



**LUMINA GOLD CORP.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017**

**TSX-V: LUM**



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

---

## **INTRODUCTION**

Lumina Gold Corp. ("Lumina" or the "Company") is a resource exploration company with a focus on the exploration and development of mining projects in Ecuador. On November 1, 2016, Lumina completed the acquisition of Ecuador Gold and Copper Corp. ("EGX"). The Company wholly owns the Cangrejos Project, located in the foothills of the Andes in southwest Ecuador, as well as certain of the areas collectively known as the Condor Project, located in the Province of Zamora-Chinchipe in southern Ecuador. The majority of concession areas that comprise the Condor Project are held by Condormining Corporation S.A. which is 90% owned by the Company. The other 10% is owned by the Instituto de Seguridad Social de las Fuerzas Armadas ("ISSFA"), which is a pension fund for Ecuador's armed forces personnel. In addition, the Company holds a further 31 mineral concession licenses totaling 120,766 hectares, which were granted pursuant to an auction process in Ecuador.

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 (the "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 and nine months ended September 30, 2017 and 2016, 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, 2016.

## **ADDITIONAL INFORMATION**

Additional information about the Company is available under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.luminagold.com](http://www.luminagold.com).

The Company reports its financial information in United States dollars and all monetary amounts set forth herein are expressed in U.S. dollars unless specifically stated otherwise. The 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 periods ended September 30, 2017 and 2016 were prepared in accordance with IAS 34 *Interim Financial Reporting*.

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

## **FORWARD-LOOKING INFORMATION**

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

- Lumina's acquisition of concessions and projects, and the regulatory reporting and amount of spending required to maintain the concessions in good-standing;
- future development work, including proposed IP geophysical surveying and projected expenditures, on the Cangrejos Project, the Condor Project, and other projects;
- Company plans to continue or initiate exploration and drilling programs, and possible related discoveries or extensions of new mineralization or increases or upgrades to reported mineral resource estimates at the Cangrejos Project, the Condor Project and other projects;
- the Company's plans to complete a Preliminary Economic Assessment on the Cangrejos Project including the timing related to finalize the Preliminary Economic Assessment and the items required to support the Preliminary Economic Assessment;
- inferred mineral resources being upgraded to indicated or measured mineral resources;
- the filing of a NI 43-101 technical report;
- the outcome of legal matters and appeals raised by Mr. Mendieta;
- proposed joint venture / earn-in arrangements with third parties on the Company's concessions;
- the prospects for identifying and/or acquiring additional mining concessions or projects, within or outside of Ecuador, with realistic discovery potential that could add value to the Company;
- permitting and regulatory requirements related to any exploration and development and related operations, as well as any costs related thereto;

- legislative and regulatory reform initiatives, including those related to the fiscal regime, and their potential effects on Lumina;
- the adequacy of the Company's working capital;
- that certain insiders of the Company will participate in the Offering (as defined herein), the closing date of the Offering and the proposed use of proceeds under the Offering;
- the Company's ability to raise additional financing or find alternative ways to advance its corporate objectives, and the use of financing proceeds;
- that the Company will monitor market and political conditions (both globally and in Ecuador) and the Government of Ecuador's concession tender process;
- that the Company will monitor its initial drill program at Condor on an ongoing basis;
- that the Company will continue to evaluate additional exploration project opportunities in Ecuador and elsewhere;
- that the Company will bid on further prospective targets should they become available;
- the Company's going-forward strategy;
- that the Company will look for strategic partners for highly prospective copper and molybdenum deposits found on its new concessions;
- projected expenditures on the Company's mineral concessions;
- the Company's ability to continue as a going concern;
- the impact of future accounting standards on the Company;
- the risks and uncertainties around the Company's business;
- the Company's expectation of sustained improvement in copper and gold markets;
- the validity of the Government of Ecuador's mineral concession auction process and the rights granted thereby;
- that under President Moreno the Government of Ecuador will build on the foundation laid by the prior administration and continue working to transform Ecuador into a destination for long-term mining investment;
- Ecuador remaining an attractive mining jurisdiction; and,
- the mining assets and properties acquired by the Company being attractive investment opportunities.

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

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

- risks relating to price fluctuations for gold, copper, and other precious and base metals;
- risks inherent in mineral resource estimation;
- risks relating to inaccurate geological and engineering assumptions (including with respect to the tonnage, grade and recoverability of reserves and resources)
- risks relating to all the Company's mineral concessions and projects being located in Ecuador, including political, social, economic, security and regulatory instability;
- risks relating to changes in Ecuador's national, provincial and local political leadership, including impacts these may have on public policies, administrative agencies and social stability;
- risks relating to local political and social unrest, including opposition to mining, pressure for economic benefits such as employment or social investment programs, access to land for agricultural or artisanal or illegal mining purposes, or other demands;
- risks relating to Lumina's rights or activities being impacted by litigation;
- risks relating to Lumina's operations being subject to environmental and remediation requirements;
- risks relating to Lumina's ability to source qualified human resources, including consultants, attorneys, and sub-contractors;
- risks of title disputes or claims affecting mining concessions or surface ownership rights;
- risks relating to adverse changes to laws, regulations or other norms placing increased regulatory burdens or extending timelines for regulatory approval processes, including environmental, safety, social, taxation and other matters;
- risks relating to delays in obtaining governmental approvals or financing necessary for the execution of exploration, development or construction activities;
- risks relating to failure of plant, equipment or processes to operate as anticipated;
- risks relating to performance of human resources, including accidents and labour disputes;
- risks relating to competition inherent in the mining exploration industry;

- risks of impacts from unpredictable natural occurrences, such as adverse weather conditions, fire, natural erosion, landslides, and geological activity, including earthquakes and volcanic activity;
- risks relating to inadequate insurance or inability to obtain insurance;
- risks relating to the fact that Lumina's properties are not yet in commercial production;
- risks relating to the Company's working capital and requirements for additional capital;
- risks relating to currency exchange fluctuations or change in national currency;
- risks relating to fluctuations in interest and inflation rates;
- risks relating to restrictions on access to and movement of capital;
- other risks of the mining industry;
- risks relating to Ecuador's President Moreno not remaining in office for his entire term or maintaining or improving Ecuador's economic policies, including support for development of Ecuador's mining sector;

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 prepared by the Company employing data from publicly available industry sources, as well as from market research and industry analysis, and on assumptions based on data and knowledge of this industry 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 industry data presented herein, the industry involves risks and uncertainties and the data is subject to change based on various factors.

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

In order to better understand the Company's financial results, it is important to gain an appreciation of the significant events, transactions and activities involving mineral property interests that occurred during the three and nine months ended September 30, 2017 and to the date of this MD&A. This overview should be read in conjunction with the remainder of this MD&A to more fully appreciate the Company's results and activities for the three and nine months ended September 30, 2017.

