## LUMINA GOLD CORP. (formerly Odin Mining and Exploration Ltd.)

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE YEAR ENDED DECEMBER 31, 2016**

**TSX-V: LUM**

www.luminagold.com

**Management's Discussion and Analysis**
**For the Year Ended December 31, 2016** **April 27, 2017**

## INTRODUCTION

Lumina Gold Corp. (formerly Odin Mining and Exploration Ltd.) ("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 owns the Cangrejos Project located in the foothills of the Andes in southwest Ecuador and 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.

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 audited consolidated financial statements of the Company and the notes thereto for the years ended December 31, 2016 and 2015, and, consequently, should be read in conjunction with the aforementioned financial statements and notes thereto.

## ADDITIONAL INFORMATION

Additional information about the Company is available under the Company's profile on SEDAR at www.sedar.com and on the Company's website at www.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 audited consolidated financial statements for the years ended December 31, 2016 and 2015 were prepared in accordance with IFRS.

Marshall Koval, 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. Koval is a director of the Company and also its President and Chief Executive Officer.

## 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 additional concessions and projects by way of the Government of Ecuador's auction process or otherwise, and the expected timing thereof;
- future development work on the Cangrejos Project and the Condor Project and other projects;
- the 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 and the Condor Project;
- 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 plans and related operations and any costs related thereto;
- the nature of any legislative, regulatory or fiscal regime reform initiatives and their potential effects on Lumina, including further reforms in Ecuador;
- the adequacy of the Company's working capital, the Company's ability to raise additional financing or find alternative ways to advance its corporate objectives, and the use of financing proceeds;
- projected expenditures on the Company's mineral concessions;
- the Company's ability to continue as a going concern;
- the impact to the Company of future accounting standards;
- the discussion of risks and uncertainties around the Company's business;
- the Company's view for sustained improvement in copper and gold markets;
- Ecuador's President Moreno being expected to maintain Ecuador's current policies regarding mining and aggressive development of Ecuador's mining sector;
- 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 the Company's working capital and requirements for additional capital;
- risks relating to currency exchange fluctuations or change in national currency;
- risks relating to gold, copper and other precious and base metal price fluctuations;
- risks inherent in mineral resource estimation;
- risks relating to 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 political leadership, including impacts it may have on administrative agencies and social stability;
- risks relating to local 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 sub-contractor engagements;
- 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 delays on environmental, safety, and social processes, taxation and other matters;
- 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 relating to delays in obtaining governmental approvals or financing necessary for the execution of exploration, development or construction activities;
- risks of impacts resulting from unpredictable natural occurrences such as adverse weather conditions, landslides, 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 fluctuations in interest and inflation rates;
- risks relating to restrictions on access to and movement of capital;
- other risks of the mining industry;

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

Although the Company has attempted to identify important factors and risks that could affect the Company and might cause actual actions, events or results to differ, perhaps materially, from those described in forward-looking statements, there may be other factors and risks that cause actions, events or results not to occur as anticipated, 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 year ended December 31, 2016 and to the date of this MD&A. This overview should be read in conjunction with the remainder of this MD&A to more fully appreciate the Company's results and activities for the year ended December 31, 2016.

### Acquisition of Ecuador Gold and Copper Corp. / Condor Project and Related Properties

On November 1, 2016, Lumina closed the previously announced acquisition of EGX. The acquisition was completed by way of a statutory plan of arrangement (the "Arrangement") under the *Business Corporations Act* (British Columbia). Each former EGX shareholder received approximately 1.0433 Lumina common shares for each of their EGX common shares. A total of 70,094,523 Lumina common shares were issued under the Arrangement. All outstanding EGX options were cancelled and former EGX option holders were issued a total of 1,538,787 Lumina options.

EGX holds title to seven mineral concessions in southern Ecuador totalling an area of 8,269 hectares. The area comprising the concessions has been collectively described as the "Condor Project". Lumina considers that within this area, and as at the acquisition date, there are several distinct mineral deposits as follows: (i) Santa Barbara, (ii) Los Cuyes, (iii) El Hito, and (iv) Chinapintza. In addition, the Company holds land / surface rights over an area of approximately 451 hectares that overlie the concessions of the Condor Project.

