LUMINEX RESOURCES BUSINESS
MANAGEMENT DISCUSSION AND ANALYSIS ("MD&A")
For the three and six months ended June 30, 2018

INTRODUCTION

Luminex Resources Business (the "Business") is engaged in the acquisition, exploration and development of mineral resources primarily in Ecuador. The Business includes the entities and activities acquired by Lumina Gold Corp. ("Lumina") upon its acquisition of Ecuador Gold and Copper Corp. ("EGX") on November 1, 2016, which consisted of the Condor Project, plus certain mineral concessions in Ecuador that have been granted to Lumina, or subsidiaries of Lumina, subsequent to the acquisition of EGX. Prior to November 1, 2016, EGX was a public company listed on the TSX Venture Exchange. The majority of concession areas that comprise the Condor Project are held by Condormining Corporation S.A. which is 90% owned by the Business. The other 10% is owned by the Instituto de Seguridad Social de las Fuerzas Armadas, which is a pension fund for Ecuador's armed forces personnel.

To date, none of the projects possessed by the Business have been determined to have economically recoverable reserves. The recoverability of amounts shown for mineral properties is dependent on the establishment of a sufficient quantity of economically recoverable reserves, the ability of the Business to obtain the necessary financing or participation of joint venture partners to complete the development of the properties and upon future profitable production or proceeds from the disposition of exploration and evaluation assets.

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

On July 9, 2018, Lumina announced that its board of directors had unanimously approved a strategic reorganization of its business (the "Arrangement") whereby all of Lumina's concessions and properties, with the exception of the properties comprising the Cangrejos Project, would be spun out to Lumina shareholders through a newly incorporated company, Luminex Resources Corp. ("Luminex"). As part of the Arrangement, Lumina's current shareholders will receive shares of Luminex by way of a share exchange, pursuant to which each existing share of Lumina is exchanged for one "new" share of Lumina and 0.15 of a share of Luminex. Optionholders of Lumina will receive replacement options of Lumina and options of Luminex which are proportionate to, and reflective of, the terms of their existing options. The reorganization was effected by way of a plan of arrangement under the *Business Corporations Act* (British Columbia) on August 31, 2018. Approximately $5.25 million in cash was transferred from Lumina to Luminex as part of the Arrangement.

This MD&A of Luminex Resources Business has been prepared by management as of August 31, 2018, and should be read in conjunction with the unaudited condensed carve-out combined interim financial statements and related notes thereto of the Business for the three and six months ended June 30, 2018 and 2017, which were prepared in accordance with IAS 34 *Interim Financial Reporting*. All dollar figures are expressed in U.S. dollars unless otherwise stated.

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 Luminex.

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 Business' future plans, objectives or goals, including words to the effect that the Business or management expects a stated condition or result to occur. Examples of forward-looking statements in this MD&A include, but are not limited to, statements with respect to:

- the Business' going-forward strategy;
- the Business' acquisition of concessions and projects, and the regulatory reporting and amount of spending required to maintain the concessions in good-standing;
- plans and activities required to continue or initiate exploration and drilling programs;
- timing and prospects of future exploration and development work and expenditures on the Business' projects;
- estimates of mineral resources at the Business' projects;
- estimates of future metal prices;
- possible related discoveries or extensions of new mineralization or increases or upgrades to reported mineral resource estimates at the Business' projects;
- the upgrading of Inferred Mineral Resources to Indicated or Measured Mineral Resources;
- the Business' efforts to secure strategic partners for development of highly prospective copper and molybdenum deposits found on its new concessions, including proposed and agreed joint venture / earn-in arrangements with third parties on the Business' concessions, e.g., finalizing the agreement announced in a non-binding letter of intent with Anglo American plc;
- the Business' ability to comply with permitting and regulatory requirements related to exploration and development and related operations, as well as any associated costs and timing;
- prospects for identifying and/or acquiring additional mining concessions or projects, within or outside of Ecuador;
- plans and actions to renounce certain non-core concession areas;
- the Business' ability to continue as a going concern;
- the impact of future accounting standards on the Business;
- the risks and uncertainties around the Business' business;
- the Business' expectation of sustained improvement in copper and gold markets;
- the adequacy of the Business' working capital;

- the Business' ability to raise additional financing or find alternative ways to advance its corporate objectives;
- the Business' efforts to monitor market and political conditions (globally and in Ecuador), including the Government of Ecuador's implementation of a future concession tender process;
- the Business' efforts to evaluate, and bid on, additional exploration project opportunities in Ecuador and elsewhere;
- the Business' ability, with government support, to control incursions by informal miners into its concessions;
- the validity of the Government of Ecuador's mineral concession auction process and the rights granted thereby;
- the Government of Ecuador maintaining national policies directed at making Ecuador an attractive destination for long-term formal mining investment, continuing to build on recent mining reforms, including solidifying the changes made via the Ministerial Agreement that allows for non-systematic exploration drilling;
- Ecuador remaining a jurisdiction that is attractive to mining investors;
- legislative and regulatory reform processes, including those related to the fiscal regime, and their potential effects on the Business; and,
- the mining assets and properties acquired by the Business being and remaining attractive investment opportunities.

