LUMINEX RESOURCES CORP.

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022

TSX-V: LR

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Luminex Resources Corp.

Opinion

We have audited the consolidated financial statements of Luminex Resources Corp. (the Entity), which comprise:

- the consolidated statements of financial position as at December 31, 2022 and December 31, 2021
- the consolidated statements of loss and comprehensive loss for the years ended December 31, 2022 and December 31, 2021
- the consolidated statements of changes in equity for the years ended December 31, 2022 and December 31, 2021
- the consolidated statements of cash flows for the years ended December 31, 2022 and December 31, 2021
- and notes to the consolidated financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2022 and December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

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

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

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

Material Uncertainty Related to Going Concern

We draw attention to Note 2(c) in the financial statements, which describes that the Entity has incurred recurring losses, has an accumulated deficit, expects to incur further losses in the development of its mineral exploration projects, and will be required to obtain additional financing to in the future.

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

Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the "***Material Uncertainty related to Going Concern***" section of the auditor's report, we have determined that there are no other key audit matters to communicate in our auditor's report.

Other Information

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

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

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

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

We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor’s report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG LLP

Chartered Professional Accountants

The engagement partner on the audit resulting in this auditor’s report is James Barron.

Vancouver, Canada
May 1, 2023

LUMINEX RESOURCES CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(expressed in U.S. dollars)

	Note	December 31, 2022	December 31, 2021
ASSETS			
Current assets			
Cash and cash equivalents	4	$ 1,281,749	$ 3,488,779
Receivables	5	22,491	58,343
Prepaid expenses		112,270	106,109
Total current assets		1,416,510	3,653,231
Non-current assets			
Property and equipment	6	902,193	917,112
Exploration and evaluation assets	7(a)	30,180,626	30,120,626
Investment in Pegasus	7(b)	2,200,000	2,200,000
Total assets		$ 34,699,329	$ 36,890,969
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	18	$ 1,154,122	$ 422,182
Lease obligations	6	30,235	-
Total current liabilities		1,184,357	422,182
Non-current liabilities			
Warrant liability	10	278,285	-
Total liabilities		1,462,642	422,182
EQUITY			
Share capital	8	91,841,748	85,505,963
Share-based payment reserve		1,630,979	1,353,027
Accumulated deficit		(59,574,411)	(51,441,409)
Equity attributable to owners of the Company		33,898,316	35,417,581
Non-controlling interest	11	(661,629)	1,051,206
Total equity		33,236,687	36,468,787
Total liabilities and equity		$ 34,699,329	$ 36,890,969

Nature of operations (Note 1)
Going concern (Note 2(c))
Commitments and contingent liability (Note 21)
Subsequent events (Notes 7(a) and 22)

APPROVED BY THE DIRECTORS

"Marshall Koval"
Director

"Donald Shumka"
Director

LUMINEX RESOURCES CORP.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

For the years ended December 31, 2022 and 2021

(expressed in U.S. dollars)

	Note		Year ended December 31, 2022		2021
Expenses					
Exploration and evaluation ("E&E") expenditures	7(c), 18	$	9,346,779	$	11,775,878
Fees, salaries and other employee benefits	12, 18		1,044,329		1,198,203
General and administration ("G&A")	18		590,854		570,130
Professional fees			274,519		231,469
			(11,256,481)		(13,775,680)
Other income (expenses)					
Change in fair value of warrants	10		241,236		-
Interest income and other	19		1,246,484		957,995
Interest expense and other			(4,059)		(1,611)
Foreign exchange loss			(73,017)		(152,754)
			1,410,644		803,630
Net loss and comprehensive loss for the year		$	(9,845,837)	$	(12,972,050)
Loss attributable to:					
Owners of the Company		$	(9,722,816)	$	(12,680,380)
Non-controlling interest	11		(123,021)		(291,670)
		$	(9,845,837)	$	(12,972,050)
Loss per share attributable to owners of the Company – basic and diluted	13	$	(0.08)	$	(0.12)
Weighted average number of shares outstanding – basic and diluted	13		124,604,667		102,235,554

LUMINEX RESOURCES CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2022 and 2021

(expressed in U.S. dollars)

	Note	Year ended December 31, 2022	2021
Operating activities			
Loss for the year		$ (9,845,837)	$ (12,972,050)
Adjustment for non-cash items:			
Depreciation	6	72,813	81,337
Change in fair value of warrants	10	(241,236)	-
Share-based payment	9	277,952	332,789
Deduct: interest income		(44,804)	(4,274)
Add: interest expense		4,059	1,611
Net changes in non-cash working capital items:			
Receivables		35,852	13,702
Prepaid expenses		(6,161)	3,846
Accounts payable and accrued liabilities		671,940	(35,116)
Net cash utilized in operating activities		(9,075,422)	(12,578,155)
Investing activities			
Expenditures on property and equipment		-	(29,895)
Interest received		44,804	4,274
Net cash provided by (utilized in) investing activities		44,804	(25,621)
Financing activities			
Payment of lease obligation	6	(27,659)	(34,387)
Payment of interest on lease obligation	6	(4,059)	(1,611)
Units / shares issued	8	7,017,071	10,334,524
Cost to issue units / shares	8	(161,765)	(479,254)
Shares issued on exercise of stock options	8	-	65,333
Net cash provided by financing activities		6,823,588	9,884,605
Decrease in cash and cash equivalents		(2,207,030)	(2,719,171)
Cash and cash equivalents, beginning of year		3,488,779	6,207,950
Cash and cash equivalents, end of year	4	$ 1,281,749	$ 3,488,779

Non-cash investing activity: see Note 6 for details of right-of-use asset additions and Note 7(a) for E&E asset addition re Chalapo.

LUMINEX RESOURCES CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2022 and 2021

(expressed in U.S. dollars)

		Attributable to owners of the Company						
		Share Capital						
	Note	Number of shares	Amount	Share-based Payment Reserve	Accumulated Deficit	Total	Non-controlling Interest	Total Equity
Balance, December 31, 2020		91,013,129	$ 75,583,541	$ 1,022,057	$ (38,761,029)	$ 37,844,569	$ 1,342,876	$ 39,187,445
Shares issued, net of issue costs	8	17,362,000	9,855,270	-	-	9,855,270	-	9,855,270
Exercise of stock options	8	198,223	67,152	(1,819)	-	65,333	-	65,333
Share-based payment	9	-	-	332,789	-	332,789	-	332,789
Comprehensive loss		-	-	-	(12,680,380)	(12,680,380)	(291,670)	(12,972,050)
Balance, December 31, 2021		108,573,352	85,505,963	1,353,027	(51,441,409)	35,417,581	1,051,206	36,468,787
Shares issued, net of issue costs	8	23,690,000	6,335,785	-	-	6,335,785	-	6,335,785
Share-based payment	9	-	-	277,952	-	277,952	-	277,952
Dilution of non-controlling interest	11	-	-	-	1,589,814	1,589,814	(1,589,814)	-
Comprehensive loss		-	-	-	(9,722,816)	(9,722,816)	(123,021)	(9,845,837)
Balance, December 31, 2022		132,263,352	$ 91,841,748	$ 1,630,979	$ (59,574,411)	$ 33,898,316	$ (661,629)	$ 33,236,687

See Accompanying Notes to the Consolidated Financial Statements

1. NATURE OF OPERATIONS

Luminex Resources Corp. ("Luminex") is a publicly listed company incorporated under the *Business Corporations Act* (British Columbia) on March 16, 2018 pursuant to a plan of arrangement to reorganize Lumina Gold Corp. ("Lumina") which was completed on August 31, 2018 (the "Agreement"). Luminex is listed on the TSX-Venture Exchange, having the symbol LR. Luminex and its subsidiaries (collectively referred to as the "Company") are engaged in the acquisition, exploration and development of mineral resources in Ecuador. The Company is considered to be in the exploration stage as it has not placed any of its mineral properties into production.