The Chinapintza and Los Cuyes deposits are hosted in a subvolcanic system consisting primarily of epithermal high grade gold veins and breccia. South and southwest of this system is 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-Chinchipe Province in southwestern Ecuador. The region is serviced by air from the city of Loja which is a three hour drive from the Condor Project. Access is by paved highways via the provincial capital of Zamora and then 30 kilometres ("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") world class 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. In addition, headcount has been increased in order to strengthen exploration capabilities at site, as well as community relations.

On April 7, 2017, the Company completed the acquisition of approximately 80 hectares of land overlying the Santa Barbara concessions of the Condor Project at a cost of $185,000.

### Cangrejos Project

Lumina also owns 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 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 consists of 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 drilling comprised of 55 holes. In March 2017, the Company commenced a drilling program at the Cangrejos Project for an estimated initial 5,300 metres out of a program expected to total approximately 12,000 metres.

For the majority of 2016, the Company sought to keep reduced overheads in Ecuador and Canada by, among other measures, containing headcount and controlling overall levels of activity, focusing primarily on keeping the Cangrejos Project in good standing, as well as environmental performance and stakeholder relations and efforts related to applying for concessions in the ongoing Government of Ecuador auction process. Following the acquisition of EGX (as described above) and the acquisition of additional concessions (see below), the Company increased headcount and recommenced exploration activities in early 2017 in order to further explore all of its concessions. Further details can be found in the "Outlook" section of this MD&A.

**Developments in Ecuador and Additional Concessions Acquired**

Since the final quarter of 2015 and to the date of this MD&A, the Government of Ecuador has taken significant measures that have effected an improvement in the investment climate for mining in Ecuador. A few examples of publicly announced developments for the mining industry in Ecuador are described below.

In December 2015, the Government of Ecuador enacted legislation promoting public-private investment associations, a provision of which extends the recovery of Value Added Tax ("VAT") to the mining industry after January 1, 2018. Under the terms of the law, all VAT incurred by mining companies after the effective date will be recovered after they start to receive revenues from exports of production. In addition, the law opens up the small mining regime to foreign investment.

On March 1, 2016, the Government of Ecuador enacted Ministerial Agreement No.2016-002, which called for the opening of Ecuador's mineral properties via an auction process for initial and advanced exploration concessions, following which the Ecuadorian Ministry of Mines began to accept preliminary applications. Management reviewed and evaluated several gold and copper properties before participating in this process. Under the terms of the auction, when a company is awarded concessions, it is then obligated to execute the investments offered in the respective applications (which are for a four-year period). Should that company determine that it no longer wishes to retain a concession area it can cease active spending and the concession will be forfeited back to the government, as long as the cumulative spending commitment to that point in time has been met. The auction process has now concluded and the Company has been granted the following areas:

| Concession Name | Area (Ha) | General Description | Spending Commitment for First Year |
|---|---|---|---|
| Cangrejos 20 | 780 | Located adjacent to the Company's Cangrejos Project. | $3,029,436 |
| Pegasus A / Pegasus B (14 concessions) | 66,525 | Fourteen concessions located approximately 150km southwest of Quito in Cotopaxi Province. | $361,545 |
| Palma Real [(1)] (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 |
| Cascas [(1)] (2 concessions) | 9,998 | Located on trend with the Condor Project. | $349,890 |
| Tres Picachos | 4,828 | Located on trend with the Condor Project. | $236,850 |
| Tarqui [(1)] (2 concessions) | 4,817 | Located on trend with the Condor Project. | $253,625 |
| Orquideas | 4,743 | Located on trend with the Condor Project. | $500,000 |
| La Canela | 3,187 | Located on trend with the Condor Project. | $240,298 |
| Quimi [(1)] (2 concessions) | 2,732 | Located on trend with the Condor Project. | $212,407 |
| Yawi | 1,494 | Located on trend with the Condor Project. | $219,800 |
| Escondida | 1,204 | Located adjacent to the Condor Project | $219,800 |
| Santa Elena [(1)] | 628 | Located adjacent to the Condor Project | $217,325 |
| **TOTAL** | **120,711** | | **$6,170,351** |

(1) 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.