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

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

- risks relating to price fluctuations for gold, copper, and other precious and base metals;
- risks inherent in mineral resource estimation;
- risks relating to government expropriation of the Business' mineral property interests;
- risks relating to all the Business' mineral concessions and projects being located in Ecuador, including political, social, economic, security and regulatory challenges and instability;
- risks relating to changes in Ecuador's national, provincial and local political leadership, including impacts these may have on general and mining specific public policies, administrative agencies and social stability;
- risks relating to local political and social unrest, including opposition to mining, pressure for economic benefits such as employment or social investment programs, access to land for agricultural or artisanal or illegal mining purposes, or other demands, as well as internal community disagreements related to acceptance of mining activity, land possession, distribution of wealth, or other issues;
- risks relating to the social, environmental and geological conditions in areas in proximity to the concessions under development;
- risks relating to the Business' rights or activities being impacted by litigation or administrative processes;
- risks relating to the Business' ability to access concession surface areas and other properties needed to advance its exploration and development programs;
- risks relating to the Business' operations being subject to environmental requirements, including remediation;
- risks relating to the Business' ability to source qualified human resources, including managers, employees, consultants, attorneys, and sub-contractors, as well as the performances of all such resources (including human error and actions outside of the control of the Business, such as wilful negligence of its counterparties or agents);
- risks of title disputes or claims affecting mining concessions or surface ownership rights;
- risks relating to adverse changes to laws, regulations or other norms placing increased regulatory burdens or extending timelines for regulatory approval processes, including environmental, safety, social, taxation and other matters;
- risks relating to delays in obtaining governmental approvals or permits necessary for the execution of exploration, development or construction activities;
- risks relating to failure of plant, equipment or processes to operate as anticipated;
- risks relating to performance of human resources, such as accidents and labour disputes;
- risks relating to competition inherent in the mining exploration industry, in Ecuador and elsewhere;
- risks of impacts from unpredictable natural occurrences, such as adverse weather conditions, fire, natural erosion, landslides, and geological activity, including earthquakes and volcanic activity;
- risks relating to inadequate insurance or inability to obtain insurance;
- risks relating to the fact that the Business' properties are not yet in commercial production;
- risks relating to the Business' ability to obtain necessary funding for its operations, at all or on terms acceptable to the Business;
- risks relating to the Business' working capital and requirements for additional capital;
- risks relating to currency exchange fluctuations or change in national currency;
- risks relating to fluctuations in interest and inflation rates;
- risks relating to restrictions on access to and movement of capital;
- risks relating to the Business' dependence on key personnel; and
- other risks of the mining industry

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

Although the Business has attempted to identify important factors and risks that could affect the Business 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 Business does not undertake any obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events, except as required by law.

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

OVERVIEW OF SIGNIFICANT EVENTS AND REVIEW OF ACTIVITIES

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

Condor Project

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

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

The Condor Project is located within the Zamora-Chinchipe Province in southwestern Ecuador. The region is serviced by air from the city of Loja which is a three-hour drive from the Condor Project. Access is by paved highways via the provincial capital of Zamora and then 50 km east to the village of Paquisha. From Paquisha there is approximately 35 km of gravel road passing through several villages to the Condor Project. Lundin Gold Inc.’s Fruta del Norte gold project is located approximately 30 km to the north.

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

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

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

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

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

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

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

Other Concessions of the Business

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

The Business holds the following concessions from the tender process:

Concession Name	Area (Ha)	General Location
Cascas [1]	9,998	Two concessions located on trend with the Condor Project.
Escondida [2]	1,204	Located adjacent to the Condor Project.
La Canela	3,187	Located on trend with the Condor Project.
Orquideas	4,743	Located on trend with the Condor Project.
Palma Real [1]	19,775	Four concessions located approximately 170km northwest of Quito in the western foothills of the Andes in Esmeraldas Province.
Pegasus A / Pegasus B / Luz	67,360	Fifteen adjacent concessions located approximately 150km southwest of Quito in Cotopaxi Province.
Quimi [1]	2,732	Two concessions located on trend with the Condor Project.
Santa Elena [1][2]	628	Located adjacent to the Condor Project.
Tarqui [1]	4,817	Two concessions located on trend with the Condor Project.
Tres Picachos	4,828	Located on trend with the Condor Project.
TOTAL	**119,272**	

Notes:
(1) Concessions acquired by way of option agreement with Proyectmin S.A., a related party to the Business. Under the terms of the option agreement, the Business was responsible for funding the required work commitments on the concessions. After two years, the concessions were to be transferred to the Business. On April 18, 2018, the Business acquired 100% of the shares of Proyectmin S.A. for $35,000 which eliminates the option agreement as the ownership of the concessions is now directly controlled by the Business.
(2) The Escondida and Santa Elena concessions are considered part of the Condor Project for purposes of reporting from January 1, 2018.

