

# **SALAZAR RESOURCES LIMITED**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017**

This discussion and analysis of financial position and results of operation is prepared as at November 28, 2017 and should be read in conjunction with the unaudited condensed consolidated interim financial statements for the nine months ended September 30, 2017 of Salazar Resources Limited (the "Company" or "Salazar"). The following disclosure and associated financial statements are presented in accordance with International Financial Reporting Standards ("IFRS"). Except as otherwise disclosed, all dollar figures included therein and in the following management discussion and analysis ("MD&A") are quoted in Canadian dollars.

### **Forward-Looking Statements**

This MD&A contains certain statements that may constitute "forward-looking statements". Forward-looking statements include but are not limited to, statements regarding future anticipated exploration programs and the timing thereof, and business and financing plans. Although the Company believes that such statements are reasonable, it can give no assurance that such expectations will prove to be correct. Forward-looking statements are typically identified by words such as: believe, expect, anticipate, intend, estimate, postulate and similar expressions, or which by their nature refer to future events. The Company cautions investors that any forward-looking statements by the Company are not guarantees of future performance, and that actual results may differ materially from those in forward looking statements as a result of various factors, including, but not limited to, the Company's ability to identify one or more economic deposits on its properties, to produce minerals from its properties successfully or profitably, to continue its projected growth, to raise the necessary capital or to be fully able to implement its business strategies.

Historical results of operations and trends that may be inferred from this MD&A may not necessarily indicate future results from operations. In particular, the current state of the global securities markets may cause significant reductions in the price of the Company's securities and render it difficult or impossible for the Company to raise the funds necessary to continue operations.

All of the Company's public disclosure filings, including its most recent management information circular, material change reports, press releases and other information, may be accessed via [www.sedar.com](http://www.sedar.com) and readers are urged to review these materials, including the technical reports filed with respect to the Company's mineral properties.

### **Company Overview**

The Company's principal business activity is the acquisition, exploration and development of mineral properties in Ecuador. The Company presently has no proven or probable reserves and, on the basis of information to date, it has not yet determined whether these properties contain economically recoverable ore reserves. Consequently the Company considers itself to be an exploration stage company.

The Company is currently a reporting issuer in British Columbia, Alberta, Ontario and Nova Scotia. The Company's shares trade on the TSX Venture Exchange ("TSXV") under the symbol "SRL" as a Tier 1 mining issuer and on the Frankfurt Exchange under the symbol "CCG". The Company's principal office is located at #1305 - 1090 West Georgia Street, Vancouver, British Columbia.

### **Properties Update**

#### ***Curipamba Project***

##### *Agreements*

On April 5, 2016 the Company entered into a letter agreement to sell a 2% net smelter royalty ("NSR") in its Curipamba Project for US \$4,750,000. On July 18, 2016 the Company and RCF VI SRL LLC ("RCF SRL"), an affiliate of Resources Capital Fund VI L.P., entered into a royalty agreement whereby the Company sold to RCF

SRL a 1% NSR for US \$2,375,000. On April 19, 2017 the Company closed on the sale of the remaining 1% NSR for a further US \$2,375,000.

On September 12, 2017 the Company entered into a definitive option agreement (the “Option”) whereby Adventus Zinc Corporation (“Adventus”) may earn a 75% interest in the Company’s Curipamba Project by funding exploration and development expenditures of US \$25,000,000 over the next five years. A feasibility study is expected to be completed within three years, after which Adventus is required to fund 100% of the development and construction expenditures to commercial production.

During the Option period Adventus will pay the Company a 10% management fee, with a prescribed minimum annual amount of US \$350,000. In addition, Adventus will provide the Company with a US \$250,000 per year advance payment until achievement of commercial production, to a maximum cumulative total of US \$1,500,000. The advance is to be paid preferentially to Adventus upon start of commercial production.

On September 29, 2017 the Company received TSXV approval and, on October 13, 2017, Adventus and the Company closed on the Option.

Adventus and Salazar plan to jointly explore for VMS as well as hydrothermal gold-silver style deposits within the project’s approximately 21,500 hectare concession area, alongside working on the completion of a feasibility study, which is on the path towards potential future production at the project. In addition to the project, both companies have also formed an exclusive exploration alliance to explore for additional zinc-related deposits in Ecuador outside of the project area. With funding from Adventus, a detailed airborne geophysical program on the full land package is expected to be completed for the first time, followed by regional exploration to discover new deposits.

#### *Exploration Update*

The Company’s principal asset, which has been the focus of its work programs, is the Curipamba Project where the precious metals rich El Domo volcanogenic massive sulphide (“VMS”) deposit has been discovered. On January 22, 2015 the Company filed on SEDAR an amended and restated preliminary economic assessment, dated January 16, 2015, prepared by Buenaventura Ingenieros S.A. in respect of the Company’s 100% owned El Domo project in Ecuador. The amended technical report was prepared to address certain deficiencies raised by the B. C. Securities Commission in respect of the previously filed technical report dated March 21, 2014, and there have been no changes to the previously disclosed results of the preliminary economic assessment or to the previously disclosed mineral resource estimate prepared in respect of El Domo.

In early November 2016 with the closing of the major components of the recapitalization plan, the Company commenced the planned 10,000 metre Phase V drilling program on the Curipamba Project. The program was designed to further expand the El Domo volcanogenic massive sulphide deposit and explore its margins, as well as to test regional anomalies and showings. During fiscal 2016 a total of \$1,418,334 was incurred and capitalized on the Curipamba Project.

On March 23, 2017 the Company reported results from the first twelve holes (3,363 metres); on May 15, 2017 the results from an additional six holes (1,888 metres); and on August 14, 2017 the results from an additional 10 holes (2,791 metres) of the Phase V (10,000 metre) diamond drill program in progress on the Curipamba Project. The Company has now drilled a total of 8,042.5 metres. These holes represent new exploratory drilling and were not included in the El Domo resource estimate which was SEDAR filed on January 21, 2015.