In mid-January 2016, Lundin Gold Inc. announced it had negotiated the definitive form of the Exploitation Agreement for the Fruta del Norte Project with the Government of Ecuador. This agreement provided some important clarifications on the application of mining laws and regulations to major projects, including: base level royalty of 5% of net smelter revenues from production; delimitation of the application of windfall taxes ensuring it does not apply until the investor has recovered all capital investments up to the start of production; delimitation of the application of the sovereign adjustment to ensure the calculation of the Government of Ecuador's benefit takes into consideration the present value of the cumulative sum of taxes paid, which includes corporate income taxes, royalties, windfall taxes, previous sovereign adjustment payments, and others; and, a mechanism for correcting any economic imbalance to key terms owing to modification of taxes, and laws and regulations.

On August 5, 2016, Lundin announced that it had concluded the negotiation of the definitive form of investment protection agreement (the "IPA") for Fruta del Norte, which provides further legal and tax stability in conjunction with the Exploitation Agreement. Key benefits reported under the IPA include: (i) income tax rate fixed at 22%; (ii) exemption from the capital outflow tax of 5% on payments of principal and interest to financial institutions outside of Ecuador; (iii) the ability to obtain benefits granted by the Government through future investment protection agreements with other investors in similar projects in Ecuador; (iv) no restrictions to transfer or assign all or part of the investment, including the right to assign its rights to any financing parties; and (v) other benefits including no restriction to (a) produce and sell minerals; (b) import and export goods; and (c) establish, maintain, control, or transfer funds abroad, provided statutory remittances and obligations have been met.

On August 11, 2016, the Government of Ecuador announced the start of construction of the Rio Blanco gold and silver mine. This medium-size mining project, owned by Junefield Mineral Resources Holdings Ltd., a Chinese company, is located in the southern highlands of Ecuador.

On October 13, 2016, Lundin announced that the Government of Ecuador had approved its environmental impact study, which was followed by issuance of the environmental license at the end of the same month, concluding the major permitting for the Fruta del Norte project. Subsequently, on December 14, 2016, Lundin announced it had signed its Exploitation Agreement with the Government of Ecuador, defining fiscal, operational and commercial terms and conditions for the development of Fruta del Norte. These terms include: a 25-year renewable term; advance royalty payments of US$65 million, to be paid in three installments and deductible against future net smelter royalties; and, a royalty equating to 5% of net smelter revenues. A week later, on December 21, Lundin announced it had signed its IPA with the Government of Ecuador.

On March 6, 2017, INV Metals Inc ("INV") announced that it had commenced exploitation contract negotiations with the Government of Ecuador for its Loma Larga project. INV also announced plans to commence a feasibility study on Loma Larga in coming months.

On April 2, 2017, Ecuador held its presidential election which was won by Lenin Moreno, the ruling party candidate. President Moreno is expected to continue with many of the same policies as President Correa, including the same mining policies and aggressive development of the country's mining sector.

**Financing Activity**

On August 7, 2015, the Company announced a non-brokered private placement of 13,636,364 common shares for gross proceeds of CAD$3,000,000, the proceeds to be used for the payment of obligations for mineral concessions and for general working capital purposes. The private placement closed on August 24, 2015 and the Company used a portion of these proceeds to make the final payments due under an agreement to acquire two of the Cangrejos concessions and certain surface rights in the amount of $710,000. The balance of the private placement proceeds were used to fund the Company's ongoing operations through until additional funding was required, as described below.

On June 29, 2016, the Company announced a loan of $1,000,000 from Ross J. Beaty. The loan accrued interest at a rate of 12% per annum, compounded yearly and not in advance. The loan was repayable on or before the earlier of June 30, 2017 and two business days after the date on which the Company undertook any financing greater than the total owed on the loan (principal plus accrued interest). The loan could not be converted into, exchanged for or otherwise modified to create any obligation on the Company to issue, directly or indirectly, any equity or voting securities of the Company or any subsidiary of the Company, including with respect to the repayment of either principal or interest accruing in respect of the loan. The Company used the proceeds of the loan for working capital, to further its business objectives and for general corporate purposes.

On December 13, 2016, the Company completed a non-brokered private placement of 28,571,428 common shares for gross proceeds of approximately CAD$20,000,000 ($15,226,340). The proceeds of the private placement are 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 the above noted loan from Ross Beaty in the amount of $1,054,904 (including accrued interest).