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

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

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

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

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

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

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

First Quantum Earn-In

On June 20, 2018, Lumina signed a formal earn-in agreement (the "Earn-in Agreement") with First Quantum relating to the Orquideas and Cascas concessions (the "Properties"). Under the terms of the Earn-in Agreement, First Quantum has committed to fund a minimum of $1.5 million in exploration expenditures and fees by the end of year one, after which it can withdraw from the agreement with no retained interest. If First Quantum chooses to continue funding beyond year one they will 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 Luminex. Spending commitments and estimated concession license fees over the First Earn-in total $31.5 million. Pursuant to the terms of the Earn-in Agreement, Lumina received $100,000 upon signing ("Signing Bonus") and in addition, further cash payments of $6.9 million will be received by the Business over the duration of the First Earn-in period.

Further to the terms of the Earn-in Agreement, $984,354 of expenditures incurred on the concessions since September 1, 2017, have been reimbursed to the Business by First Quantum (of which $202,745 was receivable as at June 30, 2018).

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

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

On August 29, 2018, Lumina assigned its rights and obligations under the Earn-In Agreement to Luminex.

Further details on the Earn-in Agreement can be viewed in Notes 7(a) and 16 to the unaudited condensed carve-out combined interim financial statements of the Business for the three and six months ended June 30, 2018.

Anglo American Earn-In and Joint Venture

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

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

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

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

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

Financing Activity

Prior to completion of the Arrangement, Lumina provided Luminex with funding in the amount of $5.25 million.

OUTLOOK

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

The formal elimination of the windfall tax became a pressing issue for the Government of Ecuador following the national public consultation vote on February 4, 2018 (the "Public Consultation"). This referendum put seven questions to a popular vote, including the derogation of the Organic Law to Prevent Speculation on the Value of Land and Speculation of Taxes implemented under the government of President Correa. While the primary objective of the Government of Ecuador with this law had been to target land speculation, its text also included language that virtually nullified the effects of the windfall tax. The Public Consultation also approved a norm to prohibit metallic mining in all its stages, in protected areas, intangible zones and urban centres, which the Business anticipates will not have a significant impact on any of the mineral areas of its concessions.

Under the leadership of new Minister Carlos Perez, Ministry of Energy and Non-Renewable Resources, the administration, based on a determination that its effects on dissuading investment significantly outweighed potential future income benefits, moved to eliminate the mining windfall tax and to continue to work to improve the mining legal and tax framework in order to attract responsible investment for the benefit of the country and local communities. The Production Development Law, which took effect on August 27, 2018, contains provisions eliminating the windfall profits tax, changing the net smelter return (NSR) royalty rate for large mining from 5% to a range of 3%-8%, and mitigating the effects of the capital gains tax up to 10% for companies that do not reside in Ecuador.

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

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

The Business' strategy going forward focuses on advancing exploration at the Condor Project and the First Quantum and Anglo American earn-in and joint venture projects, and continuing its evaluation of the remaining newly acquired concessions to ensure that resources are focused on advancing projects with greatest merit.

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

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

In recent months, critics of the mining sector have brought claims before the courts seeking to constitutionally enjoin mining companies from advancing projects until the Government of Ecuador complies with its commitments under article 57 of the Constitution of the Republic of Ecuador and the International Labor Organization convention, to which Ecuador is a signatory, and which requires free, prior and informed consultation to aboriginal or indigenous communities (ILO 169). On August 3, 2018, the Provincial Court of Azuay province denied a government appeal of a lower court ruling suspending operations at an Ecuadorian company's (Ecuagoldmining South America S.A., owned by the Junefield Group) Rio Blanco mine. Some legal analysts have concluded that the court's legal reasoning is confusing and flawed and therefore does not establish a valid precedent. Furthermore, additional pleadings could effectively unwind the ruling. During July 2018, a judge suspended work at mining concessions in northeast Ecuador (in the Sucumbios Province) covering lands belonging to the indigenous Cofan, a people who until recent decades were uncontacted, finding that they had not been appropriately consulted. Likewise, the Mirador project, owned by Ecuacorriente S.A. is facing a similar challenge. While the Pegasus project is not known to have indigenous peoples or communities within its boundaries, several other Business assets may meet that criteria. While the Business has taken steps to obtain their social license before gaining access to any lands to conduct mining work, there is a possibility that in some instances additional consultation will be required.

REVIEW OF FINANCIAL RESULTS

Selected Financial Data

The following summary financial information has been derived from the unaudited condensed carve-out combined interim financial statements of the Business, which have been prepared in accordance with IFRS. The Business' significant accounting policies are outlined within Note 4 to the unaudited condensed carve-out combined interim financial statements of the Business for the three and six months ended June 30, 2018 and 2017 and are also included in Note 4 of the Business' audited carve-out combined financial statements for the year ended December 31, 2017 and two months ended December 31, 2016.