### **Cangrejos Project**

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

The Cangrejos Project consists of five consolidated mineral concessions covering a total area of 5,594 hectares. In addition, as announced on November 16, 2016, the Company was awarded the neighbouring Cangrejos 20 concession which comprises an additional 780 hectares located in the central area of the Cangrejos Project. Within the area of the concessions, Lumina currently controls about 615 hectares of land / surface rights over various important locations with respect to the known and potential targets. The addition of the Cangrejos 20 concession consolidates the Company's position in the area, which has had a combined 15,747 metres of historical drilling comprised of 55 holes.

The Company has completed 7,186 metres of its announced 12,000 metre infill drilling program at Cangrejos. Lumina expects to resume drilling at Cangrejos in the first half of 2018. The 15 holes drilled in 2017 that make up the 7,186 metres were utilized to prepare an updated mineral resource estimate, which the Company announced by a news release titled "Lumina Gold Announces Updated Cangrejos Inferred Mineral Resource; Contained Gold More Than Doubled to 8.8 Million Ounces" and dated November 6, 2017. The results of the updated inferred mineral resource estimate included the following highlights:

- contained gold increased from 4.0 to 8.8 million ounces at a grade of 0.65 grams per tonne;
- resource tonnage increased from 192 to 423 million tonnes; and
- resource includes 1.1 billion pounds of copper, 8.2 million ounces of silver and 23 million pounds of molybdenum.

The highlights above are calculated using the base case cut-off grade of 0.35 grams per tonne gold equivalent ("AuEq") as summarized in the table below. The significant increase in the mineral resource size compared to the maiden resource announced in January 2017 is primarily due to new drilling completed in 2017 that encountered additional high-grade gold and

copper mineralization at depth. As a result, the resource limiting pit shell now extends to depths exceeding 600 metres below surface, approximately 300 metres deeper than the previous resource limiting pit shell. There have also been changes to the interpretation of the mineralized domains used to control the distribution of gold and copper grades in the model, resulting in a reduction in the size of the low-grade central core of the deposit. The Cangrejos deposit remains open to further drilling to the north, south, west and at depth.

Cut-Off AuEq (g/t)	Million Tonnes	Average Grade					Contained Metals			
		AuEq (g/t)	Au (g/t)	Cu (%)	Ag (g/t)	Mo (ppm)	Au (Moz)	Cu (Mlbs)	Ag (Moz)	Mo (Mlb)
0.25	459	0.81	0.62	0.11	0.6	23.7	9.1	1,082	8.8	24
0.30	441	0.83	0.63	0.11	0.6	24.3	9.0	1,069	8.5	24
<b>0.35 (Base Case)</b>	<b>423</b>	<b>0.85</b>	<b>0.65</b>	<b>0.11</b>	<b>0.6</b>	<b>24.8</b>	<b>8.8</b>	<b>1,053</b>	<b>8.2</b>	<b>23</b>
0.40	404	0.87	0.67	0.12	0.6	25.2	8.7	1,042	7.9	22
0.45	382	0.90	0.69	0.12	0.6	25.6	8.4	1,010	7.5	22
0.50	357	0.93	0.71	0.12	0.6	26.1	8.1	976	7.1	21
0.55	330	0.96	0.73	0.13	0.6	26.6	7.8	939	6.8	19
0.60	302	0.99	0.76	0.13	0.7	27.2	7.4	891	6.3	18

Notes:

- (1) The mineral resource estimate has an effective date of October 30, 2017.
- (2) Mineral resources do not have demonstrated economic viability. The estimate of mineral resources may be materially affected by environmental, permitting, legal, title, taxation, sociopolitical, marketing, or other relevant issues.
- (3) The quantity and grade of reported Inferred mineral resources in this estimation are conceptual in nature and there has been insufficient exploration to define these Inferred mineral resources as an Indicated or Measured mineral resource. It is reasonable to expect that the majority of Inferred mineral resources could be upgraded to Indicated or Measured mineral resources with continued exploration.
- (4) The mineral resources in this estimate were calculated with the Canadian Institute of Mining, Metallurgy and Petroleum ("CIM"), CIM Standards on Mineral Resources and Reserves. Definitions and Guidelines prepared by the CIM Standing Committee on Reserve Definitions.
- (5) Gold equivalent values were calculated using the following prices: for gold a price of US\$1,300 per ounce, for copper a price of US\$3.00 per pound, for molybdenum a price of US\$8.00 per pound and for silver a price of US\$18 per ounce. Gold equivalent values can be calculated using the following formula: AuEq = Au g/t + (Ag g/t x 0.0138) + (Cu % x 1.580) + (Mo ppm / 10,000 x 4.219).
- (6) The base case cut-off grade for the estimate of mineral resources is 0.35g/t AuEq.
- (7) The Inferred mineral resources are contained within a limiting pit shell and comprise a coherent body.

This mineral resource estimate was prepared in accordance with National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101") and was based on a total of 18,015 metres of diamond drilling in 50 holes. Of these, 10,376 metres in 23 holes were drilled by the Company, 6,237 metres in 23 holes were drilled by the project's previous operator, Newmont Mining Corporation ("Newmont"), in a joint venture with Lumina's predecessor company, Odin Mining and Exploration Ltd ("Odin") and 1,402 metres in 4 holes were drilled by Odin after the joint venture was dissolved. A NI 43-101 technical report detailing the mineral resource estimate for the Cangrejos Project will be completed and filed on SEDAR ([www.sedar.com](http://www.sedar.com)) and Lumina's website ([www.luminagold.com](http://www.luminagold.com)) within 45 days of November 6, 2017.

In November 2016, Mr. Mauricio Mendieta ("Mendieta") filed a Petition in the Provincial Court of Guayas against Ecuador's Ministry of Mining seeking the annulment of administrative acts that voided Mendieta's mining concession (which has since been acquired as part of the Company's Cangrejos 20 concession). On June 14, 2017, the Court dismissed the Petition on the basis that Mendieta had failed to comply with his legal obligations to keep the concession in good standing. On July 18, 2017, Mendieta filed a cassation recourse before the National Court, which on September 9, 2017 was rejected because it did not comply with the mandatory legal formalities for its admission. On October 20, 2017, Mendieta submitted an Extraordinary Protection Action ("ECA") with the Constitutional Court, claiming he was denied access to justice on the sole omission of formalities and therefore his right to due process was violated. At the moment, the Constitutional Court is reviewing Mr. Mendieta's ECA to determine whether it complies with the legal requirements for its admission. If the Constitutional Court dismisses Mr. Mendieta's ECA, this ruling will be final and not subject to appeal. If the Constitutional Court accepts Mr. Mendieta's ECA, it will order the National Court to reconsider whether the cassation recourse filed by Mr. Mendieta merits admission.