**OUTLOOK**

In light of the global downturn in metals prices, and while continuing to monitor the Government of Ecuador's ongoing reforms to the legal, regulatory and fiscal framework for mining, in the second half of 2015 the Company opted for prudence, scaling back operations at the Cangrejos Project and reducing overheads. Since that time, the Government of Ecuador has reaffirmed and continued to take actions that confirm its intention to position Ecuador as an attractive mining jurisdiction that can compete for significant foreign investment. The most recent manifestation of this commitment has been 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. With the recent election of President Moreno, the Company anticipates that the work to improve foreign investment in Ecuador's mining sector initiated by President Correa's administration will continue and Ecuador will remain an attractive mining jurisdiction.

The Company's acquisition of EGX and participation in the government concession auction process are a direct response to the improved 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 somewhat, and is optimistic that recent geopolitical developments will drive a sustained improvement in the copper and gold 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 has commenced extensive geological mapping and soil and stream sediment sampling to focus the Company's efforts on the mineralized areas of the new concessions it has obtained. This work will enable the Company to identify high-priority drill targets in addition to the current 12,000 metres of infill drilling that is ongoing at the Cangrejos Project. The Company will also initiate further exploration, project engineering and development studies for its different assets on a case by case basis.

**SELECTED ANNUAL FINANCIAL INFORMATION**

The following summary financial information has been derived from the financial statements of the Company, which have been prepared in accordance with IFRS. The Company's significant accounting policies are outlined within Note 3 to the audited consolidated financial statements of the Company for the fiscal years ended December 31, 2016 and 2015.

| | Year Ended December 31, 2016 | 2015 | 2014 |
|---|---|---|---|
| **Consolidated Statements of Comprehensive Loss** | | | |
| Revenue | $ - | $ - | $ - |
| Expenses | (3,914,675) | (3,363,899) | (3,181,287) |
| Other income (expenses) | (1,846) | 27,881 | (13,190) |
| Net loss and comprehensive loss for the year | $ (3,916,521) | $ (3,336,018) | $ (3,194,477) |
| **Loss attributable to:** | | | |
| Owners of the Company | $ (3,900,252) | $ (3,336,018) | $ (3,194,477) |
| Non-controlling interest | (16,269) | - | - |
| | $ (3,916,521) | $ (3,336,018) | $ (3,194,477) |
| Loss per share – basic and diluted | $ (0.03) | $ (0.03) | $ (0.05) |
| **Consolidated Balance Sheets** | | | |
| Cash and cash equivalents | $ 12,333,608 | $ 794,605 | $ 2,733,464 |
| Exploration and evaluation assets | 49,189,010 | 1,701,100 | 460,000 |
| Property and equipment | 1,220,585 | 470,934 | 286,955 |
| Total assets | 63,137,786 | 3,083,825 | 3,621,610 |
| Total liabilities | 627,976 | 38,612 | 385,680 |
| Equity: | | | |
| Share capital | 80,441,112 | 23,302,481 | 21,075,643 |
| Share option reserve | 3,628,481 | 2,189,115 | 1,270,652 |
| Accumulated deficit | (26,346,635) | (22,446,383) | (19,110,365) |
| Non-controlling interest | $ 4,786,852 | $ - | $ - |

A review of the results of operations for the years ended December 31, 2016 and 2015 is presented below in the "Review of Financial Results" section of this MD&A. The Company's operations and levels of expenditure vary from year to year as exploration activity is carried out or curtailed. Operations were limited to care and maintenance for the first half of 2014 following which the Company recommenced exploration activities. During 2015 the Company completed 3,504 metres of drilling on Cangrejos Project and completed metallurgical test work along with preliminary engineering and mine-site studies. The majority of 2016 saw the Company operating on the basis of seeking to minimize expenditures to the extent possible. This was offset, however, by costs relating to due diligence associated with the acquisition of EGX. Following completion of the EGX acquisition on November 1, 2016, and the award of concessions in Ecuador as described earlier in this MD&A, the Company has recommenced exploration activities.

## REVIEW OF FINANCIAL RESULTS

This review of the results of operations should be read in conjunction with the audited consolidated financial statements of the Company for the years ended December 31, 2016 and 2015 along with other public disclosure documents of the Company.

For the year ended December 31, 2016, the Company reported a net loss of $3,916,521 compared to $3,336,018 for the year ended December 31, 2015. The overall increase in expenditures arose primarily due to due diligence costs associated with the structuring and acquisition of EGX. Further details and discussion of the Company's significant expenses are described below.