	Three months ended June 30,	
	2018	**2017**
Carve-out Combined Statements of Comprehensive Loss		
Revenue	$ -	$ -
Expenses	(1,006,867)	(1,492,710)
Other income	182,141	1,931
Net loss and comprehensive loss for the period	$ (824,726)	$ (1,490,779)
Loss attributable to:		
Owners of the Business	$ (777,747)	$ (1,431,063)
Non-controlling interest	(46,979)	(59,716)
	$ (824,726)	$ (1,490,779)

	Six months ended June 30, 2018	2017
Carve-out Combined Statements of Comprehensive Loss		
Revenue	$ -	$ -
Expenses	(4,226,443)	(3,688,748)
Other income	184,563	4,529
Net loss and comprehensive loss for the period	$ (4,041,880)	$ (3,684,219)
Loss attributable to:		
Owners of the Business	$ (3,904,923)	$ (3,590,818)
Non-controlling interest	(136,957)	(93,401)
	$ (4,041,880)	$ (3,684,219)

Results of Operations

For the three and six months ended June 30, 2018, the Business recorded net losses of $824,726 and $4,041,880, respectively, compared to $1,490,779 and $3,684,219, respectively, for the three and six months ended June 30, 2017.

Total E&E expenses for the three and six months ended June 30, 2018 were $518,045 and $3,382,236 compared to $1,183,636 and $2,979,385 for the three and six months ended June 30, 2017. Further details on specific projects and concession areas with the Business' portfolio of projects are noted below.

Condor Project

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

	Three months ended June 30, 2018	2017(1)	Increased (decreased) Expenditure
Mineral rights	$ 9,772	$ 147,729	$ (137,957)
Legal fees	9,007	15,952	(6,945)
Assays / Sampling	18,270	39,143	(20,873)
Camp	122,976	63,739	59,237
Camp access and improvements	2,955	-	2,955
Drilling	15,654	-	15,654
Environmental, Health & Safety	32,315	309	32,006
Field office	59,580	214,174	(154,594)
Geological consulting	115,446	26,368	89,078
Geological and field staff	52,143	210,643	(158,500)
Project management	65,234	32,830	32,404
Reports	-	16,425	(16,425)
Social and community	34,365	36,225	(1,860)
Share-based payment	24,245	14,530	9,715
Transportation and accommodation	78,251	54,176	24,075
	$ 640,213	$ 872,243	$ (232,030)

	Six months ended June 30, 2018	2017(1)	Increased (decreased) Expenditure
Mineral rights	$ 107,814	$ 227,745	$ (119,931)
Legal fees	15,254	38,658	(23,404)
Assays / Sampling	75,268	39,143	36,125
Camp	314,245	99,227	215,018
Camp access and improvements	44,800	-	44,800
Drilling	113,903	3,083	110,820
Environmental, Health & Safety	69,030	285	68,745
Field office	147,983	382,539	(234,556)
Geological consulting	282,022	53,735	228,287
Geological and field staff	112,280	268,829	(156,549)
Project management	133,139	63,466	69,673
Reports	-	16,425	(16,425)
Social and community	93,656	54,731	38,925
Share-based payment	48,223	30,874	17,349
Transportation and accommodation	191,548	87,195	104,353
	$ 1,749,165	$ 1,365,935	$ 383,230

Notes:
(1) Expenses for Escondida and Santa Elena concessions during the three and six months ended June 30, 2017, have been included to be consistent with their inclusion as part of the Condor Project for purposes of reporting from January 1, 2018.

Expenditures on the Condor Project reflect ongoing exploration, management, camp, and support (social and environmental management) staff costs which are included in the field office category. In addition, the Business has performed geologic mapping and geophysics programs, rock and soil geochemical analyses and drilling which will be incorporated into future exploration plans and drilling programs on the Condor Project. During the three months ended June 30, 2018, overall activity levels were lower at the Condor Project as the Business has sought to lower the overall cash burn on the Project while continuing to perform targeted rock sampling programs.

Other Projects

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

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

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

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

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

Cascas / Orquideas Projects	Six months ended June 30, 2018	2017	Increased (decreased) Expenditure
Mineral rights	$ 144,117	$ 142,421	$ 1,696
Legal fees	27,395	3,599	23,796
Assays / Sampling	40,433	15,405	25,028
Camp	148,244	18,360	129,884
Camp access and improvements	1,308	-	1,308
Environmental, Health & Safety	33,653	52	33,601
Field office	46,465	5,709	40,756
Geological consulting	91,610	2,077	89,533
Geological and field staff	84,050	50,242	33,808
Project management	25,148	7,085	18,063
Reports	60,795	-	60,795
Social and community	22,922	7,873	15,049
Transportation and accommodation	104,645	9,183	95,462
Expenses before cost recovery	830,785	262,006	568,779
Cost recovery from First Quantum	(984,354)	-	(984,354)
	$ (153,569)	$ 262,006	$ (415,575)

The main focus during the three and six months ended June 30, 2018 has been on the Orquideas concession area, working in conjunction with First Quantum as described earlier in this MD&A. Work performed has included geologic mapping and sampling, line-cutting and IP geophysical surveying as well as auger soil sampling along the geophysical lines. As discussed earlier in this MD&A, $984,354 of expenditures incurred on the concessions since September 1, 2017, have been reimbursed to the Business by First Quantum.