Highlights of the drill program are as follows:

Hole CURI-234:	6.87 metres (6.45m true) averaging 1.47 g/t gold, 10.9 g/t silver, 7.42% copper, 1.01% zinc.
Hole CURI-231:	3.09 metres (3.08m true) averaging 0.60 g/t gold, 9.40 g/t silver, 6.43% copper, 0.18% zinc.
Hole CURI-224:	16.60 metres (15.60m true) averaging 3.66 g/t gold, 117.40 g/t silver, 4.88% copper, 5.36% zinc, <i>including</i> :
	<ul style="list-style-type: none"><li>• 6.35 metres (5.97m true) averaging 7.72 g/t gold, 180.05 g/t silver, 2.28% copper, 8.24% zinc, and</li><li>• 6.50 metres (6.11m true) averaging 1.32 g/t gold, 99.22 g/t silver, 8.89% copper, 4.48% zinc</li></ul>

- Hole CURI-218: 14.43 metres (13.07m true) averaging 2.65 g/t gold, 10.58 g/t silver, 1.32% copper, 6.63% zinc, *including*:
- 3.58 metres averaging 9.68 g/t gold, 11.52 g/t silver, 0.46% copper, 2.64% zinc, and
  - 4.47 metres averaging 0.29 g/t gold, 15.05 g/t silver, 3.16% copper, 19.25% zinc
- Hole CURI-213: 4.14 metres (true width) averaging 1.009 g/t gold, 16.78 g/t silver, 0.67% copper, 0.95% lead and 4.77% zinc; and
- 29.37 metres (true width) averaging 0.58 g/t gold, 77.93 g/t silver, 0.17% copper, 0.17% lead, 0.89% zinc, *including*:
- 10.55 metres averaging 0.385 g/t gold, 8.02 g/t silver, 0.44% copper, 0.25% lead and 1.84% zinc, and
  - 13.75 metres averaging 0.75 g/t gold, 149.7 g/t silver, 0.02% copper, 0.15% lead and 0.32% zinc

Program results are as follows:

Hole CURI-234 was collared in the west-central sector of the El Domo deposit. It was drilled with a southerly azimuth to test a 100 meter gap that had no resource assigned to it, between the CURI-176 and CURI-201. It intersected 6.87 metres (6.45 metres true) averaging 1.47 g/t gold, 10.9 g/t silver, 7.42% copper, 1.01% zinc in a massive and semi-massive sulfide of chalcopyrite, sphalerite and pyrite and 0.82 metres grading 0.74 g/t Au, 22.3 g/t Ag, 0.68% Cu and 1.93% Zn. These intersections are located approximately 50 metres north of CURI-201, drilled in March of 2011, which intersected 1.50 metres grading 0.977 g/t Au, 80.82 g/t Ag, 1.52% Cu and 2.5% Zn. Approximately 80 metres to the north-east, hole CURI-218 intersected 14.43 metres (13.07 metres true) averaging 2.65 g/t gold, 10.58 g/t silver, 1.32% copper, 6.63% zinc.

Hole CURI-233 was collared 150 metres east of CURI-232 and drilled easterly to explore the north-eastern limits of the El Domo mineralization. The hole intersected mineralization in the underlying mineralized dacitic unit at 160 metres from the El Domo resource. The presence of moderate to strong hydrothermal activity this far east from the main body suggests that the VMS mineralization could have been deposited and destroyed through an erosional period. This opens the possibility of finding VMS mineralization as far north-east as the CURI-24 (80 metres distance) which also intersected the dacitic unit with a moderate hydrothermal breccia on a large upthrown block. There is also a large un-drilled area to the south towards CURI-223, 225 and 227. The Company will drill test this area as part of the current program.

Hole CURI-232 collared from the same platform as the CURI-231 and tested for an extension to the east of the mineralization in CURI-231. CURI-232 did not encounter massive sulphide mineralization but it did intersect a mineralized zone in the underlying dacitic unit.

Hole CURI-231 intersected 3.09 metres (3.08 metres true) averaging 0.60 g/t gold, 9.40 g/t silver, 6.43% copper & 0.18% zinc in a massive sulfide of pyrite and chalcopyrite. This intersection is located in the northeastern sector of the El Domo deposit, approximately 50 metres south from the CURI-224 which cut 16.60 metres (15.60 metres true width) of massive and semi-massive chalcopyrite-sphalerite-pyrite grading 3.66 g/t gold, 117.40 g/t silver, 4.88% copper, 5.36% zinc. This new intersection extends the previously interpreted mineralization trend identified by CURI-224 and CURI-198 an additional 50 metres to the south.

Hole CURI-230 was collared on the southwest sector of the El Domo mineralization. It was drilled with a southerly azimuth to test for extensions of the mineralization in CURI-218 to the south. This hole intersected the underlying mineralized dacitic unit approximately 80 metres higher than in the surrounding holes suggesting an upthrown block fault in this area. The intense fracturing and alteration of the rock caused the hole to collapse and the hole was abandoned without testing its original target depth. Even so, there are two mineralized intervals of interest in the dacitic unit found on this upthrown block. CURI-218 also intersected a similar upthrown block with mineralized dacite that could be correlated to the one found in the CURI-230.

Holes CURI-229 and CURI-228 were also drilled near the northern edge of the El Domo mineralization. Both holes intersected the CURI-198 mineralization to the west and south-west, respectively. While holes CURI-229 and CURI-228 did not intersect massive sulfide mineralization, CURI-228 intersected two intervals of interest in the underlying mineralized dacitic unit: 3.65 metres grading 1.17 g/t Au and 21.42 g/t Ag; and 7.6 metres grading 1.07 g/t Au and 2.59 g/t Ag.

Holes CURI-227 and CURI-225 were drilled from the same platform approximately 250 metres east of the El Domo deposit and approximately 70 metres east of the collar of hole CURI-218. Both holes were drilled with a southerly azimuth to test the south-eastern sector of the El Domo mineralization and to further test the intercept in hole CURI-155 ( 3.61 metres grading 0.77 g/t gold, 37.54 g/t silver, 0.15% copper and 1.68% zinc. CURI-227 and 225 intersected the underlying dacitic unit which is weakly mineralized. However, this southeastern area still needs more exploration given that there are several structural features that could have acted as depositional and mineralization boundaries.

Hole CURI-226 was drilled close to the northern edge of El Domo . It was collared 70 metres east of hole CURI-198 (7.40 metres grading 2.498 g/t Au, 74.61 g/t Ag, 3.45 % Cu, and 5.07% Zn). CURI-226 did not encounter massive sulphide mineralization but it did intersect a short interval of the underlying dacite with a moderate hydrothermal breccia. This hole was aborted earlier than expected due to the mechanical problems.