### Exploration and Evaluation Assets (Mineral Properties)

The Company's primary asset has long been the Cangrejos Project, which is an exploration and evaluation asset for accounting purposes. The Company capitalizes costs incurred in connection with the acquisition of its exploration and evaluation interests and any required licenses related thereto with a life of more than one year. At December 31, 2016, the carrying value of the exploration and evaluation asset related to the Cangrejos Project was $1,701,100 (2015 - $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 8(b) of the audited consolidated financial statements for the year ended December 31, 2016.

As discussed earlier in this MD&A, on November 1, 2016, the Company completed the acquisition of EGX which has several target areas 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 4 of the audited consolidated financial statements for the year ended December 31, 2016.

### Operating Expenses

*Exploration and evaluation expenditures:* Total E&E expenses for the year ended December 31, 2016 were $1,648,392 compared to $1,814,998 for the year ended December 31, 2015. Expenses in 2015 were solely related to the Company's Cangrejos Project. In 2016, the Company added the Condor Project via the EGX acquisition and was also awarded additional mineral concessions from the Government of Ecuador as described earlier in this MD&A.

The Company's E&E expenditures on the Cangrejos Project were as follows for the years ended December 31, 2016 and 2015:

| | Year ended December 31, 2016 | 2015 | Increased (decreased) Expenditure |
|---|---|---|---|
| Mineral rights | $ 65,124 | $ 49,405 | $ 15,719 |
| Legal fees | 83,495 | 82,425 | 1,070 |
| Assays | 3,404 | 52,578 | (49,174) |
| Camp | 87,669 | 141,459 | (53,790) |
| Camp access and improvements | 7,826 | 13,623 | (5,797) |
| Consultant database | - | 1,525 | (1,525) |
| Drilling | - | 78,925 | (78,925) |
| Engineering | - | 37,079 | (37,079) |
| Environmental | 49,310 | 20,695 | 28,615 |
| Field office | 210,619 | 191,430 | 19,189 |
| Geological consulting | 29,209 | 37,349 | (8,140) |
| Geological staff | 174,452 | 295,518 | (121,066) |
| Metallurgical | - | 137,628 | (137,628) |
| Project management | 221,619 | 198,690 | 22,929 |
| Reports | 6,774 | - | 6,774 |
| Social and community | 134,567 | 154,099 | (19,532) |
| Share-based payment | 177,705 | 262,357 | (84,652) |
| Transportation and accommodation | 20,704 | 60,213 | (39,509) |
| | $ 1,272,477 | $ 1,814,998 | $ (542,521) |

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 $177,705 for the year ended December 31, 2016 (2015 - $262,357). Excluding share-based payment expense, the overall decrease in E&E expenditures for the year ended December 31, 2016 compared to 2015 is $457,869. The decrease in expenditures reflects the Company's decision to reduce expenses to the extent possible since the second half of 2015 (and for the majority of 2016) compared to the drilling program and metallurgical testing that was taking place during the first half of 2015.

In addition, the Company incurred expenses of $259,491 on the Condor Project and $116,424 on additional mineral concessions during the year ended December 31, 2016 (2015 - $Nil). The Condor Project expenses reflect two months from November 1 to December 31, 2016 while the expenses on the additional mineral concessions primarily related to concession fees paid to the Government of Ecuador towards the end of 2016.

Fees on these items are as follows:

| | Year ended December 31, 2016 | | |
|---|---|---|---|
| | **Condor** | **Other** | **Total** |
| Mineral rights | $ 530 | $ 112,872 | $ 113,402 |
| Camp | 10,426 | - | 10,426 |
| Drilling | 3,191 | - | 3,191 |
| Field office | 94,674 | - | 94,674 |
| Geological consulting | 17,875 | - | 17,875 |
| Geological staff | 43,312 | - | 43,312 |
| Project management | 13,969 | 3,552 | 17,521 |
| Social and community | 14,227 | - | 14,227 |
| Share-based payment | 53,482 | - | 53,482 |
| Transportation and accommodation | 7,805 | - | 7,805 |
| | $ 259,491 | $ 116,424 | $ 375,915 |