Other Project Areas	Three months ended June 30, 2018	2017	Increased (decreased) Expenditure
Mineral rights	$ -	$ 40,089	$ (40,089)
Legal fees	5,687	4,314	1,373
Assays / Sampling	32,540	1,612	30,928
Camp	20,557	7,965	12,592
Camp access and improvements	782	-	782
Environmental, Health & Safety	7,443	868	6,575
Field office	12,610	5,186	7,424
Geological consulting	2,554	4,032	(1,478)
Geological and field staff	59,959	24,415	35,544
Project management	17,661	7,204	10,457
Social and community	6,378	590	5,788
Transportation and accommodation	18,578	908	17,670
	$ 184,749	$ 97,183	$ 87,566

Other Project Areas	Six months ended June 30, 2018	2017	Increased (decreased) Expenditure
Mineral rights	$ 342,687	$ 315,149	$ 27,538
Legal fees	25,470	9,721	15,749
Assays / Sampling	48,518	1,689	46,829
Camp	28,939	12,475	16,464
Camp access and improvements	2,072	-	2,072
Environmental, Health & Safety	8,591	918	7,673
Field office	30,541	11,106	19,435
Geological consulting	3,726	4,032	(306)
Geological and field staff	129,671	38,608	91,063
Project management	32,689	10,604	22,085
Social and community	15,424	1,738	13,686
Transportation and accommodation	31,668	2,628	29,040
	$ 699,996	$ 408,668	$ 291,328

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

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

	Three months ended June 30, 2018	2017	Increased Expenditure
Fees, salaries and other employee benefits	$ 173,524	$ 170,092	$ 3,432
General and administration ("G&A")	95,589	70,168	25,421
Professional fees	208,568	61,847	146,721
Insurance	11,141	6,967	4,174
	$ 488,822	$ 309,074	$ 179,748

	Six months ended June 30, 2018	2017	Increased (decreased) Expenditure
Fees, salaries and other employee benefits	$ 362,481	$ 374,800	$ (12,319)
G&A	199,601	119,902	79,699
Professional fees	266,154	207,694	58,460
Insurance	15,971	6,967	9,004
	$ 844,207	$ 709,363	$ 134,844

Fees, salaries and other employee benefits for the three and six months ended June 30, 2018 include $70,926 and $154,111, respectively, of share-based payment expense (three and six months ended June 30, 2017 - $82,516 and $204,036 respectively). Excluding this non-cash expense, fees, salaries and other employee benefits for the three and six months ended June 30, 2018 were $102,598 and $208,370 compared to $87,576 and $170,764 for the three and six months ended June 30, 2017. The increase in fees, salaries and other employee benefits and G&A costs (as noted in the table above) arose due to the generally increased levels of activity as described earlier in this MD&A. Professional fees increased by $146,721 and $58,460 for the three and six months ended June 30, 2018 compared to the 2017 equivalent periods primarily as a result of additional legal fees incurred relating to the earn-in and joint ventures with First Quantum and Anglo American and general planning related to the Arrangement.

Related Party Transactions

Lumina incurred various expenses with related parties which will also provide services to the Business. Accordingly, the following expenses with Lumina's related parties have been disclosed on a pro-rata basis in line with the allocation of the related expenses in the unaudited condensed carve-out combined interim financial statements of the Business:

Company	Nature of transactions	Three months ended June 30, 2018	2017
Miedzi Copper Corp.	E&E (geological)	$ 12,280	$ 6,881
Miedzi Copper Corp.	G&A	18,256	11,259
Miedzi Copper Corp.	Fees	39,866	33,742
Mozow Copper Sp. z o. o.	E&E (field office)	665	-
Hathaway Consulting Ltd.	Fees	20,301	18,826
Koval Management Inc.	Fees	23,737	22,125
La Mar Consulting Inc.	E&E (social and community)	11,347	17,370
Lyle E Braaten Law Corp.	Fees	5,793	5,391
Zen Capital & Mergers Ltd.	Fees	620	611
		$ 132,865	$ 116,205

Company	Nature of transactions	Six months ended June 30, 2018	2017
Miedzi Copper Corp.	E&E (geological)	$ 23,857	$ 12,023
Miedzi Copper Corp.	G&A	34,655	19,561
Miedzi Copper Corp.	Fees	81,994	61,629
Mozow Copper Sp. z o. o.	E&E (field office)	1,397	-
Hathaway Consulting Ltd.	Fees	41,345	38,090
Koval Management Inc.	Fees	47,993	44,709
La Mar Consulting Inc.	E&E (social and community)	23,725	35,608
Lyle E Braaten Law Corp.	Fees	11,798	10,887
Zen Capital & Mergers Ltd.	Fees	1,260	1,228
		$ 268,024	$ 223,735

LIQUIDITY AND CAPITAL RESOURCES

As at June 30, 2018, the Business had cash of $272,404 compared to cash of $467,055 at December 31, 2017. The Business' working capital at June 30, 2018 was negative $65,065 compared to negative $173,312 at December 31, 2017. As at those respective dates, the Business was reliant on owner's investment from Lumina in order to fund operations.

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 Business' working capital is of value to assess the available capital resources of the Business at a reporting period end.

The Business had no long-term debt obligations or off-balance sheet arrangements at June 30, 2018.