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

2. BASIS OF PREPARATION AND GOING CONCERN

(a) Statement of compliance

These consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These consolidated financial statements were approved and authorized for issue by the Board of Directors ("Board") on May 1, 2023.

(b) Basis of preparation

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

(c) Going concern

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize, in the foreseeable future, its assets and discharge its liabilities in the normal course of business as they come due. As at December 31, 2022, the Company has incurred cumulative losses of $59,574,411. Additionally, the Company has reported a net loss attributable to owners of the Company of $9,722,816 for the year ended December 31, 2022 and utilized cash in operating activities of $9,075,422. The ability of the Company to continue as a going concern is dependent upon obtaining additional financing, entering into a joint venture, a merger or other business combination transaction involving a third party, sale of all or a portion of the Company's assets, the outright sale of the Company, the successful development of the Company's mineral property interests or a combination thereof. However, the Company will continue to incur losses in the development of its mineral exploration projects and, as noted above, will require additional financing in the future.

COVID-19 and other geopolitical matters such as the Russia / Ukraine conflict continue to impact world affairs. The ultimate duration of these matters and magnitude of their impact on the economy, capital markets and the Company's financial position cannot be estimated at this time. The Company continues to monitor developments and adapt its business plans accordingly.

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

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Overall considerations

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

(b) Basis of consolidation

These consolidated financial statements include the financial statements of Luminex and its subsidiaries, which are controlled by Luminex. Control is achieved when Luminex (as the parent company) is exposed, or has rights, to variable returns from its involvement with the investees and has the ability to affect those returns through its power over the investee.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of consolidation (continued)

Specifically, Luminex controls an investee if, and only if, Luminex has all of the following: (i) power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee); (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect its returns. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All significant intercompany transactions, balances, income and expenses are eliminated on consolidation. For subsidiaries that we control but do not own 100% of, the net assets (liabilities) and net profits (loss) attributable to outside shareholders are presented as amounts attributable to non-controlling interests in the consolidated statements of financial position and consolidated statements of loss and comprehensive loss. For non wholly-owned, controlled subsidiaries, profit or loss for the period that is attributable to non controlling interests is typically calculated based on the ownership of the minority shareholders in the subsidiary.

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share of the carrying value of net assets of the subsidiary acquired is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity. Luminex treats transactions in the ordinary course of business with non-controlling interests as transactions with third parties.

The Company's interest in the Pegasus Project is an equity-accounted investment as the Company has significant influence, but not control or joint control, over the financial and operating policies. The investment is initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Company's share of the profit or loss of the equity-accounted investment, until the date on which significant influence ceases.

(c) Presentation currency and foreign currency translation

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

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

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

(d) Cash and cash equivalents

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

(e) Exploration and evaluation licenses

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

(f) Acquisition of mineral property interests

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Acquisition of mineral property interests (continued)

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

Business acquisitions are accounted for using the acquisition method, in which the acquired assets and liabilities are recorded at fair value at the date of acquisition. Direct costs associated with a business combination are expensed as incurred.

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

(g) Exploration and evaluation expenditures

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

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

(h) Property and equipment

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

Property and equipment	5% to 33% straight-line basis
Right-of-use assets	Straight-line over shorter of (i) the term of the lease or (ii) the estimated useful life of the asset

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

(i) Leases

Lease definition

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Leases (continued)

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

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

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

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

Recognition exemptions

The Company has elected not to recognize ROU assets and lease obligations for short-term leases that have a lease term of twelve months or less or for leases of low-value assets. Payments associated with these leases are expensed as incurred.

(j) Interest income

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

(k) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. Provisions are measured at management's best estimate of the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in any provision due to passage of time is recognized as accretion expense.

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

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

As at December 31, 2022 and 2021, the Company did not have any asset retirement obligations. The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge or hazardous material and other matters. The Company may be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and also on properties in which it has previously had an interest. The Company believes it conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Financial Instruments

Non-derivative financial assets

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

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

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

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

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

Financial liabilities

Financial liabilities are recognized initially at fair value, net of transaction costs incurred and are subsequently measured at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in the consolidated statement off loss over the period to maturity using the effective interest method.

Derivative liabilities

Derivatives are initially recognized at their fair value on the date the derivative contract is entered into, and transaction costs are expensed. The Company's derivatives are subsequently re-measured at their fair value at each statement of financial position date with changes in fair value recognized in the consolidated statement of loss.

As the exercise price of the Company's share purchase warrants is fixed in Canadian dollars, and the functional currency of the Company is the U.S. dollar, these warrants are considered a derivative as a variable amount of cash in the Company's functional currency will be received on exercise. Accordingly, these share purchase warrants are classified and accounted for as a derivative liability. The fair value of the warrants is determined using the Black Scholes option pricing model at inception and each subsequent period-end date.

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the loss allowance is measured for the financial asset at an amount equal to twelve month expected credit losses. For trade receivables the Company applies the simplified approach to providing for expected credit losses, which allows the use of a lifetime expected loss provision. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized. Given the nature and balances of the Company's receivables and financial assets the Company has no material loss allowance as at December 31, 2022 and 2021.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Impairment of non-financial assets

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

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

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

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

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

(o) Taxes

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

Current tax

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

Deferred tax

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Taxes (continued)

Deferred tax (continued)

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

Sales tax

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

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

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

(p) Share capital

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. Luminex's common shares are classified as equity instruments. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(q) Earnings (loss) per share

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

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

(r) Share-based payments

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Share-based payments (continued)

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

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

(s) Significant accounting judgments and estimates

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

Determination of functional currency

The determination of functional currency for each entity in the Company requires an analysis of various indicators which IFRS splits between primary and additional indicators. The primary factors include analyzing (a) the currency that mainly influences sales prices for goods and services, (b) the currency of the country whose competitive forces and regulations mainly determine the sales price of its goods and services and (c) the currency that mainly influences labour, material and other costs of providing goods or services. Management further reviewed the additional factors for consideration under IFRS which included examining (a) the currency of financing activities, (b) the currency in which receipts from operating activities are usually retained, (c) whether the activities of foreign operations are carried out as an extension of Luminex or operate with a large degree of autonomy, (d) whether transactions between entities is a high or low proportion of the foreign operation's activities, (e) whether cash flows from activities of a foreign operation directly affect the cash flows of Luminex and (f) whether cash flows from the activities of the foreign operation are sufficient to service existing and normally expected debt obligations. Management determined that the functional currency for all entities in the Company is the U.S. dollar.

Going concern

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

Exploration and evaluation assets

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

Share-based payments

The Company utilizes the Black-Scholes Option Pricing Model ("Black-Scholes") to estimate the fair value of stock options granted to directors, officers and employees. The use of Black-Scholes requires management to make various estimates and assumptions that impact the value assigned to the stock options including the forecast future volatility of the stock price, the risk-free interest rate, dividend yield and the expected life of the stock options. Any changes in these assumptions could have a material impact on the share-based payment calculation value. Significant assumptions related to share-based payments are disclosed in Note 9.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Significant accounting judgments and estimates (continued)

Valuation of derivative liabilities

The valuation of the Company's derivative financial instruments requires the use of option pricing models or other valuation techniques. Measurement of warrants with exercise prices denominated in Canadian dollars that are not listed for trading is based on an option pricing model that uses assumptions with respect to share price, expected life, share price volatility and discount rates. Changes in these assumptions and estimates could result in changes in the fair value of these instruments and a corresponding change in the amount recognized in net income (loss). Significant assumptions related to derivatives are disclosed in Note 10.