*Other operating expenses:* The Company's other operating expenses for the years ended December 31, 2016 and 2015 were as follows:

| | **Year ended December 31,** | | **Increased (decreased)** |
|---|---|---|---|
| | **2016** | **2015** | **Expenditure** |
| Fees, salaries and other employee benefits | $ 1,211,552 | $ 1,105,092 | $ 106,460 |
| General and administration | 182,854 | 138,389 | 44,465 |
| Property investigations | 335,084 | 242,132 | 92,952 |
| Professional fees | 516,948 | 49,496 | 467,452 |
| Insurance | 19,845 | 13,792 | 6,053 |
| | $ 2,266,283 | $ 1,548,901 | $ 717,382 |

Fees, salaries and other employee benefits for the year ended December 31, 2016 included $605,540 of share-based payment expense (2015 - $656,106). Excluding this non-cash expense, fees, salaries and other employee benefits for the year ended December 31, 2016 were $606,012 (2015 - $448,986). The increase in fees and salaries relates to bonuses paid at the end of 2016 to staff and management following the successful acquisition of EGX and additional concessions in 2016.

During the year ended December 31, 2016, the Company incurred $335,084 in property investigation costs (described as pre-exploration and evaluation expenditures in the audited consolidated financial statements) as it performed due diligence on possible additional gold/copper projects in Ecuador and elsewhere (2015 - $242,132). These costs primarily relate to technical due diligence and reviews of target projects, including EGX and exploration areas included in the Government of Ecuador's auction process. The Company also incurred significant professional advisory costs (primarily legal expenses) in the year ended December 31, 2016 ($516,948) compared to $49,496 in 2015. These costs primarily related to the acquisition of EGX. Further costs associated to the transaction incurred subsequent to the decision that the EGX acquisition would proceed have been included as part of the purchase price in the amount of $424,748 – see Note 4 to the audited consolidated financial statements for the year ended December 31, 2016. The Company continues to evaluate opportunities to add further projects.

**Related Party Transactions**

The Company incurred the following expenses with related parties:

| | | Year ended December 31, | |
|---|---|---|---|
| Company | Nature of transactions | 2016 | 2015 |
| Miedzi Copper Corp. | Pre exploration and evaluation | $ 3,778 | $ - |
| Miedzi Copper Corp. | E&E (geological) | 19,924 | 24,989 |
| Miedzi Copper Corp. | G&A | 53,958 | 45,832 |
| Miedzi Copper Corp. | Fees | 201,373 | 135,379 |
| Anchor Investments Limited | Fees | - | 113,944 |
| Hathaway Consulting Ltd. | Fees | 111,340 | - |
| Koval Management LLC | Fees | 16,485 | 113,141 |
| Koval Management Inc. | Fees | 153,320 | - |
| La Mar Consulting Inc. | E&E (social and community) | 139,327 | 39,292 |
| Lyle E Braaten Law Corp. | Fees | 91,433 | 37,302 |
| Proyectmin S.A. | E&E (field office) | 33,701 | 4,734 |
| Proyectmin S.A. | Pre exploration and evaluation | 48,988 | 95,139 |
| Zen Capital & Mergers Ltd. | Fees | 4,576 | 24,095 |
| | | $ 878,203 | $ 633,847 |

Miedzi Copper Corp. is considered a company related by way of directors and shareholders in common. Anchor Investments Ltd, 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 December 31, 2016, $15,511 owing to Proyectmin S.A. was included in accounts payable (2015 - $Nil).

On June 29, 2016, the Company received a loan of $1,000,000 from Ross Beaty, a significant shareholder of the Company. The loan accrued interest at a rate of 12% per annum, compounded annually and not in advance, and was repayable on or before the earlier of June 30, 2017 and two business days after the date on which the Company concluded any financing greater than the total owed at such date (being principal plus accrued interest). The loan and accrued interest totaling $1,054,904 was repaid on December 13, 2016.