CURI-224 intersected 16.60 metres (15.60 metres true width) of massive and semi-massive chalcopyrite-sphalerite-pyrite grading 3.66 g/t gold, 117.40 g/t silver, 4.88% copper, 5.36% zinc beneath an andesite sill that occurs in the vicinity of the hole. The intersection in CURI-224 is located approximately 120 metres east of the intersection in CURI-173 (2.74 metres averaging 0.677 g/t gold, 6.5 g/t silver, 0.39% copper and 0.37% zinc) and 75 metres south from CURI-198 (7.40 metres averaging 2.498 g/t gold, 74.61 g/t silver, 3.45% copper and 5.07% zinc. The mineralization in CURI-187, CURI-198 and CURI-224 is currently interpreted to be part of a separate zone of mineralization. The intercept in CURI-224 is gold-rich; the top of the mineralization grades 7.72 g/t gold over 6.35m (225.40 - 231.75m). Further drilling is planned to test this area.

Holes CURI-219 and CURI-221 were drilled west of the El Domo deposit to further test the area of the CURI-213 (which intersected two zones of mineralization: 4.14 metres (true width) averaging 1.01 g/t gold, 16.78 g/t silver, 0.67% copper, 0.95% lead and 4.77% zinc, and 29.37 metres (true width) averaging 0.5 g/t gold, 77.93 g/t silver, 0.17% copper, 0.17% copper and 0.89% zinc. CURI-219 and CURI- 221 were collared approximately 350 metres west of El Domo deposit and 50 metres north and south from the CURI-213 respectively. No significant mineralization was encountered and no further drilling is planned in this area.

Hole CURI-220 was drilled vertically from the same collar as the CURI-218. CURI-220 did not encounter significant mineralization, however, the horizontal separation between CURI-220 and the mineralization in CURI-218 is estimated to be approximately 138 metres. The eastern limit of the mineralization intersected in CURI-218 remains to be established. As well, the mineralization in CURI-218 remains open to the north and south.

Hole CURI-222, drilled steeply due east from the same platform as CURI-224, intersected 2.66 metres averaging 0.13 g/t gold, 5.56 g/t silver, 0.31% copper and 1.15% zinc.

Holes CURI-223 was drilled vertically 50 metres north from the historic hole CURI-155 which cut two mineralized zones with gold and silver values and anomalous zinc and copper values. CURI-223 encountered similar lithology to that in CURI-155 with one interval grading 3.61 metres of 0.77 g/t gold, 37.54 g/t silver, 0.15% copper and 1.68% zinc.

Hole CURI-218, collared approximately 240 metres east of the El Domo deposit, was drilled westerly on section with hole CURI-176 (5.7 metres averaging 0.671 g/t gold, 3.3 g/t silver, 0.61% copper, 0.01% zinc and 0.96% lead). CURI-218 intersected 14.43 metres (13.07 metres true width) of massive and semi-massive pyrite-chalcopyrite-sphalerite grading 2.65 g/t gold, 10.58 g/t silver, 1.32% copper, 6.63% zinc beneath an andesite sill that occurs in this area (Table 1). The intersection in CURI-218 is located approximately 100 metres east of the intersection in CURI-176. It clearly demonstrates the extension of the El Domo mineralization to the east along with a significant increase in the thickness and grade of the mineralization. CURI-176 had previously marked the eastern limit of drilled mineralization in the El Domo deposit. Vertical hole CURI-155, drilled approximately 182 metres southeast of the collar of CURI-218, cut three mineralized zones with strong gold and silver values and anomalous zinc and copper values demonstrating the persistence of mineralization to the east. Further drilling is required to test this area.

Holes CURI-211, 213, 216 and 217 were drilled west of the El Domo deposit to test an area with massive sulphide float and exposures of hydrothermal breccia. CURI-213 and 216 were collared approximately 350 metres west of the deposit and approximately 100 metres west of historic holes CURI-30 and 32. CURI-213, drilled easterly on section with CURI-30, intersected two zones of mineralization (Table 1) in a section of hydrothermal breccias and gypsum stockworks in a dacitic unit similar to the one found below the El Domo VMS deposit:

- 4.14 metres (true width) averaging 1.01 g/t gold, 16.78 g/t silver, 0.67% copper, 0.95% lead and 4.77% zinc
- 29.37 metres (true width) averaging 0.5 g/t gold, 77.93 g/t silver, 0.17% copper, 0.17% copper, 0.89% zinc

The mineralization in CURI-213 may represent the down dip extension of the mineralization intersected in CURI-30 (From 19.75 metres to 29.50 metres: a total of 9.75 metres averaging 0.5 g/t gold, 32.3 g/t silver, 0.1% copper, 0.1% lead, 0.7% zinc). CURI-211, 216 and 217 did not intersect any mineralization.

Holes CURI-212, 214, 215, were drilled up to 500 metres south and southwest of the El Domo deposit. The holes targeted geophysical anomalies with low resistivity and moderate chargeability. CURI 212 and 214 were drilled in the area of historic holes CURI-15, 16, 17 and 18 which intersected significant gold and silver mineralization in a breccia zone/diatreme with clasts of polysulphides and barite in an argillic matrix. CURI-215 was drilled on section with, and 400 metres west of CURI-212 which intersected 1.63 g/t gold over 2.05 metres (Table 1). The drill holes intersected weak to moderately anomalous mineralization in a dacitic unit that may represent the geophysical anomalies.

Holes CURI-207, 208, 209 and 210 were drilled up to 1.2 km southeast of the El Domo deposit to test targets identified by geological mapping which showed a lithological sequence similar to the one found in the El Domo deposit, as well as the presence of moderate geochemical mineralization and alteration. The drill holes intersected the expected geological sequence, however, no VMS mineralization was intersected.