Mendieta also holds title to certain surface rights over the Cangrejos 20 concession. Accordingly, on May 11, 2017, the Company filed an easement request before the Mining Regulation and Control Agency over Mendieta's property rights in order to access the area and conduct exploration work. On August 9, 2017, the Mining Regulation and Control Agency ("ARCOM") performed the technical "on site" inspection of the area and on September 7, 2017 the ARCOM issued a technical report in which it concluded that it is technically possible to proceed with the easement over the property and defining a compensation value payable by the Company to Mr. Mendieta during the advanced exploration phase of the project, which includes drilling; the report also provided values for a future payment to cover life of the mining title, and would cover mine construction, exploitation and closure. However, on October 12, 2017, Mr. Mendieta submitted a request to ARCOM for greater details regarding the technical justifications for granting of the easement, which ARCOM is currently processing.

During the three months ended September 30, 2017, and to the current date, the Company continued work in various areas which will ultimately be used to support a Preliminary Economic Assessment ("PEA"). Highlights of this include advancement of a metallurgical test program, a project siting / infrastructure study, collection of geotechnical data to assist in pit slope design and preliminary mine planning and scheduling work. With the exception of the siting/infrastructure study, these PEA items will be completed in the fourth quarter of 2017. In addition, the Company completed improvements to infrastructure at Cangrejos

including (i) rehabilitation of the access road to camp, (ii) addition of a new core shack and (iii) improvements to accommodations which will increase the camp capacity for workers and visitors. In addition, on September 25, 2017, the Company submitted an EIA application to the Ministry of Environment ("MAE"), which must be approved before advanced exploration activity, including drilling, can commence at Cangrejos 20. The MAE review process is underway.

### **Condor Project and Related Properties**

Following the acquisition of EGX on November 1, 2016, the Company holds title to seven mineral concessions, collectively known as the "Condor Project", in southern Ecuador totalling an area of 8,269 hectares. Lumina considers that within this area there are several distinct mineral deposits as follows: (i) Santa Barbara, (ii) Los Cuyes, (iii) El Hito, and (iv) Chinapintza. The Company holds land / surface rights over an area of approximately 598 hectares that overlie the concessions of the Condor Project. In addition, the Company holds 130 hectares of land access rights granted by way of easements.

The Chinapintza and Los Cuyes deposits are hosted in a subvolcanic system consisting primarily of epithermal high-grade gold veins and breccia. South and southwest of this system are the Santa Barbara gold and copper porphyry disseminated deposit and the El Hito copper and molybdenum deposit. In addition to these four deposits, there are several exploration targets within the Condor Project consisting of gold and iron rich skarns, epithermal gold and other undeveloped and under-explored gold rich anomalies.

The Condor Project is located within the Zamora-Chinchipec Province in southwestern Ecuador. The region is serviced by air from the city of Loja which is a three-hour drive from the Condor Project. Access is by paved highways via the provincial capital of Zamora and then 30 km east to the village of Zumbi. From Zumbi there is approximately 35km of gravel road passing through several villages to the Condor Project. Lundin Gold Inc.'s ("Lundin") Fruta del Norte gold project is located approximately 30km to the north.

Since the acquisition of EGX, the Company has been working with porphyry experts to refine its understanding of the projects' deposits before making decisions on how best to proceed with exploration and development work later in 2017. Most of the work conducted in the three months ended September 30, 2017, consisted of preparation work for planned 34 line-kilometers of Induced Polarization ("IP") geophysical surveying and completion of extensive geochemical sampling (rock, soil and stream sediment) focused largely at expansion of known open or adjacent anomalies in the Santa Barbara area. Gold and copper mineralization at Santa Barbara has historically been outlined by a combination of geochemistry and corresponding elevated IP chargeability. The current work will help guide follow-up drilling contemplated to target near-surface extensions and likely new zones of mineralization apparent from historic geochemical work in the vicinity of the Santa Barbara resource.

A total of 31-line kilometres of soil-sampling grid (250 metres between lines and 50 metres between sampling sites) were completed at Santa Barbara. During the course of this work several rock outcrops and soil anomalies were discovered which will be targeted with IP geophysical surveying to test for favourability for drill testing. IP geophysical surveying commenced in late October and, to date two lines totalling three kilometers have been completed. This survey is scheduled to be completed by the end of January 2018.

The Company commenced a drilling program at the Santa Barbara deposit on November 6, 2017. As at November 26, 2017, a total of four holes (646 metres) had been drilled. The initial drill plan at Condor calls for approximately 5,000 metres, but will be evaluated on an ongoing basis.

In April and May 2017, the Company completed the acquisition of approximately 147 hectares of lands overlying the Santa Barbara area of the Condor Project at a cost of \$274,118.

### **Developments in Ecuador, Additional Concessions Acquired and Proposed Earn-in with First Quantum Minerals Ltd. ("FQML")**

Over the past couple of years, the Government of Ecuador has been proactively implementing measures to improve the investment climate for mining in Ecuador. This has included, for example, the following measures and actions: (i) legislation extending the recovery of Value Added Tax ("VAT") to the mining industry after January 1, 2018; (ii) opening up the small mining regime to foreign investment; (iii) the implementation and execution of an auction process in 2016 and early 2017 for initial and advanced exploration concessions; and (iv) the negotiation and signing of various agreements in order to allow for the development of the Fruta del Norte Project. The agreements signed include an Exploitation Agreement and an Investment Protection Agreement, instruments intended to provide greater certainty to the operation of a mine in Ecuador. New President Lenin Moreno has stated that his administration will continue policies intended to attract investment and promote development of Ecuador's mining industry. The reappointment of Minister of Mines Javier Cordova signalled this commitment to the mining industry.

Lumina participated in the Government of Ecuador's mineral concession auction process. Under the terms of the auction, a company that is awarded concessions is then obligated to complete the investments proposed in the related applications (which are for a four-year period). Should a company determine that it no longer wishes to retain a concession area it can cease active spending and the concession will then be forfeited back to the government, provided that the cumulative spending commitment to that point in time has been met.