**SUMMARY OF QUARTERLY RESULTS (UNAUDITED) AND FOURTH QUARTER**

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

| Three Months Ended: | December 31, 2016 | September 30, 2016 | June 30, 2016 | March 31, 2016 |
|---|---|---|---|---|
| Revenue | $ - | $ - | $ - | $ - |
| Expenses | (1,829,056) | (750,693) | (819,183) | (515,743) |
| Other income (expenses) | (33,776) | 19,174 | 947 | 11,809 |
| Net loss for the period | (1,862,832) | (731,519) | (818,236) | (503,934) |
| Net loss for the period attributable to owners of the Company | (1,846,563) | (731,519) | (818,236) | (503,934) |
| Basic and diluted loss per share attributable to owners of the Company | (0.01) | (0.01) | (0.01) | (0.004) |

| Three Months Ended: | December 31, 2015 | September 30, 2015 | June 30, 2015 | March 31, 2015 |
|---|---|---|---|---|
| Revenue | $ - | $ - | $ - | $ - |
| Expenses | (587,287) | (761,046) | (860,644) | (1,154,922) |
| Other income (expenses) | (4,380) | 35,578 | (1,492) | (1,825) |
| Net loss for the period | (591,667) | (725,468) | (862,136) | (1,156,747) |
| Net loss for the period attributable to owners of the Company | (591,667) | (725,468) | (862,136) | (1,156,747) |
| Basic and diluted loss per share attributable to owners of the Company | (0.005) | (0.01) | (0.01) | (0.01) |

As discussed 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 quarter ended December 31, 2016 (the "Fourth Quarter") saw an increase in expenses following completion of the EGX acquisition and also the concession tender process with the Government of Ecuador. The increase in expenses for the Fourth Quarter arose primarily due to (i) ongoing legal and professional advisory costs related to the EGX transaction and related compliance matters, (ii) year-end bonuses paid to staff and management personnel, and (iii) costs relating to the award of new concessions in Ecuador.

**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 8 of the Company's audited consolidated financial statements for the years ended December 31, 2016 and 2015.

**LIQUIDITY AND CAPITAL RESOURCES**

As at December 31, 2016, the Company had cash and cash equivalents of $12,333,608 compared to cash and cash equivalents of $794,605 at December 31, 2015. The Company's working capital at December 31, 2016 was $11,916,239 compared to $777,565 at December 31, 2015. The Company's cash and current assets at December 31, 2016, 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 December 31, 2016, the majority of the Company's cash and cash equivalents were held at Scotiabank, a major chartered bank in Canada, and approximately $99,400 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 December 31, 2016.

As noted earlier in this MD&A, the Company is preparing to increase exploration expenditures in Ecuador, expanding the limited exploration and evaluation program that was in place since early 2015. In order to keep its mineral concessions in Ecuador in good-standing, the Company is required to meet certain spending commitments each year. The Company's expenditures in 2016 were sufficient to maintain its concessions in good standing. For 2017, the Company has committed to the Government of Ecuador that is 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) $6,170,352 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.

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(c) to the audited consolidated financial statements of the Company for the year ended December 31, 2016, the Company has incurred cumulative losses of $26,346,635. The Company's long-term ability to continue as a going concern is dependent upon successfully obtaining additional financing. 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 December 31, 2016, the Company's financial instruments consist of cash and cash equivalents, 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 and cash equivalents: 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 16(a) to the audited consolidated financial statements for the year ended December 31, 2016.

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

**Liquidity Risk**

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

At December 31, 2016, the Company's current liabilities consisted of accounts payable and accrued liabilities of $627,976 which are due primarily within the next quarter. The Company's cash and cash equivalents of $12,333,608 at December 31, 2016 were sufficient to pay the accounts payable and accrued liabilities.

**Market Risks**

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

***Interest Rate Risk***

Interest rate risk is the risk that the future cash flows of the Company will fluctuate because of changes in market interest rates. Included in net loss for the year ended December 31, 2016 is interest income earned on the Company's cash and cash equivalents. Based on the Company's cash and cash equivalents at December 31, 2016, 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 $123,400 (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 December 31, 2016, the Company's cash and cash equivalents were primarily held in U.S. dollars as disclosed in Note 5 of the audited consolidated financial statements for the year ended December 31, 2016. 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 $11,800 to the results of operations based upon the foreign currency financial instruments (including cash and cash equivalents) held at December 31, 2016.

**SHARE CAPITAL**

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

| | | |
|---|---|---|
| Common shares: | 231,707,667 | |
| Common share purchase options: | 9,354,121 | exercisable between CAD$0.315 - CAD$1.44 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 3(t) in the Company's audited consolidated financial statements for the year ended December 31, 2016.

