

SALAZAR RESOURCES LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2015

This discussion and analysis of financial position and results of operation is prepared as at April 27, 2016, and should be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2015 and 2014, 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 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 and Colombia. 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.

See also "Recapitalization Plan", "Property Update" and "Risks and Uncertainties".

Recapitalization Plan

Subsequent to December 31, 2015 the Company:

- (i) completed a non-brokered private placement financing of 22,293,398 units, at a price of \$0.06 per unit for \$1,337,604. Each unit consisted of one common share of the Company and a one-half of one share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.12 per share, expiring April 27, 2018. Resource Capital Fund VI L.P. ("RCF VI") purchased \$1,033,774 of the private placement. The Company's term sheet with RCF VI provides

that the parties are to determine a mutually-acceptable work program within three months of closing the private placement and if a work program cannot be settled within such period, RCF VI will be issued an additional warrant for each whole warrant issued in the private placement and the warrant exercise price for RCF VI's warrants will be reduced to \$0.069; and

- (ii) agreed to issue a total of 22,762,333 units of the Company, on the same terms as the private placements units, in settlement of \$1,365,740 of cash advances previously received and accrued interest. The Company has completed an initial tranche and issued 14,277,483 units in settlement of \$856,649. A further 8,484,847 units are to be issued in settlement of debt concurrently with the first closing of the royalty sale.

In addition the Company has negotiated debt settlements for both insiders and non-insiders of the Company in regards to accrued and unpaid compensation pursuant to which US \$265,783 of debt was forgiven and US \$258,726 was settled by the issuance of 5,600,132 common shares of the Company at a price of \$0.06 per share.

The Company also agreed to sell to RCF VI a 2% NSR in its Curipamba Project for US \$4,750,000. The royalty sale is to be completed in two tranches of 1% for US \$2,375,000, with closing of each tranche being subject to the satisfaction of conditions precedent.

Property Update

The Company's concession holdings in Ecuador comprise:

Curipamba Project	- 7 concessions;
Rumiñahui Project	- 2 concessions;
Mendez Project	- 2 concessions; and
Santiago Project	- 1 concession.

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. Further drilling is required to evaluate this potential.

During fiscal 2015 there were limited activities at the Company's projects. A total of \$233,623 was spent on the Curipamba Project and \$85,639 on the Santiago Project with minimal expenditures on the other projects. No new technical works were completed and the costs related mainly to project maintenance costs, ensuring work program costs were completed.

The Company has 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 tenure holding costs have not been paid and there is no certainty that the Company will be able to fund these costs. In the event these tenure costs are paid the Company intends to reverse these impairment charges in subsequent financial reporting periods.

As with the Rumiñahui and Mendez Projects the Company has also recorded an impairment charge of \$233,752 for claim application costs in Colombia. At this time the Company does not anticipate it will be active in Colombia and accordingly this impairment was made.

The Curipamba Project is the Company's core project which is set to advance to the next stage of development. On April 6, 2016 the Company announced a recapitalization plan which will provide the necessary funds to advance the project. On closing of all components of the recapitalization plan, the Company anticipates an active work program at the Curipamba Project. On April 27, 2016 the Company completed the private placement to raise \$1,337,604. See "Recapitalization Plan".

Selected Financial Data

The following selected financial information is derived from the audited annual consolidated financial statements of the Company.

	Years Ended December 31,		
	2015 \$	2014 \$	2013 \$
Operations:			
Revenues	Nil	Nil	Nil
Expenses	(1,084,299)	(1,177,292)	(1,477,709)
Other items	(1,727,608)	(49,890)	(180,916)
Loss before deferred income tax	(2,811,907)	(1,227,182)	(1,658,625)
Deferred income tax	Nil	Nil	(1,550)
Net loss	(2,811,907)	(1,227,182)	(1,660,175)
Other comprehensive (loss) income	(1,522)	(1,522)	(10,913)
Comprehensive loss	(2,813,429)	(1,228,704)	(1,671,088)
Basic and diluted loss per share	(0.04)	(0.02)	(0.03)
Dividends per share	Nil	Nil	Nil
Balance Sheet:			
Working capital (deficiency)	(2,802,342)	(1,123,821)	(514,597)
Total assets	19,109,638	20,152,401	19,312,915
Total long-term liabilities	Nil	Nil	Nil