**Management's Discussion and Analysis  
For the Three and Nine Months Ended September 30, 2017**

**November 28, 2017**

The Company has been granted the following areas:

Concession Name	Area (Ha)	General Description	Spending Commitment for First Year <sup>(2)</sup>
Cangrejos 20	780	Located adjacent to the Company's Cangrejos Project.	\$ 3,029,436
Cascas <sup>(1)</sup> (2 concessions)	9,998	Located on trend with the Condor Project.	349,890
Escondida	1,204	Located adjacent to the Condor Project.	219,800
La Canela	3,187	Located on trend with the Condor Project.	240,298
Orquideas	4,743	Located on trend with the Condor Project.	500,000
Palma Real <sup>(1)</sup> (4 concessions)	19,775	Four adjacent concessions located approximately 170km northwest of Quito in the western foothills of the Andes in Esmeraldas Province.	329,375
Pegasus A / Pegasus B / Luz (15 concessions)	67,360	Fifteen concessions located approximately 150km southwest of Quito in Cotopaxi Province.	463,795
Quimi <sup>(1)</sup> (2 concessions)	2,732	Located on trend with the Condor Project.	212,407
Santa Elena <sup>(1)</sup>	628	Located adjacent to the Condor Project.	217,325
Tarqui <sup>(1)</sup> (2 concessions)	4,817	Located on trend with the Condor Project.	253,625
Tres Picachos	4,828	Located on trend with the Condor Project.	236,850
Yawi	1,494	Located on trend with the Condor Project.	219,800
<b>TOTAL</b>	<b>121,546</b>		<b>\$ 6,272,601</b>

<sup>(1)</sup> Concessions acquired by way of option agreement with Proyectmin S.A. which is a related party to the Company. The Company is responsible for funding the required work commitments on the concessions. After two years, the concessions will be transferred to the Company.

<sup>(2)</sup> Assuming there are no changes to the concessions held, the total second-year spending commitment amounts to \$5,772,770. The spending commitment one-year periods are based from the dates that the concessions are granted, not calendar years. In addition, should there be delays in ability to access the area, it is possible to defer the timing of the committed spend.

The Company has commenced initial exploration work, consisting primarily of stream sediment sampling, soil sampling, detailed mapping and outcrop mapping and sampling on the new concessions with a view to define prospective mineralized areas of concessions and advancing projects of merit or limiting the amount of time and funds spent on areas that are deemed not to hold sufficient upside potential. Certain of the acquired concessions in the Zamora Province have legacy work and databases from which the Company is generating work plans for follow up efforts regarding soil and rock geochemical sampling and detailed geologic mapping aiming to better define possible drill targets. While still in an evaluation phase, the Company has completed significant geochemical sampling as it continues to evaluate the merits of these new concessions. Quality ranking is ongoing, and their suitability for further work, is under discussion by management. Projects worthy of continued work are anticipated to be defined by the end of 2017.

On October 26, 2017, the Company announced that it had entered into a non-binding letter of intent for an earn-in agreement with FQML on its Orquideas and Cascas concessions (the "Properties"). The proposed earn-in agreement is based on a minimum commitment of \$1.5 million in year one and would allow FQML to earn 51% ownership in the Properties if they elect to continue funding and make payments totalling an additional \$37 million over a 5-year period. FQML and the Company are working to formalize and execute a binding agreement by the end of 2017. FQML has committed to fund a minimum of \$1.5 million in exploration expenditures and fees by the end of year one, after which it can withdraw from the agreement with no retained interest. If FQML chooses to continue funding beyond year one, it would have the right to earn 51% ownership in the Properties ("First Earn-in") by meeting the required spending commitments over the five-year period and paying certain cash payments to Lumina. Spending commitments and estimated concession license fees over the First Earn-in total \$31.5 million. Lumina would receive \$100,000 upon the signing of a binding agreement. In addition, cash payments of \$6.9 million would be received over the duration of the First Earn-in period. FQML would have the right under the agreement to stop funding prior to completion of the First Earn-in on either or both of the Properties. FQML would also have the right to earn an additional 19% ownership in the Properties ("Second Earn-in") by solely funding all the required work up to a decision to mine, taking FQML's ownership in the Properties to 70%. Post the completion of the Second Earn-in, Lumina would be responsible for funding its 30% share of any capital required to develop and construct a mine at the Properties.

#### Financing Activity

On December 13, 2016, the Company completed a non-brokered private placement of 28,571,428 common shares at a price of CAD\$0.70 per common share, for gross proceeds of approximately CAD\$20,000,000 (\$15,226,340). The proceeds of the private placement were to be used to advance exploration of Lumina's properties and for general working capital purposes. Initial expenditures from the proceeds of the private placement were as follows: (i) share issue costs consisting primarily of finder's fees and legal expenses in the amount of \$464,553 and (ii) repayment of a loan from Ross Beaty in the amount of \$1,054,904 (including accrued interest). The Company has used the funds from this financing activity to carry out its operations during the three and nine months ended September 30, 2017 and to the date of this MD&A.

In November 2017, the Company announced that it had entered into an agreement with a syndicate of agents, co-led by Raymond James Ltd. and Haywood Securities Inc., and including BMO Capital Markets and RBC Capital Markets Inc. (collectively, the "Agents"), that agreed to sell, on a "best efforts" marketed private placement basis, up to 32,258,064 common

---

shares at a price of CAD\$0.62 per common share, for aggregate gross proceeds of approximately C\$20 million (the "Offering"). It is anticipated that certain insiders of the Company will participate in the Offering. The Company plans to use the net proceeds from the Offering for the exploration and advancement of the Company's projects in Ecuador and for general corporate purposes. The Offering is scheduled to close on or about November 29, 2017 the ("Closing Date"), and is subject to certain conditions customary for transactions of this nature, including, but not limited to, the receipt of all necessary approvals, including the approval of the TSX Venture Exchange. The common shares issued in the Offering will be subject to a statutory hold period of four months and one day following the Closing Date.

## **OUTLOOK**

The Government of Ecuador has continued to take actions that confirm its intention to position Ecuador as an attractive mining jurisdiction that can compete for significant foreign investment. This commitment was reaffirmed by President Moreno shortly after assuming office when he reappointed Minister of Mines Javier Cordova, the architect of Ecuador's successful efforts to position itself as an attractive jurisdiction for mining investments; Cordova's success was recognized in October at the Mines and Money conference in Toronto where Ecuador was named Country of the Year. These developments follow on the successful implementation of the auction process for mining concessions discussed above in the section, "Developments in Ecuador and Additional Concessions Awarded". The Company remains actively engaged with the mining community and Government of Ecuador to collaborate towards further positive reform, and it anticipates that under President Moreno the Government of Ecuador will build on the foundation laid by the prior administration and continue working to transform Ecuador into a destination for long-term mining investment.

The Company's acquisition of EGX and participation in the government concession auction process were a direct response to the improving environment for mining in Ecuador, as well as management's view that these specific assets are attractive investment opportunities. The Company also recognizes that the gold sector has improved over the last year and stabilized, and is optimistic that recent geopolitical developments will drive a sustained improvement in the gold and copper markets. The Company will monitor market and political conditions (both globally and in Ecuador), while it continues to evaluate additional exploration project opportunities in Ecuador and elsewhere. The Company also intends to continue to monitor the Government of Ecuador's concession tender process and will bid on further prospective targets should they become available.