**Going concern**

The assessment of the Company's ability to continue as a going concern requires significant judgment. As disclosed in Note 2(c) of the audited consolidated financial statements for the year ended December 31, 2016, the Company has incurred cumulative losses of $26,346,635. 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.

**Acquisition of Ecuador Gold and Copper Corp.**

IFRS 3 *Business combinations* requires that management apply judgment in the determination if an acquisition of an entity is to be treated as a business combination or as an asset purchase. In the assessment of the EGX acquisition, it was determined that the entity did not constitute a business as it lacked mining permits, mineral reserves, infrastructure and funding to operate the Condor Project.

**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.

**Deferred tax assets**

Management assesses the probability of future taxable income against which deferred tax assets can be utilized. Such information is based on the Company's future planned activities, supported by budgets that have been approved by the Board of Directors. Management also considers the tax rules of the various jurisdictions in which the Company and its subsidiaries operate. These assessments can change materially over time as a result of the Company's plans and activities as well as amended tax laws being enacted by relevant tax authorities.

**CHANGES IN ACCOUNTING STANDARDS**

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

*Amendments to IAS 12 – Income Taxes - Recognition of Deferred Tax Assets for Unrealized Losses*

The IASB published amendments to IAS 12 to clarify issues surrounding the recognition of deferred tax assets related to debt instruments measured at fair value. The amendments are effective for annual periods beginning on or after January 1, 2017, with earlier application permitted. The amendment is not expected to have an impact to the Company.

*Amendments to IAS 7 – Statement of Cash Flows - Disclosure Initiative*

The IASB issued Disclosure Initiative – Amendments to IAS 7 designed to improve the quality of information provided to users of financial statements about changes in an entity's debt and related cash flows (and non-cash changes). The amendments are effective for annual periods beginning on or after January 1, 2017, with earlier application permitted. Management is currently evaluating the impact of the amendments on the Company's consolidated 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 and varied kinds of risks, including, but not limited to, operational, environmental, metals pricing, social, political, security, financial and economic. 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 such risks to the extent possible and practicable.

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

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

The property interests owned by the Company are in the exploration stage only, are without known bodies of commercial mineralization and have no ongoing mining production operations. Mineral exploration involves a high degree of risk and few properties which are explored are ultimately developed into producing mines. 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. 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 rights 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, but 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.

- *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;
  - 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;

- labour standards and occupational health and safety, including mine safety;
- processes for preventing or halting illegal mining activities; and,
- historic and cultural preservation.

The costs associated with compliance with laws and regulations are substantial and possible 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, restrictions on or suspensions of the Company's operations, and delays in the development of its properties. Moreover, these laws and regulations may allow governmental authorities and private parties to bring lawsuits against the Company based upon damage to property and 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 fines, penalties or other civil or criminal sanctions.

It is challenging to comply strictly with all regulations imposed on the Company. The Company retains competent and well trained individuals, professionals, attorneys and consultants in jurisdictions in which it does business; however, there is no certainty that the Company will continuously be compliant with all applicable laws. The failure to comply with all applicable laws 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.*

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 expropriations 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 environmental laws and regulations.*

The Company's exploration activities are subject to extensive laws and regulations governing the protection of the environment, waste disposal, worker and community safety, 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 illegal miners affecting the environment, human health, and safety of the surrounding communities. Delays in obtaining or failure to obtain government permits and approvals, or to secure evictions of illegal miners, may adversely affect the Company's ability to explore or develop its properties. The Company has made, and expects to make in the future, significant expenditures to comply with such laws and regulations and to the extent reasonably possible, create social and economic benefit in nearby communities. From time to time, the Cangrejos and Condor mineral properties have been subject to illegal mining activity, and these incidents have been reported and dealt with by the Company using procedures available to it under Ecuadorian law. However, the Company may be required to remediate areas impacted by the activities of third parties on its concessions. Future changes to environmental laws, regulations and permits or changes in their enforcement or regulatory interpretation could have an adverse impact on the Company's financial condition.

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

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 by 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 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 these 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 to 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 governmental 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. 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 delay 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 abilities.*

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 abilities, 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.

Furthermore, 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; or that
  - this 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 continue to be generated and refined. These parameters 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, including mineral exploration, development, mine construction and operating activities, 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 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.

- *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. This, 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.