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

Three Months Ended	Fiscal 2015				Fiscal 2014			
	Dec. 31 2015 \$	Sep. 30 2015 \$	Jun. 30 2015 \$	Mar. 31 2015 \$	Dec. 31 2014 \$	Sep. 30 2014 \$	Jun. 30 2014 \$	Mar. 31 2014 \$
Operations:								
Revenues	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Expenses	253,920	(728,756)	(325,508)	(283,955)	(314,475)	(350,595)	(276,688)	(235,534)
Other items	(1,525,489)	(127,446)	17,310	(91,983)	(33,465)	(35,807)	(1,034)	20,416
Loss before deferred income tax	(1,271,569)	(856,202)	(308,198)	(375,938)	(347,940)	(386,402)	(277,722)	(215,118)
Deferred income tax	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Net loss	(1,271,569)	(856,202)	(308,198)	(375,938)	(347,940)	(386,402)	(277,722)	(215,118)
Other comprehensive (loss) income	(652)	(870)	870	(870)	217	(652)	(435)	(652)
Comprehensive loss	(1,272,221)	(857,072)	(307,328)	(376,808)	(347,723)	(387,054)	(278,157)	(215,770)
Basic and diluted (loss) income per share	(0.02)	(0.01)	(0.00)	(0.01)	(0.00)	(0.01)	(0.00)	(0.01)
Dividends per share	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Balance Sheet:								
Working capital (deficiency)	(2,802,342)	(2,987,002)	(2,120,809)	(1,869,940)	(1,123,821)	(583,686)	(821,537)	(873,556)
Total assets	19,109,638	20,552,035	20,548,182	20,685,655	20,152,401	20,191,535	19,928,169	19,946,359
Total long-term liabilities	Nil	Nil	Nil	Nil	Nil	Nil	Nil	(547,374)

Results of Operations

Three Months Ended December 31, 2015 Compared to the Three Months Ended September 30, 2015

During the three months ended December 31, 2015 (“Q4”) the Company reported a net loss of \$1,271,569 compared to a net loss of \$856,202 for the three months ended September 30, 2015 (“Q3”), for an increase in loss of \$415,367. The increase in loss was primarily attributable to the recognition of \$1,565,614 in Q4 compared to \$nil in Q3 on the impairment of exploration and evaluation assets. Due to limited working capital, the Company recorded an impairment charge on the Ruminahui and Mendez projects in Ecuador and on its mineral concessions in Colombia. This increase in loss was partially offset by the reversal of general exploration expense of \$525,000. This expense was recorded in Q3 and reversed in Q4 as the Company has negotiated with the government authorities to reduce the tenure payments and other government payments.

Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

During the year ended December 31, 2015 (“fiscal 2015”) the Company reported a net loss of \$2,811,907 (\$0.04 per share), compared to a net loss of \$1,227,182 (\$0.02 per share) for the year ended December 31, 2014 (“fiscal 2014”), an increase in loss of \$1,584,725. The increase in loss during fiscal 2015 is mainly attributed to the recognition of \$1,565,614 in fiscal 2015 compared to \$nil in fiscal 2014 on the impairment of exploration and evaluation assets. Due to limited working capital, the Company recorded an impairment charge on the Ruminahui and Mendez projects in Ecuador and on its mineral concessions in Colombia.

Expenses decreased by \$92,993, from \$1,177,292 during fiscal 2014 to \$1,084,299 during fiscal 2015. Specific expenses of note are as follows:

- (i) incurred \$406,603 (2014 - \$445,562) for salaries and benefits for the management and administrative staff in Ecuador;
- (ii) incurred legal fees of \$20,968 (2014 - \$63,379) for ongoing negotiations to raise financings and correspondence with security regulators on ongoing reporting. During fiscal 2014 significant legal services were provided to assist in preparation for various financing activities;
- (iii) office expenses decreased by \$31,949, from \$93,189 in fiscal 2014 to \$61,240 in fiscal 2015, reflecting the Company’s reduced activities;
- (iv) incurred \$48 (2015 - \$76,271) for community relations. During fiscal 2015 the Company suspended these activities due to limited working capital;
- (v) incurred \$nil (2014 - \$40,874) for general exploration expenses mainly in Colombia. During fiscal 2015 the Company suspended operations in Colombia due to limited working capital; and
- (vi) recognized interest expense of \$185,525 (2014 - \$36,572) on advances received by the Company. During fiscal 2015 the Company recorded additional interest expense of \$94,981 for the fair value of warrants issued to Promissory Note holders.