(t) Changes in accounting policies

There were no new accounting standards and interpretations effective from January 1, 2022, that had a material impact on the Company's consolidated financial statements.

(u) Standards issued but not yet effective

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

4. CASH AND CASH EQUIVALENTS

The Group's cash and cash equivalents, by currency, at December 31, 2022 and 2021 was as follows:

	December 31, 2022	December 31, 2021
Cash at bank and in hand denominated in Canadian dollars	$ 287,593	$ 972,264
Cash at bank and in hand denominated in U.S. dollars	994,156	1,015,311
Short term deposit denominated in U.S. dollars	-	1,501,204
	$ 1,281,749	$ 3,488,779

5. RECEIVABLES

	December 31, 2022	December 31, 2021
Refundable goods and services tax	$ 9,619	$ 15,322
Other	12,872	43,021
	$ 22,491	$ 58,343

The Company anticipates full recovery of these amounts and therefore no impairment has been recorded against receivables. The Company's receivables are all considered current and are not past due. The Company does not hold any collateral related to these assets.

(expressed in U.S. dollars)

6. PROPERTY AND EQUIPMENT AND LEASE OBLIGATIONS

	Land(1)	Right-of-use assets	Property & equipment	Total
Cost				
December 31, 2020	$ 553,032	$ 72,926	$ 601,433	$ 1,227,391
Additions	-	16,050	29,895	45,945
Disposals	-	(681)	-	(681)
December 31, 2021	553,032	88,295	631,328	1,272,655
Additions	-	57,894	-	57,894
Disposals	-	(88,295)	-	(88,295)
December 31, 2022	$ 553,032	$ 57,894	$ 631,328	$ 1,242,254
Accumulated Depreciation				
December 31, 2020	$ -	$ 55,462	$ 218,744	$ 274,206
Depreciation for the year	-	32,833	48,504	81,337
December 31, 2021	-	88,295	267,248	355,543
Depreciation for the year	-	28,947	43,866	72,813
Disposals	-	(88,295)	-	(88,295)
December 31, 2022	$ -	$ 28,947	$ 311,114	$ 340,061
Net book value				
December 31, 2021	$ 553,032	$ -	$ 364,080	$ 917,112
December 31, 2022	$ 553,032	$ 28,947	$ 320,214	$ 902,193

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

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

ROU assets

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

Lease obligations

A continuity of the lease liability for the years ended December 31, 2022 and 2021 is as follows:

Balance, December 31, 2020	$ 19,018
Interest accretion	1,611
Lease payments	(35,998)
Adjustment for addition of lease	16,050
Adjustment for disposal of lease	(681)
Balance, December 31, 2021	-
Interest accretion	4,059
Lease payments	(31,718)
Adjustment for addition of lease	57,894
Balance, December 31, 2022	$ 30,235

(expressed in U.S. dollars)

6. PROPERTY AND EQUIPMENT AND LEASE OBLIGATIONS (continued)

Lease obligations (continued)

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

	December 31, 2022	December 31, 2021
Undiscounted minimum lease payments		
Within one year	$ 31,718	$ -
Between one to two years	-	-
Total undiscounted lease obligations	31,718	-
Less: future interest charges	(1,483)	-
Total discounted lease obligations	30,235	-
Less: current portion of lease obligations	(30,235)	-
Non-current portion of lease obligations	$ -	$ -

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

7. EXPLORATION AND EVALUATION ASSETS AND EXPENDITURES

(a) Exploration and evaluation assets

The Company holds various mineral exploration projects and concession areas in Ecuador as follows:

Condor

The Company has nine concessions located in the Zamora-Chinchipe Province in southeast Ecuador, collectively known as the “Condor Project” and totaling 10,101 hectares.

Cascas

The Company’s Cascas Project consists of two concession areas totaling 9,998 hectares located approximately 25 kilometres southwest of the Condor Project.

Pegasus

The Company holds, subject to earn-in by Anglo American plc (“Anglo American”), the Pegasus A1-7, Pegasus B8-14 and Luz concessions. These concessions are an early-stage gold project comprising 63,679 hectares and are located approximately 150 kilometres southwest of Quito.

Tarqui

The Company holds the Tarqui Project, consisting of two concession areas totaling 4,817 hectares located on trend with the Condor Project. The Tarqui Project was subject to earn-in by BHP Group plc (“BHP”). On July 11, 2022, the Company received notice from BHP that it was exercising its right to cease making certain payments and funding expenditures.

Orquideas

The Group holds, subject to earn-in by Japan Organization for Metals and Energy Security (formerly Japan Oil, Gas and Metals National Corporation) (“JOGMEC”), the Orquideas concession totaling 4,743 hectares located in proximity to the Condor Project.

Chalapo

In April 2022, the Company signed a binding agreement with Corporación Nacional del Cobre de Chile (“Codelco”) to acquire its 100% owned Chalapo concessions (“Chalapo”) in the Loja province of Ecuador for $60,000 and a 1.0% NSR. 0.5% of the NSR can be purchased by the Company for $5 million before 2030. Chalapo is comprised of two contiguous claims totalling 8,087 hectares. At December 31, 2022, the purchase price of $60,000 was included in accounts payable and accrued liabilities.

Other concessions

The Company also holds the following concession areas: Tres Picachos (4,828 hectares) and La Canela (3,187 hectares) which are located approximately 100 kilometres southwest of the Condor Project; and Quimi, consisting of two concession areas totaling 2,732 hectares located on trend with the Condor Project.

(expressed in U.S. dollars)

7. EXPLORATION AND EVALUATION ASSETS AND EXPENDITURES (continued)

(a) Exploration and evaluation assets (continued)

Acquisition costs and carrying value of the Company's exploration projects as at December 31, 2022 and 2021 are as follows:

	December 31, 2022	December 31, 2021
Cost		
Condor Project	$ 47,487,910	$ 47,487,910
Chalapo	60,000	-
Rights to acquire / use ("Mineral Concession Rights")		
- Escondida (part of Condor Project)	45,000	45,000
- La Canela	120,000	120,000
- Orquideas	825,000	825,000
- Tres Picachos	240,000	240,000
	$ 48,777,910	$ 48,717,910
Cumulative impairment		
Condor Project	$ 17,772,284	$ 17,772,284
Orquideas	825,000	825,000
	$ 18,597,284	$ 18,597,284
Net book value	$ 30,180,626	$ 30,120,626

There were no impairments identified during the years ended December 31, 2022 and 2021.

BHP Group plc Earn-in Agreement

On July 12, 2019, the Company entered into an earn-in and joint venture agreement (the "BHP Agreement") with a wholly owned subsidiary of BHP on the Tarqui 1 and 2 mining concessions ("Tarqui"). On July 11, 2022, the Company received formal notice from BHP that it was exercising its right under the BHP Agreement to cease making certain payments and funding expenditures. Under the terms of the BHP Agreement, BHP had the right to:

(i) earn a 51% ownership interest in a joint venture company, which holds Tarqui, by investing an aggregate amount of $25 million in exploration expenditures and making $2.4 million of cash payments to the Company over a four-year period, such payments to be made in installments of (i) $100,000 within ten business days of July 12, 2019 (received); (ii) $200,000 upon completion of the transfer of Tarqui to the joint venture company (received); (iii) $300,000 by July 12, 2020 (received); (iv) $450,000 by July 12, 2021 (received); (v) $450,000 by July 12, 2022; and (vi) $900,000 by July 12, 2023;

(ii) earn an additional 9% ownership interest in the joint venture company by sole funding an additional $10 million of exploration expenditures and making an additional $4.6 million of cash payments over a further two-year period, increasing BHP's aggregate ownership to 60%; and

(iii) earn a further 10% ownership interest in the joint venture company by sole funding an additional $40 million of exploration expenditures on Tarqui, taking BHP's aggregate ownership to 70%.

