutional Court to declare Executive Decrees 95 (Hydrocarbons Policy) and 151 (Mining Action Plan) unconstitutional. Similar to prior petitions, these filings do not appear to comply with the standards set by the Court on its jurisprudence and therefore are unlikely to be admitted.

In January 2022, the Constitutional Court declared the Hydric Resources Law unconstitutional. This decision was in response to a petition presented by activists in 2015, who claimed that the legislation was enacted without conducting the requisite pre-legislative consultation with affected indigenous communities. The law remains in effect until a new norm has been approved. The Lasso administration has a year to present a draft law for approval by the Assembly, which in turn must carry out a pre-legislative consultation process with indigenous communities across Ecuador before it can be passed.

In February 2022, the membership of the Constitutional Court changed, when one-third of the nine judges were randomly selected for replacement. Two of the outgoing judges were considered to have an anti-extractives ideology and their rulings, supported by a majority of their peers, often reflected this philosophy. While the Company has been advised that the new members of the Court can be expected to take a more objective and legalistic approach, there can be no certainty as to how the Constitutional Court will rule on future matters.

- *The Company's properties are attractive to artisanal and illegal miners.*

The Company's concessions are located close to communities with long-standing alluvial, 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 areas in the Company´s concessions as attractive targets for alluvial or hard rock mining. In some cases, local informal operators (occasionally financed by outsiders), having exhausted development opportunities at their current location, may seek to expand or relocate their activities into areas controlled by the Company. In other instances, illegal miners may relocate to one of the Company's concession areas in response to government or private company pressure that has shut down their prior operations in a different part of the country. Local and national political and regulatory authorities may come under pressure to support or not impede the ambitions of these local actors. 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, let alone promptly terminated. Furthermore, there is a risk that in the future, due to political or social factors, regulators may take decisions to grant artisanal miners access to parts of the Cangrejos Project properties that impact the viability of the Company's project, or illegal miners may occupy neighboring properties with impunity, impacting the local environment, communities and public perceptions of mining in the area.

- *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 mining operations. The Company employs a dedicated permitting team that is often supported by outside experts, including legal counsel and environmental consultants. Nonetheless, obtaining or renewing necessary permits can be a complex, expensive and time-consuming process, which at times involves several political jurisdictions and different government agencies that may not have the expertise, resources or political disposition needed for efficient and timely processing, and may require public hearings and costly undertakings on the Company's part. The duration and success of the Company's efforts to obtain and renew permits are contingent upon many variables not within its control, including changes in leadership, personnel and policies at the regulator, the interpretation of applicable requirements implemented by permitting authorities, the expertise and diligence of civil servants, challenges presented by social and political actors, and the 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, which could adversely impact the Company's operations, share price, ability to finance and, ultimately, eventual profitability.

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

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

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

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

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

- *The mineral exploration industry is intensely competitive in all its aspects.*

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

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

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

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

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

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

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

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

The estimated parameters for the Company's projects may be changed as development and mining plans are generated and refined. These parameters would include estimates of how plants, equipment and processes may operate in the future at the Company's projects, for which costs 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 managed. These risks include, but are not limited to: tectonic or weather activity that may provoke landslides, damage infrastructure or other impacts; labour disruptions; health emergencies; fires; local political or social pressure; negative local or national reactions to activities by other mining actors, legal or illegal, in Ecuador or abroad; legislative and regulatory changes; crime, including corruption; the inability to obtain adequate sources of power, water, labour, suitable or adequate machinery and equipment, and service providers, including drilling, engineering and environmental contractors, as well as expert attorneys and consultants. In addition, the Company may be unable to acquire or obtain such requirements as water rights, easements and other surface rights, which may be critical for the continued advancement of exploration, development and operational activities on its mineral concessions. Furthermore, the Company is regularly involved in a number of administrative and legal processes where, in spite of its best efforts and those of its legal advisors and consultants, results are uncertain. These processes could generate delays and adverse decisions, which could negatively impact project development and the Company's prospects.

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

Mining, development, exploration and production activities depend, to different degrees, on adequate infrastructure and services. Reliable roads, bridges, power and fuel sources, as well as water supplies, are important determinants that affect capital, as well as operating costs and safety. 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 accessible or implementable, there can be no assurance that the development of the Company's project will commence or be completed on a timely basis, if at all. In addition, unusual or infrequent weather phenomena, tectonic activity, sabotage, government, social or other interference in the maintenance or provision of such infrastructure could adversely affect the Company's operations and profitability.

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

Mineral exploration involves risks, which, even with a combination of experience, knowledge and careful evaluation, mining exploration companies may not be able to overcome. Operations in which the Company has a direct or indirect interest may be subject to all the hazards and risks normally incidental to exploration of precious and non-precious metals, any of which could result in work stoppages, 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 can fluctuate significantly over time, as well as experience periods of major volatility, which may adversely affect the economic viability of the Company's mineral assets.*

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

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

The Company's mineral property, and related subsidiary, are located in Ecuador and may be exposed to various types and degrees of security, economic, labour, political, social and other risks and uncertainties. These risks and uncertainties include, but are not limited to: illness; terrorism; hostage taking; public protests, including demonstrations and roadblocks; military repression; high rates of inflation; labour unrest; war or civil unrest; local political and/or social opposition to mining; 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 of Ecuador'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 national and more localized electoral results and political appointments; government austerity and other measures impacting the political will and operational capability of ministries, agencies and other government entities; challenges to the validity of governmental acts; litigation and judicial decisions, including approval of processes for popular votes to ban mining in different jurisdictions, that run counter to the Government of Ecuador's pro-mining policies, possibly precipitated by activists opposed to extractive industries and/or foreign investment; local, municipal and provincial environmental protection initiatives; corrupt or unethical behaviour by government officials or agents, judges, media interests, and even Company employees; and, governmental regulations that may favour or require the awarding of contracts to local contractors or require foreign contractors to employ residents of, or purchase supplies from, a particular jurisdiction. The reputation of Ecuador as a developing nation, perceived by many as having a track record of economic and political instability and measures contrary to attracting investment in the mining sector and other areas of the economy, may make it more difficult for the Company to obtain any required exploration and development financing or strategic investment for its projects.

Changes in mining or investment policies or shifts in political and public attitudes towards mining and / or foreign investment 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, as well as provincial and local norms, with respect to, but not limited to: restrictions on production; price controls; export controls; currency remittances; taxes, including income taxes, property taxes, value added taxes, capital gains taxes, windfall taxes, and the sovereign adjustment tax; royalties; expropriation of property; foreign investment; maintenance of claims; the environment; land use, including territorial bans on different types of mining activities; land claims or other demands by local people; social consultation and other permitting requirements; corporate social responsibility; artisanal and illegal mining operations; labour; health; transportation; water use; imports and exports; and, mine safety. Failure to comply strictly with applicable laws, regulations and local norms and 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 a foreign subsidiary and substantially all of its assets are held in that entity. Accordingly, any limitation on the transfer of cash or other assets between the parent corporation and such entity 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 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.