The Company has received ongoing advances from corporations related to the Company’s President and a director of the Company. Commencing January 1, 2014 the Company agreed to pay interest at 10% per annum. During fiscal 2015 the Company recorded interest expense for these advances of \$49,199.

During March 2015 the Company received US \$350,000 and on May 1, 2015 issued promissory notes (the “Notes”) and 4,038,717 non-transferable share purchase warrants. The Notes are unsecured, bear interest at 12% per annum, and mature on March 31, 2016. Each warrant entitles the holder to purchase one common share of the Company at a price of \$0.11 per share on or before May 1, 2016. The value assigned to the warrants was \$94,981 and has been recorded as interest expense. In addition the Company recorded interest expense of \$41,345.

During fiscal 2015 the Company recorded \$123,348 as other income from the rental of one of the Company’s drill rigs to a private Ecuadorian company, the shareholders of which include a former employee of the Company and the son of the Company’s President.

Exploration and Evaluations Assets

During fiscal 2015 the Company incurred a total of \$638,282 (2014 - \$1,073,841) for exploration and evaluation assets comprising of \$523,699 (2014 - \$982,824) on the Curipamba property and \$114,583 (2014 - \$91,017) on other properties. During fiscal 2015 the Company also recorded an impairment of \$1,565,614 (2014 - \$nil) on its exploration and evaluation assets.

During fiscal 2015 the Company’s exploration activities were minimal as it was constricted by the Company’s lack of funds. Expenditures were primarily limited to payments to maintain the concessions. Details of the expenditures are as follows:

	Ecuador				Colombia	Total \$
	Curipamba \$	Ruminahui \$	Santiago \$	Mendez \$	Other \$	
Balance at December 31, 2013	16,663,933	592,095	368,458	663,656	233,752	18,521,894
Exploration costs						
Camp supervision and personnel	189,716	-	-	-	-	189,716
Camp supplies	19,714	-	-	-	-	19,714

	Ecuador				Colombia	Total \$
	Curipamba \$	Ruminahui \$	Santiago \$	Mendez \$	Other \$	
Depreciation	37,416	-	-	-	-	37,416
Environmental studies	16,596	-	-	-	-	16,596
Exploration site	34,596	-	-	-	-	34,596
Fuel	829	-	-	-	-	829
Preliminary economic assessment	118,763	-	-	-	-	118,763
Supplies	6,123	-	-	-	-	6,123
Travel and mobilization	8,067	-	-	-	-	8,067
Vehicles repairs and maintenance	7,262	-	-	-	-	7,262
Water and soil sampling	4,224	-	-	-	-	4,224
	<u>443,306</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>443,306</u>
Acquisition costs						
Property / concession payments	<u>539,518</u>	<u>12,920</u>	<u>22,042</u>	<u>56,055</u>	<u>-</u>	<u>630,535</u>
Balance at December 31, 2014	<u>17,646,757</u>	<u>605,015</u>	<u>390,500</u>	<u>719,711</u>	<u>233,752</u>	<u>19,595,735</u>
Exploration costs						
Camp supervision and personnel	164,917	-	8,730	-	-	173,647
Camp supplies	14,876	-	9,257	-	-	24,133
Environmental studies	11,667	1,907	5,725	-	-	19,299
Exploration site	24,881	-	2,946	-	-	27,827
Geological	-	-	50,458	-	-	50,458
Supplies	3,642	-	8,523	-	-	12,165
Travel and mobilization	7,924	-	-	-	-	7,924
Water and soil sampling	5,716	-	-	-	-	5,716
	<u>233,623</u>	<u>1,907</u>	<u>85,639</u>	<u>-</u>	<u>-</u>	<u>321,169</u>
Acquisition costs						
Property / concession payments	<u>290,076</u>	<u>3,916</u>	<u>21,806</u>	<u>1,259</u>	<u>-</u>	<u>317,113</u>
Impairment	<u>-</u>	<u>(610,893)</u>	<u>-</u>	<u>(720,969)</u>	<u>(233,752)</u>	<u>(1,565,614)</u>
Balance at December 31, 2015	<u>18,170,456</u>	<u>1</u>	<u>497,945</u>	<u>1</u>	<u>-</u>	<u>18,668,403</u>

See also “Properties Update”.