The Company's strategy going forward focuses on development of the Cangrejos Project, advancing exploration on the Condor Project and completing a rigorous property review of the newly acquired concessions aimed at advancing projects of merit. As discussed earlier in this MD&A, the Company has initiated a 12,000 metre infill drilling program that is ongoing at Cangrejos. In addition, the Company has completed an updated mineral resource estimate and initiated metallurgical, geotechnical, mining planning, facility siting and infrastructure, social and environmental studies and project related engineering studies in support of completing a National Instrument 43-101 Preliminary Economic Assessment in the second quarter of 2018. At the Condor Project, a soil sampling program focusing on the Santa Barbara deposit, where mineral resources have been defined, and at other prospective but less advanced deposits within the Condor Project, has recently been completed. The final results of this program will be combined with previous drilling, geological and geophysical data to identify additional drilling targets. Currently, drilling and geophysics programs are ongoing at the Santa Barbara deposit. Drilling at Santa Barbara commenced on November 6, 2017. As at November 26, 2017, a total of four holes (646 metres) had been drilled. The initial drill plan at Condor calls for approximately 5,000 metres, but will be evaluated on an ongoing basis.

On the newly obtained concessions, Lumina has commenced and continues to carry out extensive geological mapping and soil and stream sediment sampling to focus the Company's exploration efforts on prospective mineralized areas. This work has enabled the Company to identify high-priority drill targets. For highly prospective copper and molybdenum deposits found on the new concessions, the Company will look for strategic partners such as in the FQML deal announced in October 2017. The Company will also initiate further exploration, project engineering and development studies for its different assets on a case by case basis.

**REVIEW OF FINANCIAL RESULTS**

This review of the results of operations should be read in conjunction with the unaudited condensed consolidated interim financial statements of the Company for the three and nine months ended September 30, 2017 and 2016 along with other public disclosure documents of the Company.

For the three and nine months ended September 30, 2017, the Company reported net losses of \$3,059,479 and \$9,100,226, respectively, compared to \$731,519 and \$2,053,689 for the three and nine months ended September 30, 2016. The overall increase in expenditures arose primarily due to drilling and related exploration work at the Cangrejos Project, the addition of new concessions and their associated annual concession fees as well as the overall increase in activity following the acquisition of EGX.

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

The Company capitalizes costs incurred acquiring exploration and evaluation assets (mineral projects) and any required licenses related thereto with a term of more than one year. At September 30, 2017, the carrying value of the exploration and evaluation asset related to the Cangrejos Project was \$1,701,100 (December 31, 2016 - \$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 7(b) of the unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2017.

On November 1, 2016, the Company completed the acquisition of EGX which has several exploration targets in southern Ecuador in an area collectively known as the Condor Project. The acquisition of EGX was treated as an asset purchase under IFRS and the value assigned to the Condor Project was \$47,487,910 as disclosed in Note 5 of the unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2017.

**Expenses**

***Exploration and evaluation expenditures***

Total E&E expenses for the three and nine months ended September 30, 2017 were \$2,609,984 and \$7,431,958 compared to \$294,420 and \$787,796 for the three and nine months ended September 30, 2016. Expenses in the 2016 periods solely related to the Cangrejos Project. In late 2016 and during 2017, the Company added the Condor Project via the EGX acquisition and was awarded additional mineral concessions from the Government of Ecuador as described earlier in this MD&A.

*Cangrejos Project*

The Company's E&E expenditures on the Cangrejos Project (including Cangrejos 20 for the 2017 periods) were as follows for the three and nine months ended September 30, 2017 and 2016:

	<b>Three months ended September 30,</b>		<b>Increased (decreased)</b>
	<b>2017</b>	<b>2016</b>	<b>Expenditure</b>
Mineral rights	\$ 1,921	\$ 19,312	\$ (17,391)
Legal fees	89,191	11,671	77,520
Assays / Sampling	102,553	-	102,553
Camp	166,896	18,703	148,193
Camp access and improvements	4,672	1,655	3,017
Drilling	540,035	-	540,035
Engineering	17,500	-	17,500
Environmental	19,120	35,362	(16,242)
Field office	141,353	34,677	106,676
Geological consulting	52,700	-	52,700
Geological staff	250,939	39,089	211,850
Metallurgical	23,218	-	23,218
Project management	54,941	49,406	5,535
Reports	-	10,070	(10,070)
Social and community	35,183	29,205	5,978
Share-based payment	26,047	39,164	(13,117)
Transportation and accommodation	89,543	6,106	83,437
	<b>\$ 1,615,812</b>	<b>\$ 294,420</b>	<b>\$ 1,321,392</b>

**Management's Discussion and Analysis  
For the Three and Nine Months Ended September 30, 2017**

**November 28, 2017**

	Nine months ended September 30,		Increased (decreased)
	2017	2016	Expenditure
Mineral rights	\$ 54,596	\$ 63,920	\$ (9,324)
Legal fees	357,108	35,926	321,182
Assays / Sampling	164,598	-	164,598
Camp	382,799	62,183	320,616
Camp access and improvements	12,674	6,014	6,660
Drilling	1,011,313	-	1,011,313
Engineering	17,500	-	17,500
Environmental	48,600	44,018	4,582
Field office	263,533	109,981	153,552
Geological consulting	176,622	-	176,622
Geological staff	513,926	121,993	391,933
Metallurgical	23,218	-	23,218
Project management	146,754	120,894	25,860
Reports	7,010	10,070	(3,060)
Social and community	72,403	92,675	(20,272)
Share-based payment	76,927	106,710	(29,783)
Transportation and accommodation	128,819	13,412	115,407
	\$ 3,458,400	\$ 787,796	\$ 2,670,604

E&E expenditures on the Cangrejos Project include non-cash expenses for share-based payment expense relating to the vesting of stock options granted under the Company's stock option plan of \$26,047 and \$76,927 for the three and nine months ended September 30, 2017, respectively (three and nine months ended September 30, 2016 - \$39,164 and \$106,710). Excluding share-based payment expense, the overall increase in E&E expenditures for the three and nine months ended September 30, 2017 compared to the equivalent 2016 periods is \$1,334,509 and \$2,700,387. The increase in expenditures reflects the Company recommencing active exploration programs, commencing a drilling program and increasing staff headcount and levels of camp support activity for the current, ongoing exploration program at Cangrejos. The Company's legal fees on the Cangrejos Project were higher than in prior year periods primarily due to the Company's involvement in the Mendieta petition against the Government of Ecuador.

*Condor and Other Projects*

The Company also incurred E&E expenditures on the Condor Project and the additional mineral concessions acquired in late 2016 and 2017 through the Government of Ecuador's auction process. A detailed analysis of the expenditures on these projects is included in Note 7(b) to the unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2017. A summary of expenses for the three and nine months ended September 30, 2017 is provided below. There were no equivalent expenses in the 2016 periods.