Table 1 **Significant Intersections for Holes CURI-207 through CURI-234**

HOLE ID	FROM (m)	TO (m)	WIDTH (m)	Au (g/t)	Ag (g/t)	Cu (%)	Pb (%)	Zn (%)
CURI-207	No significant mineralization encountered in this hole, located 1 km east from El Domo resource							
CURI-208	No significant mineralization encountered in this hole, located 1.1 km east from El Domo resource							
CURI-209	No samples taken, located 0.7 km east from El Domo resource							
CURI-210	No significant mineralization encountered in this hole, located 0.5 km east from El Domo resource							
CURI-211	No samples taken, located 0.4 km west from El Domo resource							
CURI-212	283.95	286	2.05	1.63	-	-	-	-
CURI-213	105.34	109.48	4.14	1.01	16.78	0.67	0.95	4.77
and	133.65	163.02	29.37	0.59	77.93	0.17	0.17	0.89
including	133.65	144.2	10.55	0.39	8.02	0.44	0.25	1.84
and	147.6	161.35	13.75	0.75	149.7	0.02	0.15	0.32
CURI-214	No significant mineralization encountered in this hole, located 0.37 km south from El Domo resource							
CURI-215	No significant mineralization encountered in this hole, located 0.43 km south west from El Domo							
CURI-216	No samples taken, located 0.32 km west from El Domo resource							
CURI-217	170.27	170.7	0.43	-	8.5	0.72	-	5.75
CURI-218	318.27	332.7	14.43	2.65	10.58	1.32	-	6.63
including	318.27	321.85	3.58	9.68	11.52	0.46	-	2.64
and	328.23	332.7	4.47	0.29	15.05	3.16	-	19.25
CURI-219	No significant mineralization encountered in this hole, located 50m north from CURI-213							
CURI-220	No significant mineralization encountered in this hole, located 138m east from CURI-218							
CURI-221	218.75	221.95	3.2	-	-	0.16	-	1.46
and	234.35	235.95	1.6	0.14	10.3	0.11	0.88	1.26
CURI-222	224.28	226.94	2.15	0.13	5.56	0.31	0.11	1.15
CURI-223	220.9	224.51	3.61	0.77	37.54	0.15	0.70	1.68
CURI-224	225.4	242	16.6	3.66	117.4	4.88	0.44	5.36
including	225.4	231.75	6.35	7.72	180.05	2.28	1.13	8.24
including	234.05	240.55	6.5	1.32	99.22	8.89	0.01	4.48
CURI-225	No significant mineralization encountered in this hole, located 250m east from El Domo resource							
CURI-226	No significant mineralization encountered in this hole, located 30m east of CURI-198. Hole aborted due to mechanical problems.							
CURI-227	No significant mineralization encountered in this hole, located 250m east from El Domo deposit and 120m southwest of CURI-155.							

HOLE ID	FROM (m)	TO (m)	WIDTH (m)	Au (g/t)	Ag (g/t)	Cu (%)	Pb (%)	Zn (%)
CURI-228	201.23	204.88	3.65	1.17	21.42	-	-	-
and	211.78	219.38	7.60	1.07	2.59	-	-	-
CURI-229								
CURI-230	213.29	214.15	0.86	-	-	0.21	-	1.58
and	231.84	233.07	1.23	0.77	19.5	0.21	0.82	2.98
	Located 40m south of CURI-218. Hole abandoned due to poor ground conditions.							
CURI-231	231.85	216.94	3.09	0.60	9.40	6.43	-	0.18
and	225.74	233.66	7.92	0.31	3.71	-	-	1.19
CURI-232	231.25	238.26	7.01	0.63	17.90	-	-	1.01
CURI-233	236.15	238.2	2.05	0.85	19.70	0.39	0.37	2.23
CURI-234	282.85	289.72	6.87	1.47	10.90	7.42	-	1.01
and	302.7	303.52	0.82	0.74	22.30	0.68	-	1.93

Widths presented in Table 1 are downhole core lengths. Where possible, true width estimates are noted in the text. A rigorous chain-of-custody and quality assurance/quality control program that included the insertion of certified standard control samples and blanks, and re-analysis of samples with high levels (overlimit) of gold, copper and zinc, was applied to the NQ-diameter, rock-sawn half-core samples. As part of the project's sample quality assurance program, twin quarter core samples were taken from 11 holes and analyzed. All samples were analyzed by Inspectorate Services Perú S.A.C. (Bureau Veritas), a certified ISO 17025 and ISO 9001:2000 laboratory.

Table 2 **Drill Hole Details for Holes CURI-207 through CURI-234**

HOLE ID	EAST	NORTH	ELEV (m)	AZIMUTH	DIP	DEPTH (m)
CURI-207	696150.00	9854500.00	983.00	90°	-70	206.75
CURI-208	696382.00	9854576.00	981.00	90°	-70	292.29
CURI-209	696167.00	9855168.00	1030.00	270°	-60	317.50
CURI-210	695750.00	9854810.00	955.00	270°	-60	285.50
CURI-211	694500.00	9855000.00	896.00	90°	-70	215.50
CURI-212	695000.00	9854600.00	928.00	90°	-75	359.50
CURI-213	694570.00	9855100.00	860.00	90°	-75	176.56
CURI-214	695080.00	9854500.00	919.00	90°	-90	259.60
CURI-215	694600.00	9854600.00	1054.00	90°	-75	299.40
CURI-216	694570.00	9855100.00	860.00	270°	-50	276.30
CURI-217	694600.00	9855000.00	860.00	90°	-70	287.40
CURI-218	695575.00	9855200.00	1100.00	270°	-65	386.70
CURI-219	694567.20	9855144.90	829.73	90°	-65	317.70
CURI-220	695565.20	9855188.90	1097.34	270°	-90	401.50
CURI-221	694532.40	9855052.20	861.18	90°	-75	290.75
CURI-222	695488.60	9855540.90	1027.06	90°	-87	302.70
CURI-223	695743.30	9855201.30	1083.91	0°	-90	311.70
CURI-224	695488.60	9855540.90	1027.06	260°	-70	263.70
CURI-225	695640.25	9855196.14	1081.00	180°	-60	348.00
CURI-226	695432.20	9855592.93	978.16	90°	-80	113.77
CURI-227	695640.25	9855196.14	1081.00	180°	-75	369.70
CURI-228	695400.00	9855550.00	1050.00	270°	-78	269.65
CURI-229	695294.00	9855600.00	980.00	90°	-70	251.70
CURI-230	695451.00	9855222.00	1082.00	180°	-75	242.80
CURI-231	695443.00	9855490.00	1044.00	270°	-85	278.80
CURI-232	695443.00	9855490.00	1044.00	90°	-75	317.75
CURI-233	695592.00	9855493.00	1040.00	355°	-90	263.70
CURI-234	695356.00	9855239.00	1066.00	180°	-70	335.70