Financial Condition / Capital Resources

As at December 31, 2015, the Company had a working capital deficit of \$2,802,342. The Company also is deficient in its work program costs for all of its Ecuadorian properties. See “Properties Update - Ecuador”. In the immediate term, the Company’s ability to continue as a going concern is dependent upon continued financial support from existing shareholders and creditors and its ability to continue to raise additional capital to fund its ongoing business operations and exploration projects. Additional capital may be sought from the sale of additional common shares or other equity or debt instruments and also from joint venture agreements on the Company’s properties. There is no assurance 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. In April 2016 the Company completed a private placement financing of 22,293,398 units to raise \$1,337,604, issued 14,277,483 units in settlement of \$856,649 of cash advances and accrued interest, negotiated forgiveness of US \$265,783 of debt and issued common shares to settle US \$258,726 of debt. See also “Recapitalization Plan”.

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, 2015 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 fiscal 2015 and 2014 the following amounts were incurred with respect to the President, Fredy Salazar, and the CFO, Pablo Acosta, of the Company:

	2015 \$	2014 \$
Mr. Salazar (President)		
- Salaries	168,162	139,484
- Health benefits	2,162	3,735
	<u>170,324</u>	<u>143,219</u>
Mr. Acosta (CFO)		
- Salaries	8,524	28,819
- Health benefits	2,162	3,735
	<u>10,686</u>	<u>32,554</u>
	<u>181,010</u>	<u>175,773</u>

As at December 31, 2015, \$275,668 (2014 - \$89,921) remained unpaid.

(b) *Transactions with Other Related Parties*

- (i) During fiscal 2015 and 2014 the following consulting expenses were incurred with respect to non-executive directors of the Company:

	2015 \$	2014 \$
Etienne Walters	30,691	26,513
Graeme Robinson	23,018	19,885
Nick DeMare	76,729	66,282
	<u>130,438</u>	<u>112,680</u>

As at December 31, 2015, \$346,692 (2014 - \$172,275) remained unpaid.

- (ii) During fiscal 2015 the Company incurred a total of \$24,100 (2014 - \$31,200) 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 December 31, 2015, \$4,600 (2014 - \$2,800) remained unpaid.
- (c) During fiscal 2015 the Company received advances of \$253,642 and repaid advances of \$127,452 from DNG Capital Corp., a private corporation controlled by Mr. DeMare. The advances bear interest at 10% per annum and have no fixed terms of repayment. During fiscal 2015 the Company recorded interest expense of \$10,013 which was unpaid at December 31, 2015. As at December 31, 2015 the principal balance of US \$100,000 remained unpaid.
- (d) During fiscal 2015 the Company received advances of \$88,038 and repaid advances of \$24,230 from Sesmo S.A., a private corporation controlled by family members of Mr. Salazar. The advances bear interest at a rate of 10% per annum and have no fixed terms of repayment. During fiscal 2015 the Company recorded interest expense of \$20,944 which was unpaid at December 31, 2015. As at December 31, 2015 the principal balance of US \$169,387 remained unpaid.
- (e) During fiscal 2015 the Company received advances of \$227,635 and repaid advances of \$159,687 from Amlatminas S.A., (“Amlatminas”) a private corporation controlled by Mr. Salazar and Mr. Acosta. The advances are non-interest bearing and have no fixed terms of repayment. As at December 31, 2015 the principal balance of US \$147,010 remained unpaid.
- (f) During fiscal 2015 the Company incurred \$50,458 (US \$38,500) for geological services provided by Amlatminas on the Santiago Concession. As at December 31, 2015 the amount remains unpaid.
- (g) During fiscal 2015 the Company recorded \$123,348 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 a former employee of the Company and the son of the Company’s President.

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 April 27, 2016, there were 105,688,756 issued and outstanding common shares, 22,323,857 warrants outstanding at exercise prices ranging from \$0.11 to \$0.12 per share.