	Three months ended September 30, 2017			
	Condor	Pegasus	All Other Projects	Total
Mineral rights	\$ 1,074	\$ 3,754	\$ 5,072	\$ 9,900
Legal fees	19,104	-	16,164	35,268
Assays / Sampling	16,099	14,289	20,677	51,065
Camp	25,449	6,625	38,804	70,878
Camp access and improvements	1,770	-	2,082	3,852
Environmental	280	154	3,452	3,886
Field office	172,675	2,388	2,978	178,041
Geological consulting	55,548	8,999	15,528	80,075
Geological staff	182,235	62,731	90,967	335,933
Project management	36,012	-	15,983	51,995
Social and community	43,141	-	5,599	48,740
Share-based payment	14,306	-	-	14,306
Transportation and accommodation	68,454	11,138	30,641	110,233
	\$ 636,147	\$ 110,078	\$ 247,947	\$ 994,172

**Management's Discussion and Analysis  
For the Three and Nine Months Ended September 30, 2017**

**November 28, 2017**

	Nine months ended September 30, 2017			
	Condor	Pegasus	All Other Projects	Total
Mineral rights	\$ 196,214	\$ 643,348	\$ 495,247	\$ 1,334,809
Legal fees	54,054	25,853	33,192	113,099
Assays / Sampling	51,236	72,382	41,777	165,395
Camp	118,071	42,503	76,244	236,818
Camp access and improvements	1,770	-	2,082	3,852
Drilling	3,083	-	-	3,083
Environmental	280	801	4,707	5,788
Field office	552,982	27,063	22,026	602,071
Geological consulting	106,054	10,846	24,866	141,766
Geological staff	415,489	166,894	215,392	797,775
Project management	94,940	30,231	38,210	163,381
Reports	16,425	-	-	16,425
Social and community	97,253	8,732	15,829	121,814
Share-based payment	45,180	-	-	45,180
Transportation and accommodation	151,526	24,201	46,575	222,302
	\$ 1,904,557	\$ 1,052,854	\$ 1,016,147	\$ 3,973,558

Expenditures on the Condor Project reflect ongoing management and camp staff costs which are included in the field office category. In addition, and as described earlier in this MD&A, the Company has performed rock geochemical and soil analyses which will be incorporated into future exploration plans and drilling programs on the Condor Project. The most significant expense items for the Pegasus and other projects held by the Company related to mineral concession fees. The Company has also commenced sampling and initial exploration work on the new concession areas as described earlier in this MD&A.

**Other expenses**

The Company's other expenses for the three and nine months ended September 30, 2017 and 2016 were as follows:

	Three months ended September 30,		Increased (decreased) Expenditure
	2017	2016	
Fees, salaries and other employee benefits	\$ 301,801	\$ 198,235	\$ 103,566
General and administration ("G&A")	74,745	41,957	32,788
Property investigations	30	87,011	(86,981)
Professional fees	105,431	126,890	(21,459)
Insurance	-	2,180	(2,180)
	\$ 482,007	\$ 456,273	\$ 25,734

  

	Nine months ended September 30,		Increased (decreased) Expenditure
	2017	2016	
Fees, salaries and other employee benefits	\$ 983,255	\$ 504,067	\$ 479,188
G&A	297,858	98,467	199,391
Property investigations	5,928	253,769	(247,841)
Professional fees	443,859	435,642	8,217
Insurance	12,667	5,878	6,789
	\$ 1,743,567	\$ 1,297,823	\$ 445,744

Fees, salaries and other employee benefits for the three and nine months ended September 30, 2017 included \$136,881 and \$507,855, respectively, of share-based payment expense (2016 periods - \$94,560 and \$251,012). Excluding this non-cash expense, fees, salaries and other employee benefits for the three and nine months ended September 30, 2017 were \$164,920 and \$475,400 compared to \$103,675 and \$253,055 for the three and nine months ended September 30, 2016. The increase in fees and G&A costs (as noted in the tables above) arose due to the generally increased levels of activity as described earlier in this MD&A. Property investigation costs for the three and nine months ended September 30, 2017 were lower than the 2016 periods as, in 2016, the Company was evaluating new projects many of which have now been obtained. Professional fees in the 2016 periods primarily consisted of fees relating to the acquisition of EGX whereas the fees incurred in 2017 have related to the integration of EGX.

**Management's Discussion and Analysis**  
**For the Three and Nine Months Ended September 30, 2017**

**November 28, 2017**

**Related Party Transactions**

The Company incurred the following expenses with related parties:

Company	Nature of transactions	Three months ended September 30,	
		2017	2016
Miedzi Copper Corp.	E&E (geological)	\$ 8,488	\$ 3,174
Miedzi Copper Corp.	G&A	16,270	17,355
Miedzi Copper Corp.	Fees	65,497	33,879
Hathaway Consulting Ltd.	Fees	36,228	17,242
Koval Management Inc.	Fees	43,209	40,364
La Mar Consulting Inc.	E&E (social and community)	30,063	29,205
Lyle E Braaten Law Corp.	Fees	10,278	7,872
Proyectmin S.A.	E&E (field office)	25,026	-
Proyectmin S.A.	Pre-exploration and evaluation	-	24,354
Zen Capital & Mergers Ltd.	Fees	1,220	1,145
		\$ 236,279	\$ 174,590

Company	Nature of transactions	Nine months ended September 30,	
		2017	2016
Miedzi Copper Corp.	Pre-exploration and evaluation	\$ -	\$ 3,778
Miedzi Copper Corp.	E&E (geological)	30,348	4,843
Miedzi Copper Corp.	G&A	51,835	38,841
Miedzi Copper Corp.	Fees	177,549	96,366
Hathaway Consulting Ltd.	Fees	105,483	50,737
Koval Management LLC	Fees	-	16,485
Koval Management Inc.	Fees	124,498	57,905
La Mar Consulting Inc.	E&E (social and community)	90,189	87,700
Lyle E Braaten Law Corp.	Fees	30,073	23,165
Proyectmin S.A.	E&E (field office)	98,582	-
Proyectmin S.A.	Pre-exploration and evaluation	-	48,988
Zen Capital & Mergers Ltd.	Fees	3,453	3,442
		\$ 712,010	\$ 432,250

Miedzi Copper Corp. is considered a company related by way of directors and shareholders in common. Hathaway Consulting Ltd, Koval Management LLC, Koval Management Inc., La Mar Consulting Inc., Lyle E Braaten Law Corp., Proyectmin S.A. and Zen Capital & Mergers Ltd. are related by way of being owned by directors or officers of the Company. Related party transactions are recognized at the amounts agreed between the parties. Outstanding balances are unsecured and settlement occurs in cash. At September 30, 2017, \$Nil owing to Proyectmin S.A. was included in accounts payable (December 31, 2016 - \$15,511).