On September 8, 2017 the Company reported results from the last eight holes (2,430.30 metres) of the phase V diamond drill program that was completed on the Company's Curipamba project. Five holes represent new exploratory and development drilling around the El Domo resource and were not included in the latest El Domo resource estimate which was released on January 16, 2015. Three holes were drilled in the Barranco Colorado area, which is within the Curipamba project, to test regional exploration targets. The latest eight holes (2,430.30 metres) (Table 3) were drilled as part of the planned 40-hole (10,000 metres) drill program that was completed with the purpose of expanding the El Domo VMS deposit and exploring its margins, as well as testing geophysical anomalies and surface showings around the Curipamba Project. The drilling activities of the program ended on August 7, 2017.

A total of 36 holes (10,472.62 metres) were drilled. Thirty-three holes were drilled in and around the El Domo deposit and three holes were drilled in the Barranco Colorado area. In addition to the significant intersections being reported here, five other holes intersected significant mineralization; CURI-213, CURI-218, CURI-224, CURI-231 and CURI-234 (News Releases of March, May and August 2017).

Highlights of this drill program are as follows:

Hole CURI-236: 2.30 metres (true) averaging 1.42 g/t gold, 51.7 g/t silver, 2.45% copper and 5.59 % zinc in massive and semi-massive chalcopyrite and pyrite.

Hole CURI-237: 36.79 metres averaging 5.0 g/t gold, 53.4 g/t silver, 2.93% copper and 2.9 % zinc; which includes two intervals:

- 11.10 metres averaging 1.5 g/t gold, 10.77g/t silver, 0.73% copper and 0.70% zinc in Grainstone (a marker unit in the immediate hanging wall of the massive sulphides) with clasts of semi-massive sulphides; and
- 22.42 metres averaging 7.4 g/t gold, 82.1 g/t silver, 4.43% copper and 4.41% zinc in massive and semi-massive sphalerite, chalcopyrite and pyrite.

Hole CURI-236 intersected 2.30 metres averaging 1.42 g/t gold, 51.73 g/t silver, 2.45% copper and 5.59 % zinc in massive and semi-massive of chalcopyrite and pyrite. This intersection is located in the northeastern sector of the El Domo deposit, approximately 50 metres south from the CURI-231 which cut 3.09 metres (3.08 m true) averaging 0.60 g/t gold, 9.40 g/t silver, 6.43% copper & 0.18% zinc (News Release of August 14, 2017 ). This new intersection extends the previously interpreted mineralization trend identified by CURI-224, CURI-198 and CURI-231 an additional 50 metres to the south, making this new trend a total length of approximately 200m. This trend will most likely be connected to the main resource body given that the CURI-236 intersection is only 60 metres northeast from the CURI-166, which previously marked the edge of the latest El Domo resource estimate.

Hole CURI-237 was a deep exploratory hole that was collared approximately 30 meters north east from the CURI-106 which was drilled in April of 2010 and intersected 36.33 metres 3.74 g/t gold, 35.85 g/t silver, 4.39 % copper and 1.5% zinc in the west-central sector of the El Domo deposit. CURI-237 was drilled vertically down to 537.80 metres to test the potential for additional underlying VMS depositional lenses and the potential for strong feeder zones related to the existing El Domo VMS body. CURI-237 intersected 36.79 metres averaging 5.0 g/t gold, 53.4 g/t silver, 2.93% copper and 2.9 % zinc; which includes two intervals:

- 11.10 metres averaging 1.5 g/t gold, 10.77g/t silver, 0.73% copper and 0.70% zinc in grainstone with clasts of semi-massive sulphides. The Grainstone is a marker unit in the immediate hanging wall of the VMS mineralization; and
- 22.42 metres averaging 7.4 g/t gold, 82.1 g/t silver, 4.43% copper and 4.41% zinc in massive and semi-massive sulphide of sphalerite, chalcopyrite and pyrite.

This intersection represents an in-fill addition to the known El Domo resource. Below the El Domo deposit drilling intersected the usual altered and mineralized dacitic unit, followed by the rhyolitic flow which is the deepest formation reached in several previous holes. Below the rhyolite another large dacitic unit with sporadic sedimentary lenses was intersected with yet another rhyolitic flow at the base. The hole intersected weak sporadic sulphide mineralization with sphalerite, chalcopyrite and pyrite all the way down to the end of the hole in the form of veinlets and fracture fillings. In addition, this hole showed that the basement marine volcanic rocks, Piñon Formation, which was believed to be at shallower depths was not encountered suggesting that the mineralization and alteration system extends as deep as 420 metres below the El Domo deposit.

Program results are as follows:

Hole CURI-235 was collared on the same platform as CURI-234 (6.87 metres (6.45 m true) averaging 1.47 g/t gold, 10.9 g/t silver, 7.42% copper, 1.01% zinc (News Release of August 14, 2017) and was drilled southwesterly to test the possible extension of CURI-234 mineralization towards the east. It intersected a massive gypsum interval and the underlying dacitic unit. Gypsum frequently occurs as part of the outer shell stockwork mineralization.

Holes CURI-238 and CURI-239 were drilled to explore the eastern limits of the El Domo mineralization. CURI-238 was drilled vertically approximately 150 metres from the El Domo resource. CURI-239 was drilled westerly around 200 metres from the El Domo resource. Both holes intersected weak mineralization in the underlying dacitic unit.