On December 6, 2022, BHP and the Company signed a termination agreement whereby sole control and ownership of the joint venture company and Tarqui would revert to the Company and by which BHP would pay $100,000 to the Company as reimbursement for costs related to the termination. Prior to closing the termination agreement BHP continued to solely manage the joint venture company. The termination agreement closed in January 2023.

7. EXPLORATION AND EVALUATION ASSETS AND EXPENDITURES (continued)

(a) Exploration and evaluation assets (continued)

JOGMEC Earn-in Agreement

On December 29, 2021, the Company entered into a binding interim agreement (the "IA") for an earn-in and joint venture with JOGMEC on the Orquideas mineral concession. JOGMEC has the right to earn a 70% ownership interest in Orquideas by investing an aggregate $7 million by March 31, 2026. The Company will manage and operate the exploration programs for Orquideas and will receive a management fee based on expenses up to a maximum of 10%.

Under the terms of the IA, JOGMEC had a minimum commitment of $750,000 to March 31, 2022, after which time it is able to terminate the IA at any time with the provision of thirty days notice. In order to earn a 70% interest, JOGMEC is required to incur further exploration expenditures from April 1, 2022, as follows: (i) $1,250,000 by March 31, 2023; (ii) $1,500,000 by March 31, 2024; (iii) $1,500,000 by March 31, 2025; and (iv) $2,000,000 by March 31, 2026. There are no partial earn-in amounts prior to the 70% threshold being reached and the expenditures may be accelerated at JOGMEC's sole discretion. JOGMEC funded its minimum commitment of $750,000 by March 31, 2022, to comply with the terms of the IA and has provided total funding to December 31, 2022 of $1,989,362.

(b) Investment in Pegasus

Anglo American Earn-in Agreement:

Effective September 21, 2018, the Company signed a formal earn-in and joint venture agreement with Anglo American ("the "Anglo Agreement") relating to the Pegasus Project. Under the Anglo Agreement, Luminex holds 30 Class A common shares in Central Ecuador Holdings Ltd. ("Central") and Anglo American holds 70 Class B common shares in Central. Central is the vehicle through which Anglo American will earn its interest in the Pegasus Project and which will, ultimately, should all spending commitments be met, form the joint venture company to operate the Pegasus Project. Anglo American has the following spending commitments pursuant to the Anglo Agreement:

(i) In order to earn a 25% interest in the Pegasus Project, Anglo American is required to make option payments to Luminex totaling $1.1 million by September 21, 2021 (such payments to be made in installments of (i) $300,000 by September 21, 2019 (received); (ii) $300,000 by September 21, 2020 (received); and (iii) $500,000 by September 21, 2021 (received)) and spend at least $10 million in exploration expenditures by September 21, 2022 (achieved) (the "Initial Contribution");

(ii) Anglo American can earn an additional 26% interest in the Pegasus Project (for a total of 51%) by making payments to Luminex totaling $2.4 million by September 21, 2023, with $1,000,000 due by September 21, 2022 (received) and $1,400,000 by September 21, 2023, and funding exploration expenditures of $25 million no later than September 21, 2024 (the "First Option");

(iii) Following completion of the First Option, Anglo American can earn an additional 9% interest in the Pegasus Project (for total of 60%) by making a payment to Luminex of $2.5 million by September 21, 2024 and funding exploration expenditures of $15 million by September 21, 2025 (the "Second Option"); and

(iv) Anglo American can earn an additional 10% interest in the Pegasus Project following completion of the Second Option if it solely funds all the required work up to a decision to construct a mine at the Pegasus Project, for a total retained interest of 70%.

Should Anglo American determine to only earn an interest up to the Initial Contribution, First Option or Second Option, the number of Class B common shares held by Anglo will be adjusted in accordance with the Anglo Agreement to result in their ownership level being retained at 25%, 51% or 60% respectively.

The Company acquired a Mineral Concession Right on the Pegasus Project by way of payment of $2,200,000 to Lumina prior to the Arrangement. In accordance with the Anglo Agreement, the Company has treated this Mineral Concession Right as its initial contribution in the Pegasus Project to Central Ecuador EC-CT S.A. ("Central Ecuador"), a wholly owned Ecuadorean subsidiary of Central.

In accordance with the terms of the Anglo Agreement, Anglo American will control and manage Central and Central Ecuador and all expenditures and operations related to the Pegasus Project. Should Anglo American withdraw from the Anglo Agreement it will cause all its appointed directors to resign from Central and Central Ecuador.

(expressed in U.S. dollars)

7. EXPLORATION AND EVALUATION ASSETS AND EXPENDITURES (continued)

(c) Exploration and evaluation expenditures

The Group's exploration and evaluation expenditures on its projects are as follows:

	Year ended December 31, 2022									
	Cascas	Chalapo	Condor	La Canela	Orquideas[3]	Pegasus[3]	Quimi	Tarqui[3]	Tres Picachos	**TOTAL**
Assays and sampling	$ 10,167	$ 7,836	$ 408,569	$ -	$ -	$ -	$ -	$ -	$ 1,863	**$ 428,435**
Camp	182,383	-	1,782,892	7,940	-	-	255	-	4,696	**1,978,166**
Camp access and improvements	1,781	-	94,210	-	-	-	-	-	-	**95,991**
Drilling	-	-	2,812,425	-	-	-	-	-	-	**2,812,425**
Engineering	-	-	17,220	-	-	-	-	-	-	**17,220**
Environmental, health and safety	35,210	118	637,441	1,954	-	-	4,642	-	3,757	**683,122**
Field office	3,669	-	346,872	55	551	-	-	-	-	**351,147**
Geological consulting and field staff	45,231	18,597	823,700	-	24,181	-	-	1,734	-	**913,443**
Legal fees	44,661	2,314	131,508	462	-	-	1,992	-	691	**181,628**
Mineral rights and property fees	123,293	90,000	224,906	35,497	-	-	30,217	-	66,964	**570,877**
Project management[1]	34,118	820	238,793	994	27,719	5,636	1,492	12,163	515	**322,250**
Reports	24,336	-	16,700	-	-	-	-	-	-	**41,036**
Social and community[1]	151,159	676	279,346	3,073	12,749	757	2,991	2,466	3,165	**456,382**
Transportation and accommodation	67,206	17,574	399,881	1,331	5,352	-	-	2,916	397	**494,657**
Costs incurred during the year	$ 723,214	$ 137,935	$ 8,214,463	$ 51,306	$ 70,552	$ 6,393	$ 41,589	$ 19,279	$ 82,048	$ **9,346,779**
Cumulative E&E incurred by Lumina to August 31, 2018 [2]	$ 247,281	$ -	$ 5,080,081	$ 175,936	$ 1,344,244	$ 2,436,866	$ 132,765	$ 412,985	$ 294,458	$ **10,124,616**
Cumulative E&E incurred by Luminex, beginning of year	6,377,929	-	23,148,620	281,342	483,306	39,222	771,360	403,197	483,345	**31,988,321**
E&E incurred during the year	723,214	137,935	8,214,463	51,306	70,552	6,393	41,589	19,279	82,048	**9,346,779**
Cumulative E&E incurred, end of year	$ 7,348,424	$ 137,935	$ 36,443,164	$ 508,584	$ 1,898,102	$ 2,482,481	$ 945,714	$ 835,461	$ 859,851	$ **51,459,716**

(1) Project management and social and community costs include key management personnel costs (see Note 18).
(2) Costs for the Condor Project incurred since November 1, 2016. Costs for all other projects presented are on a cumulative basis since the date of initial award of the concessions to Lumina in 2016 or 2017. Costs are amounts incurred by Lumina either during the period prior to the transfer of the projects to the Company or that were incurred by legal entities owned by Lumina that were not transferred to Luminex and are shown prior to any reimbursements to Lumina pursuant to any earn-in agreements. Presented to illustrate total spend incurred on the projects in order to meet Ecuadorean spending commitments (see Note 21).
(3) Costs shown do not include expenditures incurred by JOGMEC, BHP or Anglo American pursuant to their Earn-In Agreements.