As disclosed in Note 17 to the unaudited condensed carve-out combined interim financial statements of the Business at June 30, 2018, the Business, in order to keep its mineral concessions in Ecuador in good-standing, is required to meet certain spending commitments each year. For 2018, the Business has the following commitments on its mineral concessions:

(i) approximately $351,000 on the Condor Project; and
(ii) approximately $608,000 relating to a government-mandated $5 per hectare spending on new concessions awarded through the Government of Ecuador's auction process.

As disclosed in Note 7(b) to the unaudited condensed carve-out combined interim financial statements for the three and six months ended June 30, 2018, the Business has incurred approximately $4.3 million (excluding share-based payment expense and adjusting for costs recovered from First Quantum) of expenditures on its projects during the six months ended June 30, 2018. The majority of these expenses will count towards the committed spending requirement outlined above.

The Business will require additional funding in the future to meet these commitments, and to support any further expansion of plans. As part of the Arrangement with Lumina, the Business received $5.25 million in cash.

For the mineral concessions that were received via tender process, the Business has four years from the concession registration date to satisfy the full amount that was committed in the tender process or the concession will be forfeited. These amounts are in excess of the government mandated minimum spend per hectare. An annual report is sent to ARCOM noting the amount of expenditures incurred on each concession which reduces the remaining total commitment amount. The total four-year commitment, amounts reported to ARCOM, and remaining total commitment, for each concession obtained and held at June 30, 2018, and assuming all concessions are retained, is as follows:

Concession Name		Total Four-year Spending Commitment		Cumulative Amounts Reported to ARCOM		Remaining Four-year Commitment[1]
Cascas (2 concessions)	$	2,338,430	$	106,559	$	2,231,871
Escondida		977,140		27,272		949,868
La Canela		2,052,253		67,618		1,984,635
Orquideas		6,058,333		370,647		5,687,686
Palma Real (4 concessions)		1,460,025		385,931		1,074,094
Pegasus A / Pegasus B / Luz (15 concessions)		4,656,235		1,393,448		3,262,787
Quimi (2 concessions)		2,035,300		47,777		1,987,523
Santa Elena		1,530,025		64,903		1,465,122
Tarqui (2 concessions)		1,210,355		64,264		1,146,091
Tres Picachos		2,050,248		120,701		1,929,547
TOTAL	**$**	**24,368,344**	**$**	**2,649,120**	**$**	**21,719,224**

[1] The current expenditures of $4.3 million for the six months ended June 30, 2018 will, for the majority of items, count towards this total commitment but have not been shown as a reduction in the table above.

The Business' long-term ability to continue as a going concern is dependent upon successfully obtaining additional financing, entering into joint ventures, or the partial or total disposal of the Business' assets.

FINANCIAL INSTRUMENTS

At June 30, 2018, the Business' financial instruments consist of cash, receivables, environmental deposit and accounts payable and accrued liabilities. Fair value estimates are made at the balance sheet date based on generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions. These estimates are subjective in nature and may involve significant uncertainties in matters of judgment and, therefore, cannot be determined with precision. The fair values of the Business' 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 Business' financial instruments have been classified as follows under IFRS:

- Cash: amortized cost.
- Receivables: amortized cost.
- Environmental deposits: amortized cost.
- Accounts payable and accrued liabilities: amortized cost.

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

Credit Risk

It is management's opinion that the Business is not exposed to significant credit risk arising from these financial instruments, as disclosed in Note 13(a) to the unaudited condensed carve-out combined interim financial statements for the three and six months ended June 30, 2018.

The Business' exposure to credit risk on its cash is limited by maintaining this asset with high-credit quality financial institutions. The Business may be exposed to the credit risk of its banks in Ecuador which hold cash for the Business' Ecuadorian operations. The Business 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 Business will be unable to meet its financial obligations as they become due. The Business is reliant on support from Lumina to ensure that it has sufficient cash and other financial resources available to meet its obligations. The Business manages liquidity risk through the management of its capital structure. At June 30, 2018, the Business' current liabilities consisted of accounts payable and accrued liabilities of $623,373 which are due primarily within the next quarter.

Interest Rate Risk

Interest rate risk is the risk that the future cash flows of the Business will fluctuate because of changes in market interest rates. Based on the Business' cash at June 30, 2018, and assuming that all other variables remain constant, a 1% increase or decrease in interest rates would not have a material impact on net income.

Currency Risk

The functional currency of the Business and its subsidiaries is the U.S. dollar. The carrying amounts of financial assets and financial liabilities denominated in currencies other than the U.S. dollar are subject to fluctuations in the underlying foreign currency exchange rates. Gains and losses on such items are included as a component of net loss for the period. The Business is exposed to currency risks arising from fluctuations in foreign exchange rates primarily among the U.S. dollar and Canadian dollar and the degree of volatility of these rates. The Business does not use derivative instruments to reduce its exposure to foreign exchange and currency risks. The Business' exposure to foreign currency risks on cash balances held in foreign currencies is not expected to be significant.