Holes BC-1, BC-2 and BC-3 were drilled on the southeast corner of the Barranco Colorado area, Curipamba Project, located approximately 10 km west from El Domo deposit. Previous detailed surface geologic mapping identified large phyllic altered andesite and hydrothermal breccias boulders that averaged 0.5- 8.3 g/t Au, 0.05 – 0.75% Cu, 0.05 – 0.69 % Zn. Soil sampling identified anomalous values of gold, copper and zinc: up to 0.3 ppm Au, 600 ppm Cu, and 1000 ppm Zn. Also, geophysical anomalies were recognized in the induced polarization survey completed in April 2017, which defined the three initial targets. These holes encountered moderately phyllic altered volcanic flows with dioritic and microdioritic intrusions and an acid unit at the base. Holes BC-1 and BC 2 intersected sporadic decimetric and metric channels of silicified crackle breccias with pyrite and traces of chalcopyrite and sphalerite. BC-2 had the better accumulation of this mineralization with an interval of up to 25 metres in thickness which includes a few sporadic sphalerite and chalcopyrite filled veins of up to 2cm in thickness. In addition, the lower part of the BC-1 intersected about 30 meters of a Dacite/Rhyolite unit with a moderate anhydrite stockwork and up to 7% disseminated pyrite which exhibits similarities to the underlying dacitic unit of the El Domo deposit. In conclusion, the surface findings, the remaining geophysical anomalies and these recent drill holes results show the potential for massive sulphides in this area. More exploration is warranted in Barranco Colorado.

Table 3 **Drill Hole Details for Holes CURI-235 through BC-03**

HOLE ID	EAST	NORTH	ELEV (M)	AZIMUTH	DIP	DEPTH (M)	ACCUMULATED DEPTH
CURI-235	695351.79	9855236.17	1052.99	145	-66	338.60	338.60
CURI-236	695437.07	9855437.60	998.38	270	-90	215.65	554.25
CURI-237	695026.00	9855275.00	906.20	90	-90	537.80	1092.05
CURI-238	695600.00	9855400.00	1075.00	270	-85	330.60	1422.65
CURI-239	695762.00	9855310.00	1115.00	270	-80	300.00	1722.65
BC-01	684950.00	9851921.00	187.00	270	-75	417.10	2139.75
BC-02	684780.00	9851902.00	151.00	315	-75	167.75	2307.50
BC-03	684725.00	9852050.00	143.00	270	-75	122.80	2430.30

Table 4 **Significant Intersections for Holes CURI-235 through BC-03**

HOLE ID	FROM (M)	TO (M)	WIDTH (M)	AU (G/T)	AG (G/T)	CU (%)	PB (%)	ZN (%)
CURI-235	No significant mineralization encountered in this hole.							
CURI-236	153.16	155.46	2.30	1.42	51.73	2.45	0.11	5.59
CURI-237	56.50	93.29	36.79	5.00	53.40	2.93	0.21	2.90
<i>including</i>	56.50	67.60	11.10	1.49	10.77	0.73	0.17	0.70
<i>including</i>	70.87	93.29	22.42	7.43	82.08	4.43	0.27	4.41
CURI-238	No significant mineralization encountered in this hole.							
CURI-239	No significant mineralization encountered in this hole.							
BC-1	No significant mineralization encountered in this hole.							
BC-2	53.76	56.72	2.96	1.41	1.55	0.11	0.01	0.85
BC-3	No significant mineralization encountered in this hole.							

Widths presented in Table 4 are downhole core lengths. Where possible, true width estimates are noted in the text.

A rigorous chain-of-custody and quality assurance/quality control program that included the insertion of certified standard control samples and blanks, and re-analysis of samples with high levels (overlimit) of gold, copper and



zinc, was applied to the NQ-diameter, rock-sawn half-core samples. All samples were analyzed by Inspectorate Services Perú S.A.C. (Bureau Veritas), a certified ISO 17025 and ISO 9001:2000 laboratory.

As part of the program's sample quality assurance, twin samples were taken on all holes as described below. The samples were part of a Brecciated Dacite and gave the following results:

HOLE	SAMPLE	FROM (M)	TO (M)	LENGTH (M)	AU (PPM)	AG (PPM)	CU (PPM)	PB (PPM)	ZN (PPM)
CURI-235	170842	288.00	289.40	1.40	0.085	0.2	3	7	6
	170843	288.00	289.40	1.40	0.089	0.3	4	8	8
CURI-236	170961	155.46	157.30	1.84	0.037	0.3	200	<5	62
	170962	155.46	157.30	1.84	0.023	0.2	91	<5	34
CURI-238	170978	288.85	290.80	1.95	0.064	1.2	173	36	1073
	170979	288.85	290.80	1.95	0.075	1	53	37	381
CURI-239	170988	280.86	281.80	0.94	0.067	7.8	18	236	633
	170989	280.86	281.80	0.94	0.056	11.6	16	216	586
BC-01	170826	401.80	403.33	1.53	<0.005	<0.2	23	<5	<5
	170827	401.80	403.33	1.53	<0.005	<0.2	23	<5	<5
BC-02	170945	154.07	156.00	1.93	0.054	0.7	75	39	362
	170946	154.07	156.00	1.93	0.051	0.8	81	37	343

#### *Other*

The Company has not made all of its past patent fee payments on its Rumiñahui and Mendez concessions and believe that they can apply overpayment credits from the Curipamba Project against those unpaid amounts. However, due to the uncertainty, during fiscal 2015 the Company recorded impairment charges totalling \$1,331,862 on its Rumiñahui and Mendez Projects. Management still believes there is merit in these projects but has recorded this provision as certain past tenure holding costs have not been paid. In the event these tenure costs are paid or offset by credits, the Company intends to reverse these impairment charges in subsequent financial reporting periods. As of the date of this MD&A the Company remains the recorded holder of the Rumiñahui and Mendez concessions.

#### **Qualified Person**

The scientific and technical information contained in this MD&A has been reviewed and approved by Kieran Downes, Ph.D., P.Geo. a Qualified Person as defined by National Instrument 43-101.

#### **Selected Financial Data**

The following selected financial information is derived from the unaudited condensed consolidated interim financial statements of the Company.