(expressed in U.S. dollars)

7. EXPLORATION AND EVALUATION ASSETS AND EXPENDITURES (continued)

(c) Exploration and evaluation expenditures (continued)

	Year ended December 31, 2021								
	Cascas	Condor	La Canela	Orquideas	Pegasus[3]	Quimi	Tarqui[3]	Tres Picachos	**TOTAL**
Assays and sampling	$ 202,103	$ 163,902	$ 3,528	$ 473	$ -	$ -	$ -	$ 481	**$ 370,487**
Camp	930,521	1,482,974	2,390	5,759	-	2,841	-	13,153	**2,437,638**
Camp access and improvements	70,194	535,322	-	1,554	-	-	-	1,504	**608,574**
Drilling	718,325	992,642	-	-	-	-	-	-	**1,710,967**
Engineering	-	632,306	-	-	-	-	-	-	**632,306**
Environmental, health and safety	312,783	402,086	4,831	14,941	-	6,119	-	6,182	**746,942**
Field office	23,233	344,303	-	-	-	-	-	-	**367,536**
Geological consulting and field staff	1,043,284	887,985	290	5,829	-	1,230	-	2,899	**1,941,517**
Legal fees	19,405	165,564	1,664	5,488	-	1,306	-	3,807	**197,234**
Metallurgical	-	90,791	-	-	-	-	-	-	**90,791**
Mineral rights and property fees	109,392	249,398	32,300	55,226	-	28,254	-	50,273	**524,843**
Project management[1]	133,735	556,290	995	3,439	6,303	1,334	1,310	931	**704,337**
Reports	15,337	97,463	-	-	-	-	-	-	**112,800**
Social and community[1]	165,943	263,696	2,179	8,014	-	1,002	164	2,089	**443,087**
Transportation and accommodation	470,731	407,202	-	2,758	-	-	-	6,128	**886,819**
Costs incurred during the year	$ 4,214,986	$ 7,271,924	$ 48,177	$ 103,481	$ 6,303	$ 42,086	$ 1,474	$ 87,447	**$ 11,775,878**
Cumulative E&E incurred by Lumina to August 31, 2018 [2]	$ 247,281	$ 5,080,081	$ 175,936	$ 1,344,244	$ 2,436,866	$ 132,765	$ 412,985	$ 294,458	**$ 10,124,616**
Cumulative E&E incurred by Luminex, beginning of year	2,162,943	15,876,696	233,165	379,825	32,919	729,274	401,723	395,898	**20,212,443**
E&E incurred during the year	4,214,986	7,271,924	48,177	103,481	6,303	42,086	1,474	87,447	**11,775,878**
Cumulative E&E incurred, end of year	$ 6,625,210	$ 28,228,701	$ 457,278	$ 1,827,550	$ 2,476,088	$ 904,125	$ 816,182	$ 777,803	**$ 42,112,937**

(1) Project management and social and community costs include key management personnel costs (see Note 18).
(2) Costs for the Condor Project incurred since November 1, 2016. Costs for all other projects presented are on a cumulative basis since the date of initial award of the concessions to Lumina in 2016 or 2017. Costs are amounts incurred by Lumina either during the period prior to the transfer of the projects to Luminex or that were incurred by legal entities owned by Lumina that were not transferred to Luminex and are shown prior to any reimbursements to Lumina pursuant to any earn-in agreements. Presented to illustrate total spend incurred on the projects in order to meet Ecuadorean spending commitments (see Note 21).
(3) Costs shown do not include expenditures incurred by BHP or Anglo American pursuant to their Earn-In Agreements.

(expressed in U.S. dollars)

8. SHARE CAPITAL

Authorized: Unlimited common shares, without par value.

Issued and fully paid:	Number of Common Shares		Amount
Balance, December 31, 2020	91,013,129	$	75,583,541
Shares issued on exercise of stock options (a)	198,223		67,152
Shares issued, net of issue costs (b)	17,362,000		9,855,270
Balance, December 31, 2021	108,573,352		85,505,963
Shares issued, net of issue costs (c)	23,690,000		6,335,785
Balance, December 31, 2022	132,263,352	$	91,841,748

(a) In April 2021, 198,223 stock options were exercised at a weighted average exercise price of $0.33 (C$0.41) per common share for total proceeds of $65,333. Previously recognized share-based payment expense totalling $1,819 was reclassified from share-based payment reserve to share capital.

(b) In May 2021, the Company closed a brokered private placement of 10,152,000 common shares at a price of C$0.72 per share and a non-brokered private placement for a total of 7,210,000 common shares at a price of C$0.72 per share. Total proceeds raised from the private placements were $9,855,270, net of issue costs of $479,254, which included finder's fees of up to 6% for a total of $359,822.

(c) In April 2022, the Company closed a non-brokered private placement of 23,690,000 units ("Units") at a price of C$0.38 per Unit. Each Unit comprised one common share of the Company and one-half of one common share purchase warrant (each whole common share purchase warrant, a "Warrant"). Total proceeds received were $6,855,306, net of issue costs of $161,765, which included finder's fees of up to 4% for a total of $88,882. Of that amount, $519,521 was allocated to the fair value of the Warrants - see Note 10 for additional details.

9. SHARE-BASED PAYMENTS

(a) Stock option plan

The Company has a stock option plan (the "Plan") whereby the Company may grant options to directors, officers, employees and consultants of the Company. The maximum number of common shares that may be reserved for issuance under the Plan is limited to 9,000,000 (2021 - 9,000,000). In addition, the number of common shares which may be reserved for issuance to any one individual may not exceed 5% of the issued common shares on a non-diluted basis or 2% if the optionee is engaged in investor relations activities or is a consultant. Options are exercisable over periods of up to ten years as determined by the Board and are required to have an exercise price no less than the closing market price of the Company's common shares prevailing on the day that the option is granted. The Plan contains no vesting requirements but permits the Board to specify a vesting schedule in its discretion.

During the year ended December 31, 2022, the Company granted 2,012,500 stock options (2021 - 1,387,000) stock options to directors, officers, employees and consultants at a weighted average exercise price of C$0.25 and expiry date of November 24, 2027 (2021 - C$0.51, expiring on November 25, 2026). The weighted average fair value of the options granted in the year ended December 31, 2022 was estimated at $0.11 per option at the grant date using Black-Scholes (2021 - $0.22). The vesting schedule of 1,962,500 of the options granted during the year ended December 31, 2022 and 1,357,000 of the options granted during the year ended December 31, 2021 is ⅓ on the grant date, ⅓ one year after the grant date and ⅓ two years after the grant date. 50,000 options in 2022 and 30,000 options in 2021, which were issued to an investor relations consultant, vest as to ¼ every six months with the initial vesting period after six months.