At June 30, 2018, the Business' cash was primarily held in U.S. dollars. The Business 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 $300 to the results of operations based upon the foreign currency financial instruments (including cash) held at June 30, 2018.

CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Business' carve-out combined financial statements in accordance with IFRS requires management to make certain judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. Actual results are likely to differ from these estimates. The Business evaluates its estimates on an ongoing basis and bases them on various assumptions that are believed to be reasonable under the circumstances. The Business' estimates are used for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Should the Business 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 Business' carve-out combined 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 4(c) in the Business' unaudited condensed carve-out combined interim financial statements for the three and six months ended June 30, 2018.

Going concern: The assessment of the Business' ability to continue as a going concern requires significant judgment. As disclosed in Note 3(c) of the unaudited condensed carve-out combined interim financial statements for the three and six months ended June 30, 2018, the Business' ability to continue as a going concern is dependent upon continued support from Lumina, 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 Business' assets, the outright sale of the Business, the successful development of the Business' mineral property interests or a combination thereof.

Allocation of expenses from Lumina to the Luminex Business: As disclosed in Note 3(b) of the unaudited condensed carve-out combined interim financial statements of the Business for the three and six months ended June 30, 2018, certain judgments are required in the allocation of certain of Lumina's balances and expenses to the Business. The appropriate method of allocation and the percentages applied require the judgment of management.

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

Changes in Accounting Standards

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

IFRS 9 – Financial Instruments: The IASB published the final version of IFRS 9 in July 2014. The final standard brings together the classification, measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes a loss impairment model, amends the classification and measurement model for financial assets and provides additional guidance on how to apply the business model and contractual characteristics test. This final version of IFRS 9 supersedes all previous versions of IFRS 9 and is effective for annual periods commencing on or after January 1, 2018, with early adoption permitted. The Business adopted the new standard on January 1, 2018 and has provided additional details concerning the accounting policy and impact on the financial statements in Note 4(b) to the unaudited condensed carve-out combined interim financial statements for the three and six months ended June 30, 2018.

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

RISKS AND UNCERTAINTIES

The Business' principal activity is mineral exploration and development. Companies in this industry are subject to many kinds of risks, including, but not limited to, operational, technical, environmental, labour, social, political, security, financial, economic, and metals pricing. Additionally, often due to factors that cannot be predicted or foreseen, few exploration projects successfully achieve development. While risk management cannot eliminate the impact of all potential risks, the Business 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 Business' business. The risks and uncertainties below are not listed in order of importance, nor are they inclusive of all the risks and uncertainties the Business 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 Business are in the exploration stage and, consequently, may not result in any commercial discoveries.*

Mineral exploration involves a high degree of risk. Few properties which are explored are ultimately developed into producing mines. The property interests owned by the Business are in the exploration stage only, are without known bodies of commercial mineralization and the Business has no ongoing mining production at any of them. The Business' mineral exploration activities may not result in any discoveries of commercial bodies of mineralization. If the Business' efforts do not result in any discovery of commercial mineralization, the Business will be forced to look for other exploration projects or cease operations. As well, the exploration and development activities of the Business may be disrupted by a variety of risks and hazards, which may be beyond the control of the Business. 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 Business may be unable to acquire or obtain such necessities as water and surface rights, which may be critical for the continued advancement of exploration and development activities on its mineral property rights.

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

Even if the Business' mineral property interests are proven to host economic mineral resources, governmental expropriation may result in the total loss of the Business' mineral property interests without any compensation to the Business. Similarly, expropriation or shutdown of financial institutions or other entities the Business does business with could impact operations. Further, expropriation of other businesses, in mining or other industries, could impact the Business' 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 Business' operations and prospects.

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

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

  - land access, use and ownership;
  - water use;
  - environmental protection;
  - social consultation and investment;
  - management and use of toxic substances and explosives;
  - rights over and management of natural resources, including minerals and water;
  - prospection, exploration, development and construction of mines, production and reclamation;
  - exports and imports;
  - taxation;
  - mining royalties;
  - restrictions on the movement of capital into and out of Ecuador (which could impact the Business' ability to repatriate funds and therefore, pay dividends);
  - importation of equipment and goods;
  - transportation;
  - hiring practices and labour standards by the Business 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 Business' properties, and even restrictions on or suspensions of Business operations. Moreover, these laws and regulations may allow governmental authorities and private parties to bring complaints or lawsuits against the Business based upon alleged damage to property and/or injury to persons resulting from the environmental, health and safety impacts of the Business' past and current operations, or possibly even actions or inaction by parties from whom the Business 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 Business. The Business retains competent and well trained staff, professionals, attorneys and consultants in jurisdictions in which it does business; however, there is no certainty that both it and its contractors will continuously be compliant with all applicable laws and regulations. The failure to comply with all applicable norms could lead to financial restatements, fines, penalties and other material negative impacts on the Business.

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

While the Business 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 Business' operations or business. Furthermore, increasing complexity of mining laws and regulations may render the Business incapable of strict compliance.