**SUMMARY OF QUARTERLY RESULTS (UNAUDITED)**

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

Three Months Ended:	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016
Revenue	\$ -	\$ -	\$ -	\$ -
Expenses	(3,091,991)	(3,118,634)	(2,964,900)	(1,829,056)
Other income (expenses)	32,512	27,101	15,686	(33,776)
Net loss for the period	(3,059,479)	(3,091,533)	(2,949,214)	(1,862,832)
Net loss for the period attributable to owners of the Company	(3,006,174)	(3,031,817)	(2,915,529)	(1,846,563)
Basic and diluted loss per share attributable to owners of the Company	(0.01)	(0.01)	(0.01)	(0.01)

**Management's Discussion and Analysis  
For the Three and Nine Months Ended September 30, 2017**

**November 28, 2017**

<b>Three Months Ended:</b>	<b>September 30, 2016</b>	<b>June 30, 2016</b>	<b>March 31, 2016</b>	<b>December 31, 2015</b>
Revenue	\$ -	\$ -	\$ -	\$ -
Expenses	(750,693)	(819,183)	(515,743)	(587,287)
Other income (expenses)	19,174	947	11,809	(4,380)
Net loss for the period	(731,519)	(818,236)	(503,934)	(591,667)
Net loss for the period attributable to owners of the Company	(731,519)	(818,236)	(503,934)	(591,667)
Basic and diluted loss per share attributable to owners of the Company	(0.01)	(0.01)	(0.01)	(0.01)

As discussed earlier in this MD&A, the Company's focus from mid-2015 to mid-2016 had been to seek to minimize costs. Expenses increased throughout 2016 as a result of the acquisition of EGX and the related due diligence and legal costs associated thereto. The quarters ended March 31, June 30 and September 30, 2017 saw a further increase in expenses as the Company made payments to the Government of Ecuador for annual concession fees and recommenced active exploration programs, including drilling on Cangrejos.

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

Additional disclosure concerning the Company's expenses and mineral property costs is provided earlier in this MD&A and in Note 7 of the Company's unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2017 and 2016.

**LIQUIDITY AND CAPITAL RESOURCES**

As at September 30, 2017, the Company had cash of \$3,435,548 compared to cash of \$12,333,608 at December 31, 2016. The Company's working capital at September 30, 2017 was \$2,783,508 compared to \$11,916,239 at December 31, 2016. The Company's cash and current assets at September 30, 2017, were sufficient to meet the Company's current accounts payable, accrued liabilities and commitments.

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 September 30, 2017, the majority of the Company's cash and cash equivalents were held at Scotiabank, a major chartered bank in Canada, and approximately \$1.3 million was held at two banks in Ecuador. Management is not aware of any liquidity issues associated with any of the banks in which funds have been deposited.

The Company had no long-term debt obligations or off-balance sheet arrangements at September 30, 2017.

As noted earlier in this MD&A, the Company has increased exploration expenditures in Ecuador. In order to keep its mineral concessions in Ecuador in good-standing, the Company is required to meet certain spending commitments each year. For 2017, the Company has committed to the Government of Ecuador that it will incur the following amounts on its projects:

- (i) \$331,850 on the Cangrejos Project (excluding Cangrejos 20, which is discussed in more detail earlier in this MD&A and included in item (iii) below);
- (ii) \$813,500 on the Condor Project; and
- (iii) \$6,272,601 during the first year of owning new concessions awarded through the auction process as discussed in the section "Developments in Ecuador and Additional Concessions Acquired" earlier in this MD&A.

As disclosed in Note 7(b) to the unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2017, the Company has incurred approximately \$7.3 million (excluding share-based payment expense) of expenditures on its projects during the nine months ended September 30, 2017. The majority of these expenses will count towards the committed spending requirement outlined above. While the Company's current working capital is sufficient to meet these commitments, any further expansion of plans may require additional funding.

To date, the capital requirements of the Company have been met by equity or loan proceeds. As noted in Note 2(b) to the unaudited condensed consolidated interim financial statements of the Company for the three and nine months ended September 30, 2017, the Company has incurred cumulative losses of \$35,300,155. The Company's long-term ability to continue as a going concern is dependent upon successfully obtaining additional financing. As described earlier in this MD&A in the section "Financing Activity," the Company is seeking to close a private placement for gross proceeds of CAD\$20 million by the end of November 2017. 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.

## **FINANCIAL INSTRUMENTS**

At September 30, 2017, the Company's financial instruments consist of cash, receivables, environmental deposits and accounts payable and accrued liabilities. Fair value estimates are made at the balance sheet date based on relevant market information and information about the financial instrument. 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: loans and receivables.
- Receivables: loans and receivables.
- Environmental deposits: loans and receivables.
- Accounts payable and accrued liabilities: other financial liabilities.

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

### **Credit Risk**

It is management's opinion that the Company is not exposed to significant credit risk arising from these financial instruments, as disclosed in Note 15(a) to the unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2017.

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 September 30, 2017, the Company's current liabilities consisted of accounts payable and accrued liabilities of \$793,021 which are due primarily within the next quarter. The Company's cash of \$3,435,548 at September 30, 2017 was sufficient to pay the accounts payable and accrued liabilities.

### **Market Risks**

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

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

Interest rate risk is the risk that the future cash flows of the Company will fluctuate because of changes in market interest rates. Included in net loss for the three and nine months ended September 30, 2017 is interest income earned on the Company's cash. Based on the Company's cash at September 30, 2017, 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 \$34,000 (on an annualized basis).

#### ***Currency Risk***

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

The Company is exposed to foreign exchange and currency risks arising from fluctuations in foreign exchange rates among the U.S. dollar and Canadian dollar and the degree of volatility of these rates. The Company has historically raised funds from equity financings primarily in U.S. dollars or in Canadian dollars of which the vast majority of the cash is converted to U.S.

dollars upon conclusion of the financing. Canadian G&A expenses are primarily paid in Canadian dollars. The Company does not use derivative instruments to reduce its exposure to foreign exchange and currency risks.

At September 30, 2017, the Company's cash was primarily held in U.S. dollars as disclosed in Note 3 of the unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2017. 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 \$4,000 to the results of operations based upon the foreign currency financial instruments (including cash) held at September 30, 2017.

## SHARE CAPITAL

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

Common shares:	231,759,829	
Common share purchase options:	9,064,610	exercisable between CAD\$0.315 - CAD\$0.96 per option.

## CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

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

The accounting policy estimates and judgments described below are considered by management to be essential to the understanding and reasoning used in the preparation of the Company's consolidated financial statements and the uncertainties that could have a bearing on its financial results. Further details, and a description of certain other areas of estimation and judgment, can be found at Note 2(d) in the Company's unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2017.

### Going concern

The assessment of the Company's ability to continue as a going concern requires significant judgment. As disclosed in Note 2(b) of the unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2017, the Company has incurred cumulative losses of \$35,300,155. The ability of the Company to continue as a going concern is dependent upon successfully obtaining additional financing, entering into a joint venture, a merger or other business combination transaction involving a third party, sale of all or a portion of the Company's assets, the outright sale of the Company, the successful development of the Company's mineral property interests or a combination thereof. Factors that the Company evaluates include forecasts, the ability to reduce expenditures if required, and indications of shareholder support.