(expressed in U.S. dollars)

9. SHARE-BASED PAYMENTS (continued)

(a) Stock option plan (continued)

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

	Year ended December 31, 2022	2021
Risk-free interest rate	3.32%	1.46%
Expected dividend yield	-	-
Expected stock price volatility	65%	64%
Expected option life in years	5	5
Expected rate of forfeiture	0 – 5%	0 – 5%

The share price and exercise price used in determining share-based payment amounts are equal to the closing share price and exercise price on the day that stock options are granted, in accordance with the Plan. Option pricing models such as Black-Scholes require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options. Volatility is determined based upon historical volatility of the Company's common shares, generally for a period equal to the expected life of the stock options. For the stock options granted in 2022 and 2021, the share price of Luminex from September 2018 was utilized as a reasonable approximation for volatility over the life of the option.

Pursuant to the Company's accounting policy for share-based payments, the fair value of options vesting during the year ended December 31, 2022, in the amount of $277,952 (2021 - $332,789) has been recorded in the consolidated statement of comprehensive loss under fees, salaries and other employee benefits (Note 12).

(b) Outstanding stock options

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

	Year ended December 31, 2022	
	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	5,221,500	C$0.65
Granted	2,012,500	C$0.25
Expired	(343,834)	C$0.58
Forfeited	(13,666)	C$0.53
Outstanding, end of year	6,876,500	C$0.53

	Year ended December 31, 2021	
	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	4,259,973	C$0.68
Granted	1,387,000	C$0.51
Exercised	(198,223)	C$0.41
Expired	(227,250)	C$0.65
Outstanding, end of year	5,221,500	C$0.65

No stock options were exercised during the year ended December 31, 2022. The weighted average share price at the date of exercise for share options exercised during the year ended December 31, 2021 was $0.63.

9. SHARE-BASED PAYMENTS (continued)

(b) Outstanding stock options (continued)

For each reporting period, the Company had outstanding stock options, including weighted average remaining contractual life, as follows:

December 31, 2022					
Options Outstanding				Options Exercisable	
Number of Options	Expiry Date	Weighted average life (years)	Exercise Price	Number of Options	Exercise Price
1,200,000	October 5, 2023	0.76	C$0.80	1,200,000	C$0.80
1,097,000	October 16, 2024	1.79	C$0.63	1,097,000	C$0.63
1,197,000	November 26, 2025	2.91	C$0.68	1,197,000	C$0.68
1,370,000	November 25, 2026	3.90	C$0.51	908,347	C$0.51
2,012,500	November 24, 2027	4.90	C$0.25	654,180	C$0.25
6,876,500		3.14	C$0.53	5,056,527	C$0.61

December 31, 2021					
Options Outstanding				Options Exercisable	
Number of Options	Expiry Date	Weighted average life (years)	Exercise Price	Number of Options	Exercise Price
75,000	March 6, 2022	0.18	C$0.73	75,000	C$0.73
258,500	December 7, 2022	0.93	C$0.54	258,500	C$0.54
1,200,000	October 5, 2023	1.76	C$0.80	1,200,000	C$0.80
1,097,000	October 16, 2024	2.79	C$0.63	1,097,000	C$0.63
1,204,000	November 26, 2025	3.91	C$0.68	797,674	C$0.68
1,387,000	November 25, 2026	4.90	C$0.51	452,348	C$0.51
5,221,500		3.24	C$0.65	3,880,522	C$0.67

10. WARRANTS

The Company issued Warrants as part of Units in its April 2022 non-brokered private placement (see Note 8(c)). The functional currency of the Company is the U.S. dollar. The share purchase warrants were not issued for goods or services rendered. As the exercise price of the Company's share purchase warrants is fixed in Canadian dollars, these warrants are considered a derivative as a variable amount of cash in the Company's functional currency will be received on exercise. Accordingly, these warrants are classified and accounted for as a derivative liability at fair value through profit and loss. The fair value of the warrants is determined using the Black Scholes option pricing model at the time the warrants are issued and at each period-end date.

The fair value of the warrants, at each relevant date, was determined using the following inputs:

Reporting Date	April 28, 2022	December 31, 2022
Risk-free interest rate	2.50%	4.00%
Expected dividend yield	-	-
Expected stock price volatility	49%	63%
Expected warrant life in years	2.00	1.33
Exercise price per warrant	C$0.55	C$0.55
Share price	C$0.38	C$0.29
Fair value	$519,521[1]	$278,285
Fair value per warrant	$0.04	$0.02

[1] Based on the relative fair value of the warrants (using Black-Scholes) and the shares issued (using quoted market price) that together comprised each Unit.

During the year ended December 31, 2022, the Company recognized a net fair value gain of $241,236.

(expressed in U.S. dollars)

10. WARRANTS (continued)

The following table summarizes Warrants activity:

	Year ended December 31, 2022		2021	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of year	-	-	-	-
Issued	11,845,000	C$0.55	-	-
Outstanding, end of year	11,845,000	C$0.55	-	-

At December 31, 2022, the Company had outstanding warrants, including weighted average remaining contractual life, as follows:

Warrants Outstanding				Warrants Exercisable	
Number of Warrants	Expiry Date	Weighted average life (years)	Exercise Price	Number of Warrants	Exercise Price
11,845,000	April 28, 2024	1.33	C$0.55	11,845,000	C$0.55

11. NON-CONTROLLING INTEREST ("NCI")

In January 2022, the Company increased its ownership in Condormining Corporation S.A.S. and its related subsidiaries (see Note 18) by capitalizing a portion of existing intercompany loans such that the non-controlling interest was reduced from 10% to 1.3%. This resulted in a $1,589,814 reclassification between NCI and deficit.

The following table summarizes information related to the Group's non-controlling interest:

	December 31, 2022	December 31, 2021
Current assets	$ 154,423	$ 104,615
Non-current assets	47,048,322	39,867,493
Current liabilities	(700,849)	(200,333)
Net assets	46,501,896	39,771,775
NCI percentage	1.3%	10%
Net assets of individual entities attributable to the NCI	592,414	3,977,178
Adjustments on consolidation of individual entities subject to NCI	335,771	(2,925,972)
Dilution of NCI	(1,589,814)	-
Net assets attributable to the NCI	$ (661,629)	$ 1,051,206

	Year ended December 31, 2022	2021
Net loss and comprehensive loss	$ (7,235,524)	$ (2,916,700)
NCI percentage	1.3%[1]	10%
Net loss and comprehensive loss attributable to NCI	$ (123,021)	$ (291,670)

[1] Reduced from 10% in January 2022 as described above.

The entities subject to a NCI incurred the following cash expenditures during the year ended December 31, 2022: (i) $6,670,626 on operating activities (2021 - $2,833,335); and (ii) $Nil on investing activities (2021 - $Nil).

(expressed in U.S. dollars)

12. FEES, SALARIES AND OTHER EMPLOYEE BENEFITS

	Year ended December 31, 2022		2021	
Fees and salaries	$	765,904	$	864,951
Other benefits		473		463
Share-based payments (Note 9(a))		277,952		332,789
	$	1,044,329	$	1,198,203

13. LOSS PER SHARE

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

	Year ended December 31, 2022		2021	
Net loss attributed to owners of the Company	$	(9,722,816)	$	(12,680,380)
Weighted average number of common shares outstanding (basic and diluted)		124,604,667		102,235,554
Loss per share – basic and diluted	$	(0.08)	$	(0.12)

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

All of the stock options and warrants currently issued (see Notes 9 and 10) were anti-dilutive for the years ended December 31, 2022 and 2021 and have not been included in the calculation of diluted weighted average number of common shares outstanding.