Three Months Ended	Fiscal 2017			Fiscal 2016			Fiscal 2015	
	Sep. 30 2017 \$	Jun. 30 2017 \$	Mar. 31 2017 \$	Dec. 31 2016 \$	Sep. 30 2016 \$	Jun. 30 2016 \$	Mar. 31 2016 \$	Dec. 31 2015 \$
<b>Operations:</b>								
Revenues	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Expenses	(483,564)	(362,248)	(407,739)	(1,092,355)	(270,173)	(316,140)	(268,466)	253,920
Other items	(59,531)	(59,143)	(16,355)	38,166	(5,502)	343,138	398,658	(1,525,489)
Net income (loss)	(543,095)	(421,391)	(424,094)	(1,054,189)	(275,675)	26,998	130,192	(1,271,569)
Other comprehensive income (loss)	435	(653)	Nil	(1,740)	(217)	1,957	1,740	(652)
Comprehensive income (loss)	(542,660)	(422,044)	(424,094)	(1,055,929)	(275,892)	28,955	131,932	(1,272,221)
Basic and diluted income (loss) per share	(0.01)	(0.00)	(0.00)	(0.01)	(0.00)	0.00	0.00	(0.02)
Dividends per share	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Three Months Ended	Fiscal 2017			Fiscal 2016			Fiscal 2015	
	Sep. 30 2017 \$	Jun. 30 2017 \$	Mar. 31 2017 \$	Dec. 31 2016 \$	Sep. 30 2016 \$	Jun. 30 2016 \$	Mar. 31 2016 \$	Dec. 31 2015 \$
<b>Balance Sheet:</b>								
Working capital (deficiency)	447,255	1,732,539	3,875	1,431,519	2,394,199	(680,525)	(2,681,277)	(2,802,342)
Total assets	17,882,452	18,391,518	18,799,732	19,078,346	19,342,232	19,708,540	19,430,750	19,109,638
Total long-term liabilities	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

## Results of Operations

### *Three Months Ended September 30, 2017 Compared to the Three Months Ended June 30, 2017*

During the three months ended September 30, 2017 (“Q3”) the Company reported a net loss of \$543,095 compared to net loss of \$421,391 for the three months ended June 30, 2017 (“Q2”). The fluctuation is attributed to an increase in legal expenses of \$119,857 from \$15,377 during Q2 to \$135,234 during Q3, due to legal services incurred with respect to the preparation of agreements regarding the farm-out to Adventus and submissions to the TSXV.

### *Nine Months Ended September 30, 2017 Compared to the Nine Months Ended September 30, 2016*

During the nine months ended September 30, 2017 (the “2017 period”) the Company reported a net loss of \$1,388,580, compared to a net loss of \$275,675 for the nine months ended September 30, 2016 (the “2016 period”), an increase in loss of \$1,112,905. The increase in loss during the 2017 period is mainly attributed to the following:

- (i) during the 2016 period the Company reversed \$129,027 of accounts payable and accrued liabilities previously recorded;
- (ii) during the 2017 period the Company recognized a foreign exchange loss of \$145,137 compared to a foreign exchange gain of \$175,194 in the 2016 period;
- (iii) during the 2016 period the Company rented one of its idle drill rigs and recorded \$97,491 as other income. The Company’s drill rigs were fully utilized during the 2017 period and, accordingly, no rentals occurred during this period. See also “Transactions with Related Parties”; and
- (iv) during the 2016 period the Company recognized forgiveness of debt of \$332,122 for debt settlements negotiated for both insiders and non-insiders of the Company in regards to past accrued and unpaid compensation.

In addition, expenses increased by \$398,772 from \$854,779 during the 2016 period to \$1,253,551 during the 2017 period. Specific expenses of note are as follows:

- (i) during the 2017 period the Company recorded \$185,142 as general exploration activities, primarily for the Rumiñahui Concession. During the 2016 period there were \$46,553 of general exploration activities;
- (ii) incurred \$40,975 (2016 - \$32,140) for accounting and administration expenses, an increase of \$8,835;
- (iii) incurred salaries and benefits of \$517,731 (2016 - \$289,931). The increase reflects the increased staffing levels during the 2017 period;
- (iv) during the 2016 period recognized interest expense of \$64,371 on advances received by the Company. The advances were settled in April 2016 and no further interest expense was recognized;
- (v) during the 2017 period office expenses increased by \$20,819, from \$120,414 during the 2016 period to \$141,233 during the 2017 period. The increase reflects the increase in activities during the 2017 period;
- (vi) incurred \$59,264 (2016 - \$46,868) for audit fees, an increase of \$12,396;
- (vii) incurred consulting fees of \$31,841 (2016 - \$85,211) of which \$29,404 (2016 - \$54,504) were incurred by officers and directors of the Company and \$2,437 (2016 - \$30,707) was billed by various parties for advisory services; and
- (viii) incurred legal fees of \$157,555 (2016 - \$55,301). During the 2017 period, the legal services were incurred with respect to the preparation of agreements with Adventus and submissions to the TSXV.

## Exploration and Evaluations Assets

During the 2017 period the Company incurred a total of \$2,839,151 (2016 - \$770,472) for exploration and evaluation assets comprising of \$2,812,411 (2016 - \$738,671) on the Curipamba Project and \$26,740 (2016 - \$31,801) on other projects. On April 19, 2017 the Company closed on the sale of the remaining 1% NSR in the

Curipamba Project to RDF SRL for a further \$3,192,950 (US \$2,375,000). Details of the exploration and acquisition expenditures are as follows:

	Ecuador				Total \$
	Curipamba \$	Ruminahui \$	Santiago \$	Mendez \$	
<b>Balance at December 31, 2015</b>	18,170,456	1	497,945	1	18,668,403
<b>Exploration costs</b>					
Camp supervision and personnel	190,605	-	-	-	190,605
Camp supplies	278,208	-	-	-	278,208
Community relations	43,570	-	-	-	43,570
Depreciation	29,176	-	-	-	29,176
Drilling	87,166	-	-	-	87,166
Environmental studies	6,875	-	-	-	6,875
Exploration site	176,563	-	3,525	-	180,088
Geological	-	-	42,291	-	42,291
Legal	22,250	-	-	-	22,250
Road maintenance	15,303	-	-	-	15,303
Supplies	108,434	-	-	-	108,434
Travel and mobilization	11,584	-	-	-	11,584
Vehicles	41,277	-	-	-	41,277
	<u>1,011,011</u>	<u>-</u>	<u>45,816</u>	<u>-</u>	<u>1,056,827</u>
<b>Acquisition costs</b>					
Property / concession payments	407,323	-	27,276	-	434,599
<b>Sale of royalty interest</b>	<u>(3,099,375)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,099,375)</u>
<b>Balance at December 31, 2016</b>	<u>16,489,415</u>	<u>1</u>	<u>571,037</u>	<u>1</u>	<u>17,060,454</u>
<b>Exploration costs</b>					
Assay analysis	64,433	-	-	-	64,433
Camp supervision and personnel	1,181,265	-	-	-	1,181,265
Camp supplies	450,262	-	-	-	450,262
Community relations	189,984	-	-	-	189,984
Depreciation	28,062	-	-	-	28,062
Drilling and related costs	98,514	-	-	-	98,514
Environmental studies	15,168	-	-	-	15,168
Exploration site	50,581	-	3,422	-	54,003
Geological	116,255	-	-	-	116,255
Legal	29,406	-	-	-	29,406
Road maintenance	87,162	-	-	-	87,162
Vehicles	57,364	-	-	-	57,364
	<u>2,368,456</u>	<u>-</u>	<u>3,422</u>	<u>-</u>	<u>2,371,878</u>
<b>Acquisition costs</b>					
Property / concession payments	443,955	-	23,318	-	467,273
<b>Sale of royalty interest</b>	<u>(3,192,950)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,192,950)</u>
<b>Balance at September 30, 2017</b>	<u>16,108,876</u>	<u>1</u>	<u>597,777</u>	<u>1</u>	<u>16,706,655</u>