### Exploration and evaluation assets

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

### Share-based payments

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

---

**CHANGES IN ACCOUNTING STANDARDS**

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

*IFRS 15 – Revenue from Contracts with Customers*

The IASB issued IFRS 15 in May 2014. The new standard provides a comprehensive framework for recognition, measurement and disclosure of revenue from contracts with customers, excluding contracts within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 is effective for annual periods beginning on or after January 1, 2018 and is to be applied retrospectively with early adoption permitted. Management is currently evaluating the impact the final standard is expected to have on the Company's consolidated financial statements, however, as the Company currently has no operating revenues this is not anticipated to be significant.

*IFRS 9 – Financial Instruments*

The IASB published the final version of IFRS 9 in July 2014. The final standard brings together the classification, measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes a loss impairment model, amends the classification and measurement model for financial assets and provides additional guidance on how to apply the business model and contractual characteristics test. This final version of IFRS 9 supersedes all previous versions of IFRS 9 and is effective for annual periods commencing on or after January 1, 2018, with early adoption permitted. Management is currently evaluating the impact the final standard is expected to have on the Company's consolidated financial statements.

*IFRS 16 – Leases*

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

**RISKS AND UNCERTAINTIES**

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

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

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

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

- *Risks relating to the integration of EGX.*

The EGX transaction was agreed to based on customary representations and warranties of EGX (including with respect to its properties) given to Lumina, and Lumina has relied on the accuracy of those representations and warranties. However, there is a risk of their inaccuracy. There is a risk that Lumina may not be able to access the anticipated synergies or fully exploit the EGX projects in the manner it determines desirable, if at all.

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

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

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

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

- land access, use and ownership;
- water;
- the environment;
- social investment;
- management and use of toxic substances and explosives;
- management of natural resources;
- prospection, exploration, development and construction of mines, production and reclamation;
- exports;
- taxation;
- mining royalties;
- restrictions on the movement of capital into and out of Ecuador (which could impact the Company's ability to repatriate funds and therefore, pay dividends);
- importation of equipment and goods;
- transportation;
- hiring practices and labour standards by the company and contractors, as well as occupational health and safety, including mine safety;
- reporting requirements related to investment, social and environmental impacts, health and safety, and other matters;
- processes for preventing, controlling or halting artisanal or illegal mining activities; and,
- historic and cultural preservation.

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

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

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

While the Company seeks to fully comply with applicable laws, regulations and local practices, failure to comply strictly with applicable laws, regulations and local practices relating to mineral rights applications and tenure could result in loss, reduction, cancellation or expropriation of entitlements, or the imposition of additional local or foreign parties as joint venture partners with carried or other interests. Any such loss, reduction or imposition of partners could have a material adverse impact on the Company's operations or business. Furthermore, increasing complexity of mining laws and regulations may render the Company incapable of strict compliance.

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

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

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

Several of the Company's concessions are located close to communities with long-standing artisanal, often illegal, mining traditions. Limited economic opportunities in these areas contribute to making gold mining an attractive field of work for local individuals and small associations and companies, who at times view properties belonging to the Company as particularly attractive targets for alluvial or hard rock mining. In some cases, the local operators (occasionally financed by outsiders), having exhausted development opportunities at their current location may seek to expand or relocate their activities into areas controlled by the Company. 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 actors and is in regular contact with regulatory and political authorities to anticipate and manage issues as they arise. Nonetheless, there is a risk that in the future, due to political or social factors, regulators may make decisions to grant access to artisanal miners that impact the viability of the Company's projects.

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

In the ordinary course of business, the Company is required to obtain and renew governmental permits for existing operations and any ultimate development, construction and commencement of new mining operations. Obtaining or renewing necessary permits can be a complex and time-consuming process, which at times may involve several political jurisdictions and different government agencies, and may require public hearings and costly undertakings on the Company's part. The duration and success of the Company's efforts to obtain and renew permits are contingent upon many variables not within its control, including the interpretation of applicable requirements implemented by permitting authorities and timeframes for agency decisions. The Company may not be able to obtain or renew permits that are necessary to its operations, or the cost to obtain or renew permits may exceed what the Company believes it can recover from a given property once in production. Any unexpected delays or costs associated with the permitting process could slow development or impede the eventual operation of a mine, which could adversely impact the Company's operations and profitability.

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

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

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

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

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

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

The mineral exploration industry is intensely competitive in all its phases. The Company competes with many companies, including those possessing greater financial resources and technical capabilities, for the acquisition of mineral concessions, claims, leases, other mineral interests, and equipment required to conduct its activities as well as for the recruitment and retention of qualified employees, and contracting of attorneys, consultants and technical experts. Ecuador is an emerging mining country with no significant mines in operation and as a result mining expertise is limited and competition for qualified nationals is particularly intense.

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

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

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

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

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

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

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

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

---

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

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

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

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

Mining, development, exploration and production activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power and fuel sources, as well as water supplies are important determinants which affect capital, as well as operating costs and safety. The lack of availability on acceptable terms or the delay in the availability of any one or more of these items could prevent or delay development of the Company's projects. If adequate infrastructure is not available in a timely manner, there can be no assurance that the development of the Company's projects will be commenced or completed on a timely basis, if at all. In addition, unusual or infrequent weather phenomena, tectonic activity, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect the Company's operations and profitability.

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

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

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

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

- *The price of gold, copper, and other base and precious metals has fluctuated significantly in recent years and may adversely affect the economic viability of any of the Company's mineral properties.*

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

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

The Company's mineral properties, and related subsidiaries, are located in Ecuador. It may, therefore, be exposed to various types and degrees of security, economic, labor, political and other risks and uncertainties. These risks and uncertainties include, but are not limited to: terrorism; hostage taking; military repression; high rates of inflation; labour unrest; war or civil unrest; creeping or outright expropriation and nationalization; renegotiation or nullification of existing concessions, licenses, permits and contracts, including by way of invalidation of governmental acts; artisanal and illegal mining operations and the government's enforcement of norms restricting these activities; changes in taxation and mining-related laws and regulations; trade protectionism, including restrictions or tariffs on imports; changes to the foreign exchange regime; changes to the currency regime; currency controls; restrictions on repatriation of funds; changing political conditions, including electoral results; challenges to the validity of governmental acts; and, governmental regulations that may favour or require the awarding of contracts to local contractors or require foreign contractors to employ residents of, or purchase supplies from, a particular jurisdiction. The reputation of Ecuador as a developing country, perceived by many as having a track record of measures contrary to attracting investment in the mining sector and other areas of the economy, may make it more difficult for the Company to obtain any required exploration financing for its projects.

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

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

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

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

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

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

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

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

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

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