14. CAPITAL RISK MANAGEMENT

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

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

The Company considers its equity, which includes common shares, share-based payment reserve and accumulated deficit as capital. The Company intends to spend existing working capital by carrying out its planned acquisition, exploration and development activities on mineral properties and continuing to pay administrative costs. The Company manages its capital structure, and makes adjustments to it, in light of changes in economic conditions and the risk characteristic of the underlying assets. In order to maintain or adjust the capital structure the Company may issue new common shares. In order to facilitate analysis and management of its capital requirements, the Company prepares and updates annual budgets (as needed) to ensure that its acquisition and exploration operations can continue to progress. Budgets, once finalized, are approved by the Board. There have not been any changes to the Company's capital management objectives, policies and processes compared to the prior year. The Company is not subject to any externally imposed capital requirements.

(expressed in U.S. dollars)

15. FINANCIAL INSTRUMENTS

(a) Categories of financial assets and financial liabilities

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

	Note	Category	December 31, 2022	December 31, 2021
Cash and cash equivalents	4	Amortized cost	$ 1,281,749	$ 3,488,779
Other receivables	5	Amortized cost	12,872	43,021
Accounts payable and accrued liabilities		Amortized cost	1,154,122	422,182
Lease obligations		Amortized cost	30,235	-
Warrant liability		FVTPL	278,285	-

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

Lease obligations are initially measured at their fair value with subsequent measurement at amortized cost using the effective interest rate method.

Financial assets and liabilities classified at fair value through profit and loss are measured at fair value with changes in those fair values recognized in the consolidated statements of loss and comprehensive loss for the period.

(b) Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy establishes three levels in which to classify the inputs of valuation techniques used to measure fair values.

Level 1 – quoted market prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 – inputs other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly, such as prices, or indirectly (derived from prices).
Level 3 – inputs are unobservable (supported by little or no market activity) such as non-corroborative indicative prices for a particular instrument provided by a third party.

The fair value of financial assets and financial liabilities at amortized cost is determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions. The fair value of the Company's warrant liability is determined using Level 2 inputs.

16. FINANCIAL INSTRUMENT RISKS

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

(a) Credit risk

The Company considers that its cash and cash equivalents and other receivables are exposed to credit risk, representing maximum exposure of $1,294,621 (December 31, 2021 - $3,531,800). Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's exposure to credit risk on its cash is minimized by maintaining these assets with high-credit quality financial institutions. At December 31, 2022, the Group's cash was held at two financial institutions (December 31, 2021 – two financial institutions).

16. FINANCIAL INSTRUMENT RISKS (continued)

(b) Liquidity risk

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

At December 31, 2022, the Company's current liabilities consisted of trade and other payables and lease obligations totalling $1,184,357 which are due primarily within three months from the period end. The Company's cash of $1,281,749 at December 31, 2022, is sufficient to pay for the current liabilities.

(c) Market risks

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

Interest rate risk

Interest rate risk is the risk that the future cash flows and fair values of the Company will fluctuate because of changes in market interest rates. Based on the Company's cash and cash equivalents as at December 31, 2022 and 2021, and assuming that all other variables remained constant, a 1% increase or decrease in interest rates would result in an increase or decrease of approximately $13,000 and $35,000, respectively, in the Company's interest income on an annual basis.

Currency risk

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

Each of the tables below shows the impact that a 1% fluctuation in foreign currency rates compared to the U.S. dollar would have on the Company's comprehensive loss and equity based upon the assets held at each date disclosed. The foreign exchange risk exposure of the Company's cash and accounts payable and accrued liabilities, as at December 31, 2022 is as follows:

Financial Instrument type		U.S. Dollar	Currency		+/- 1% Fluctuation		
Cash	$	287,593	CAD dollar	$	2,876	$	(2,876)
Accounts payable and accrued liabilities		(223,372)	CAD dollar		(2,234)		2,234
Warrant liability		(278,285)	CAD dollar		(2,783)		2,783
Total	$	(214,064)		$	(2,141)	$	2,141

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

Financial Instrument type		U.S. Dollar	Currency		+/- 1% Fluctuation		
Cash	$	972,264	CAD dollar	$	9,723	$	(9,723)
Accounts payable and accrued liabilities		(17,275)	CAD dollar		(173)		173
Total	$	954,989		$	9,550	$	(9,550)

(expressed in U.S. dollars)

16. FINANCIAL INSTRUMENT RISKS (continued)

(c) Market risks (continued)

Other price risk

The Group did not hold any financial instruments that had direct exposure to other price risks at December 31, 2022 and 2021.

17. SEGMENTED DISCLOSURE

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

18. GROUP INFORMATION AND RELATED PARTY TRANSACTIONS

Information about subsidiaries

The consolidated financial statements include the following subsidiaries:

		% Equity interest at	
	Country of Incorporation	December 31, 2022	December 31, 2021
Ecuador Gold Holdings Ltd.	Canada	100	100
Proyectmin Holdings Ltd.	Canada	100	100
Southern Ecuador Holdings Ltd.	Canada	100	100
Central Ecuador Holdings Ltd.	Canada	30[(1)]	30[(1)]
Tarqui Holdings Ltd.	Canada	100	100
EMH S.A.	Ecuador	100	100
Condormining Corporation S.A.S.	Ecuador	98.7	90
Corporacion FJTX Exploration S.A.	Ecuador	100	100
Bestminers S.A.	Ecuador	98.7	90
Condormine S.A.	Ecuador	98.7	90.1
Proyectmin S.A.	Ecuador	100	100
Luminex Services Ecuador LS-EC S.A. ("Luminex Services")	Ecuador	100	100
Southern Ecuador SN-EC S.A.	Ecuador	100	100
Central Ecuador EC-CT S.A.	Ecuador	30[(1)]	30[(1)]

[(1)] See Note 7(b) for details around the equity interest held by Anglo American pursuant to the Anglo Agreement.

Related party expenses and balances

The Group incurred the following expenses with related parties:

		Year ended December 31,	
Related company	Nature of transactions	2022	2021
Hathaway Consulting Ltd.	Fees	$ 133,365	$ 128,423
Into the Blue Management Inc.	Fees	104,940	84,399
Koval Management Inc.	Fees	173,266	172,167
La Mar Consulting Inc.	E&E (social / community)	151,452	146,742
Lumina	E&E (field office/project management/travel)	6,636	76,836
Lumina	G&A	18,219	25,474
Lyle E Braaten Law Corp.	Fees	92,176	92,342
Miedzi Copper Corp. ("Miedzi")	E&E (geological)	27,023	33,378
Miedzi	G&A	39,852	53,976
Miedzi	Fees	230,796	224,674
		$ 977,725	$ 1,038,411

Miedzi and Lumina are considered companies related by way of directors and shareholders in common. Hathaway Consulting Ltd., Into the Blue Management Inc., Koval Management Inc., La Mar Consulting Inc. and Lyle E Braaten Law Corp. are related by way of being owned by directors or officers of the Company. Related party transactions are recognized at the amounts agreed between the parties. Outstanding balances are unsecured and settlement occurs in cash.