See also "Properties Update".

### Financial Condition / Capital Resources

On April 19, 2017 the Company completed the sale of an additional 1% NSR of its Curipamba Project, receiving US \$2,375,000. On October 13, 2017 the Company also closed on an option agreement to farm-out a 75% interest in the Curipamba Project, which also provides that the Company will earn a 10% management fee (minimum of US \$350,000 per annum) and an annual advance payment of an additional US \$250,000 until commercial production (to a maximum cumulative total of US \$1,500,000). As at September 30, 2017, the Company had working capital of \$447,255. Management considers that the Company has adequate resources to maintain its core operations and planned exploration programs for the next twelve months. The Company believes that the option agreement with Adventus will provide the necessary capital to advance its core Curipamba Project to production

status. However, the Company recognizes that exploration expenditures may change with ongoing results and, as a result, it may be required to obtain additional financing should Adventus terminate the Option agreement. Additional capital may be sought from the sale of additional common shares or other equity or debt instruments. There is no assurance that such additional capital will be available to the Company on acceptable terms or at all. In the longer term, the recoverability of the carrying value of the Company's long-lived assets is dependent upon the Company's ability to preserve its interest in the underlying mineral property interests, the discovery of economically recoverable reserves, the achievement of profitable operations and the ability of the Company to obtain financing to support its ongoing exploration programs.

### **Contractual Commitments**

The Company has no contractual commitments.

### **Off-Balance Sheet Arrangements**

The Company has no off-balance sheet arrangements.

### **Proposed Transactions**

The Company has no proposed transactions.

### **Critical Accounting Estimates**

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenditures during the reporting period. Examples of significant estimates made by management include the determination of mineralized reserves, plant and equipment lives, estimating the fair values of financial instruments, impairment of long-lived assets, reclamation and rehabilitation provisions, valuation allowances for future income tax assets and assumptions used for share-based compensation. Actual results may differ from those estimates

A detailed summary of all the Company's significant accounting policies is included in Note 3 to the December 31, 2016 audited annual consolidated financial statements.

### **Changes in Accounting Policies**

There are no changes in accounting policies.

### **Transactions with Related Parties**

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. Certain of these entities transacted with the Company during the reporting period.

#### *(a) Transactions with Key Management Personnel*

- (i) During the 2017 and 2016 periods the following amounts were incurred with respect to the President, Fredy Salazar, and the CFO, Pablo Acosta, of the Company:

	2017 \$	2016 \$
Mr. Salazar		
- Salaries	152,732	120,375
- Health benefits	2,245	1,677
	<u>154,977</u>	<u>122,052</u>

	2017 \$	2016 \$
Mr. Acosta (CFO)		
- Salaries	47,045	5,291
- Health benefits	2,245	1,677
	<u>49,290</u>	<u>6,968</u>
	<u>204,267</u>	<u>129,020</u>

(b) *Transactions with Other Related Parties*

- (i) During the 2017 and 2016 periods the following consulting expenses were incurred with respect to non-executive current and former directors of the Company:

	2017 \$	2016 \$
Consulting fees - Etienne Walters	-	8,247
Consulting fees - Graeme Robinson*	-	6,185
Consulting fees - Nick DeMare	29,404	40,072
	<u>29,404</u>	<u>54,504</u>

\* Mr. Robinson resigned as a director effective May 10, 2016

- (ii) During the 2017 period the Company incurred a total of \$40,975 (2016 - \$32,140) to Chase Management Ltd. ("Chase"), a private corporation owned by Mr. DeMare, for accounting and administration services provided by Chase personnel, excluding Mr. DeMare. As at September 30, 2017, \$4,368 (December 31, 2016 - \$4,699) remained unpaid.
- (c) During the 2016 period the Company recorded \$97,491 as other income from the rental of one of its drill rigs to Trust Drilling Servicios S.A., a private Ecuadorian company, the shareholders of which include an employee of the Company and the son of Mr. Salazar.

### **Risks and Uncertainties**

The Company competes with other mining companies, some of which have greater financial resources and technical facilities, for the acquisition of mineral concessions, claims and other interests, as well as for the recruitment and retention of qualified employees.

The Company is in compliance in all material regulations applicable to its exploration activities. Existing and possible future environmental legislation, regulations and actions could cause additional expense, capital expenditures, restrictions and delays in the activities of the Company, the extent of which cannot be predicted. Before production can commence on any properties, the Company must obtain regulatory and environmental approvals. There is no assurance that such approvals can be obtained on a timely basis or at all. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations.

The Company's material mineral properties are located in Ecuador and consequently the Company is subject to certain risks, including currency fluctuations and possible political or economic instability which may result in the impairment or loss of mining title or other mineral rights, and mineral exploration and mining activities may be affected in varying degrees by political stability and governmental regulations relating to the mining industry.

### **Outstanding Share Data**

The Company's authorized share capital is unlimited common shares with no par value. As at November 28, 2017, there were 114,153,606 issued and outstanding common shares, 22,527,863 warrants outstanding at an exercise price of \$0.12 per share and 7,900,000 share options outstanding at an exercise price of \$0.14 per share.