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

The Business' exploration and mine development activities are subject to extensive laws and regulations governing the protection of the environment, waste disposal, worker and community safety, employee health, mine development, and protection of water and endangered and protected species, as well as extensive reporting and community engagement requirements. The Business' 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 Business' 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 Business' ability to access, explore or develop its properties. The Business has made, and expects to make in the future, significant expenditures to comply with laws and regulations and to the extent reasonably possible, create social and economic benefit in nearby communities. Persistently, parts of the Business' mineral properties are occupied by illegal miners, and these incidents are reported and dealt with by the Business using procedures available to it under Ecuadorian law. The Business, 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 Business' operating and financial condition.

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

The Business' concessions are in close proximity to, or in some cases overlap with, local communities, and therefore it often needs local approvals in order to operate. The Business often enters into agreements with local communities, groups or individuals covering a range of matters including surface access, road usage, local employment, social programs, and other priority issues. The ethnic composition, social organization and land-ownership structure of the communities differ on a case by case basis, as do the Business' needs and impacts. Likewise, local concerns regarding environmental and social impacts, including pressures and worries related to the activities of illegal miners, as well as expectations related to Business employment, social investment programs and other benefits vary. Every local stakeholder relationship, however, requires ongoing dialogue and relationship management. For these purposes, the Business has assembled a Community Relations team, led by experienced professionals and, where necessary, supported by expert consultants, who develop and execute social communications strategies and plans. Despite its best efforts, relations can deteriorate or experience periods of tension, for any number of reasons, including: interference by local or external political or social actors or organizations, shifts in the agendas or interests of individuals or the community as a whole, or the Business' inability to deliver on community expectations or its commitments. The Community Relations team is prepared to manage such situations and issues are usually resolved through dialogue within a reasonable timeframe. However, if under extreme circumstances the Business were to lose its social license with one or more particular community and be unable to recover it, this could impact the viability of the related project.

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

Several of the Business' 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 Business 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 Business, in other cases, illegal miners may relocate to one of the Business' concession areas in response to government pressure that has shut down their prior operations. Local and national political and regulatory authorities may come under pressure to support or not impede the ambitions of these local actors. The Business monitors local mining activities and is in regular contact with regulatory and political authorities to anticipate and manage issues as they arise, however not every incursion can be readily identified. Nonetheless, there is a risk that in the future, due to political or social factors, regulators may make decisions to grant access to artisanal miners that impact the viability of the Business' projects.

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

In the ordinary course of business, the Business is required to obtain new governmental permits as well as renew permits for exploration and development activities and any ultimate development, construction and commencement of new mining operations. Obtaining or renewing necessary permits can be a complex and time-consuming process, which at times may involve several political jurisdictions and different government agencies that may not have the necessary expertise, resources or political disposition needed for efficient and timely processing, and may require public hearings and costly undertakings on the Business' part. The duration and success of the Business' 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 Business 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 Business believes it can recover from a given property once in production. Any unexpected delays or costs associated with the permitting process could slow exploration and/or development or impede the eventual operation of a mine, and could adversely impact the Business' operations and profitability.

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

The Business has no revenues from ongoing operations and has recorded significant accumulated losses. Based upon current plans, the Business expects to incur operating losses in future periods due to ongoing expenses associated with the holding, exploration and development of the Business' mineral property interests. The Business 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 Business 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 Business will have to raise funding through financing activities. However, there is no certainty the Business will be able to raise funds at all or on terms acceptable to the Business in the event it needs to do so. Furthermore, additional funds raised by the Business through the issuance of equity or convertible debt securities would cause the Business' current shareholders to experience dilution. Such securities also may grant rights, preferences or privileges senior to those of the Business' common shareholders.

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

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

- *Even if the Business 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 Business 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 Business not receiving an adequate return on invested capital or losing its invested capital.

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

Substantial expenditures are required to establish mineral reserves through drilling and the estimation of mineral reserves or mineral resources in accordance with the Canadian Institute of Mining (CIM) Guidelines. Although significant benefits may be derived from the discovery of a major mineralized deposit, the Business 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 Business. 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 Business, 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 Business 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 Business 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 Business' 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 Business' 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 Business' mineralization uneconomic and result in reduced reported mineralization.

The estimated parameters for the Business' 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 Business' projects, for which cost and productivity estimates may prove to be incorrect.

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

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

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

- *Inadequate infrastructure may adversely affect the Business' 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 Business' projects. If adequate infrastructure is not available in a timely manner, there can be no assurance that the development of the Business' 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 Business' operations and profitability.

- *The Business 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 Business 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 Business 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 Business could incur significant costs that may have a materially adverse effect upon its financial condition and even cause the Business to cease operations.

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

Although the Business 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 Business has an interest may be subject to prior unregistered agreements or transfers or native land claims, or it is possible that title may be affected by undetected defects.

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

The Business' 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 Business' 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 Business' mining properties, cannot be accurately predicted, but nonetheless may adversely impact the Business' ability to raise capital and conduct its operations.

- *All of the Business' subsidiaries and its mineral properties are in a foreign country and, therefore, a large portion of the Business' business may be exposed to political, economic, security, and other risks and uncertainties.*

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

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

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

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

The Business 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 Business' 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 Business' valuation and possible future stock price.

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

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