(expressed in U.S. dollars)

18. GROUP INFORMATION AND RELATED PARTY TRANSACTIONS (continued)

Related party expenses and balances (continued)

The amounts below were included in accounts payable and accrued liabilities as owing to related parties at December 31, 2022 and 2021:

Related company	Year ended December 31, 2022	2021
Hathaway Consulting Ltd.	$ 29,533	$ -
Into the Blue Management Inc.	22,150	-
Koval Management Inc.	29,533	-
La Mar Consulting Inc.	18,458	-
Lyle E Braaten Law Corp.	18,458	-
Miedzi	38,763	-
	$ 156,895	$ -

Luminex Services provided personnel services to Odin Mining del Ecuador S.A. (“Odin”), a subsidiary of Lumina, whereby personnel time was recharged based on time worked and at a rate of cost plus 6%. These services were recorded in the Company’s consolidated financial statements as a reduction of cost associated to E&E expenditures. The total amount recharged to Odin for the year ended December 31, 2022 was $Nil (2021 - $229,789). At December 31, 2022 and 2021, there were no amounts Included in accounts receivable from Odin.

Key management personnel compensation

Key management of the Company are the directors and officers of Luminex and their remuneration includes the following:

	Year ended December 31, 2022	2021
Short-term benefits (i)	$ 1,049,630	$ 1,018,339
Share-based payments (ii)	141,318	194,779
Total remuneration	$ 1,190,948	$ 1,213,118

(i) Short-term benefits include fees and salaries, including where those costs have been allocated to E&E expenditures (see Note 7(c)).
(ii) Share-based payments are the fair value of options granted (vested and unvested) to key management personnel as at the grant date.
(iii) Key management personnel were not paid post-employment benefits, termination benefits, or long-term benefits during the years ended December 31, 2022 and 2021.

19. INTEREST INCOME AND OTHER

Interest income and other consists of the following components:

	Year ended December 31, 2022	2021
Anglo American option payment (Note 7(b))	$ 1,000,000	$ 500,000
BHP earn-in payments (Note 7(a))	-	450,000
JOGMEC fees (Note 7(a))	201,680	-
Interest - bank	44,804	4,274
Other	-	3,721
	$ 1,246,484	$ 957,995

(expressed in U.S. dollars)

20. TAXES

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

	December 31, 2022	December 31, 2021
Deferred income tax assets		
Exploration and evaluation asset	$ 28,932,000	$ 18,827,000
Non-capital income tax losses carried forward	12,142,000	10,214,000
Other assets	678,000	809,000
	41,752,000	29,850,000
Unrecognized deferred income tax assets	(41,752,000)	(29,850,000)
	$ -	$ -

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

	Year ended December 31, 2022	2021
Loss before income taxes	$ (9,845,837)	$ (12,972,050)
Canadian statutory rate	27%	27%
Income tax benefit computed at Canadian statutory rates	$ (2,658,000)	$ (3,502,000)
Permanent differences	42,000	184,000
Other	(392,000)	58,000
Difference between foreign and Canadian statutory rates	177,000	498,000
Change in unrecognized deferred tax assets	2,831,000	2,762,000
	$ -	$ -

At December 31, 2022, the Company has Canadian non-capital income tax losses carried forward of approximately $9,122,000 expiring in various years to 2042, that may be available to offset future taxable income. The Company also has net operating losses which can be carried forward in Ecuador for five years of approximately $3,020,000.

The Company's tax losses expire as follows:

Year of Expiry	Canada	Ecuador
2023	$ -	$ 430,000
2024	-	714,000
2025	-	562,000
2026	-	684,000
2027	-	630,000
2037	119,000	-
2038	1,296,000	-
2039	1,498,000	-
2040	1,873,000	-
2041	2,914,000	-
2042	1,422,000	-
	$ 9,122,000	$ 3,020,000

(expressed in U.S. dollars)

21. COMMITMENTS AND CONTINGENT LIABILITY

Commitments

As at December 31, 2022, the Company has entered into agreements that are not recognized as ROU assets and that include rental agreements, infrastructure improvements and contracted studies that require minimum payments in the aggregate as follows:

Within one year	$	34,000
After one year but not more than five years		4,000
	$	38,000

In addition, the Company is obligated to fulfil certain investment obligations on its mineral concessions in Ecuador pursuant to the following rules:

(a) New concessions that were originally granted pursuant to a public tender process in Ecuador during 2016 and 2017 (the "Public Tender") require minimum expenditures per year (commencing on the registration date of the concession with the Government of Ecuador) of $5 per hectare for each of Years 1 and 2 and $10 per hectare for each of Years 3 and 4. This spending commitment is required to be applied by the Government of Ecuador in situations where a company seeks to reduce the area that was obtained under the tender process.

(b) Applications for new concessions via Public Tender in Ecuador, require that an investment offer be presented for each concession. The investment offer represents the total amount that is required to be spent in order to maintain possession of the concession area at the end of the four-year investment period required by the Government of Ecuador. Current interpretations of the law in Ecuador are that all costs related to the project (direct and indirect and incurred in Ecuador or overseas) are able to be utilized against the four-year commitment. Should a concession holder resign from a concession prior to the end of the 4-year anniversary, the concession is relinquished without requiring the 4-year spend total be reached. In December 2020, the Ecuadorian Ministry of Energy and Non-Renewable Natural Resources issued a Ministerial Decree that, among other items, had the effect of extending the timeframe of the 4-year commitment period, on a case-by-case basis. For the concessions held by the Company, the resulting time extensions ranged from three months to three and a half years.

(c) Concessions in Ecuador require the Company to submit an annual expenditure plan to the Government of Ecuador outlining the minimum amount of committed expenditures for the upcoming year. Should a company resign from a concession area during the following year, there is no minimum commitment applicable except that the company shall pay for the portion of annual concession fees to the date that the relinquishment is completed.

Accordingly, should the Company wish to retain possession of all the concession areas it holds, excluding the Pegasus Project which is being managed and earned-in by Anglo American and Orquideas which is being earned-in by JOGMEC, as at December 31, 2022, the Group's commitment is as follows:

Within one year (i)	$	609,000

(i) Consists of the 2023 commitment per the annual expenditure plan submitted to the Government of Ecuador. At December 31, 2022, the Company had met its 4-year commitment spend requirement for the concessions held and not subject to earn-in by another party.

Contingent liability

Luminex has entered into an agency agreement with Miedzi to facilitate transactions between the entities and provide clarity around ongoing G&A costs in case of withdrawal from the agency agreement, including provisions for rent of premises and personnel costs. At December 31, 2022, and assuming withdrawal from the agency agreement at that date, Luminex's obligation to Miedzi would be approximately $322,000 (2021 - $361,000).

22. SUBSEQUENT EVENTS

(i) On February 16, 2023, the Company closed brokered and non-brokered private placements whereby 41,666,667 units ("Units") were issued at a price of C$0.30 per Unit (the "Offering Price"), for aggregate gross proceeds of approximately C$12.5 million (the "Offering"). Each Unit was comprised of one common share of the Company (each, a "Common Share") and one-half of one Common Share purchase warrant (each whole Common Share purchase warrant, a "Warrant"). Each Warrant entitles the holder thereof to acquire one Common Share at a price of C$0.44 per Common Share at any time during the 24-month period following the closing date. In connection with the brokered portion of the private placement, an agent's fee of 6% of the gross proceeds was paid while finders' fees of 6% were paid on the proceeds from certain subscribers of the non-brokered private placement portion; and

(ii) On March 15, 2023, 9,666 stock options to acquire common shares of the Company at exercise prices ranging from C$0.25 to C$0.51 were forfeited and on April 14, 2023, 22,334 stock options with exercise prices ranging from C$0.25 to C$0.68 expired.