

SALAZAR RESOURCES LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014

This discussion and analysis of financial position and results of operation is prepared as at November 28, 2014, and should be read in conjunction with the unaudited condensed consolidated interim financial statements for the nine months ended September 30, 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.

On March 12, 2013 the Company entered into an investment and participation agreement (the "Agreement") with Urion Mining International B.V., a wholly-owned subsidiary of Trafigura Beheer B.V. (together referred to as "Urion"), under which Urion agreed to provide funding to assist the Company with the advancing of the El Domo Property at the Curipamba Project to the production stage. The Agreement provided for a series of investments with the first completed in March 2013 being a private placement of 2,500,000 units of the Company at a price of \$0.40 per unit for total gross proceeds of \$1,000,000. On May 13, 2013 the Company announced that it would conduct a private placement financing of up to 7,480,000 units at a price of \$0.22 per unit. In June 2013 the Company completed the first tranche closing and issued 4,545,455 units to Urion for \$1,000,000. In September 2013 the Company completed the final tranche and issued 2,555,086 units for \$562,119. Proceeds from the financings were

utilized for various corporate purposes, including funding for the preparation of a Preliminary Economic Assessment (“PEA”) and an updated resource estimate. On April 9, 2014 the Company announced that a mutual decision was made with Urion to terminate the Agreement. See also “Properties Update - Curipamba Project”.

In August 2014 the Company entered into a letter of intent (“LOI”) with Guangshou Group Co. Ltd. (“Guangshou”), a privately owned mining company based in China, to develop the Curipamba Project. Under the LOI Guangshou agreed to purchase 4,545,455 units of the Company at \$0.22 per unit, for \$1,000,000, with each unit consisting of one common share of the Company and one-half of a share purchase warrant. Each whole warrant will be exercisable by the holder to purchase an additional common share at a price of \$0.35 for a period of eighteen months. Thereafter, subject to finalizing the definitive agreement, Guangshou can earn up to a 60% interest in the Curipamba Project by providing \$50,000,000 of development costs to bring the project into production, in accordance with medium scale mining laws of Ecuador, within three years of receipt of necessary development permits. If development costs exceed \$50,000,000, then Guangshou has agreed to provide the Company’s share of required funding by way of loans, to be repaid with interest, from production profits. The definitive agreement will include other standard clauses for agreements of this type including necessary adjustments based on final development costs. As at September 30, 2014 the Company had received an initial \$500,000 in which the Company completed a first tranche closing of 2,272,727 units on October 24, 2014. A finder’s fee of \$30,000 is payable in cash on the first tranche closing.

In addition, once the definitive agreement is finalized, Guangshou has agreed to provide ongoing corporate funding to the Company by participating in future private placements of the Company of \$1,000,000 per year over the next three years. In addition Guangshou will, on signing of the definitive agreement, reimburse the Company \$500,000 for certain payments previously made by the Company and to also reimburse the Company for any project related costs between the date of the LOI and finalizing the definitive agreement. The parties had initially agreed to a 60-day completion period under the LOI, during which time the parties would work to finalize the definitive agreement and the detailed terms of the proposed transaction.

In September 2014 Mr. Huang met with the Company’s management team in Ecuador for initial joint venture meetings. On completion of the meetings in Ecuador Mr. Huang returned to China and was involved in an automobile accident. Mr. Huang suffered serious injuries and is unable to participate in the day to day management of Guangshou or to advance negotiations to finalize the definitive agreement. Representatives of Guangshou have advised the Company that Guangshou remains committed to completing the definitive agreement with the Company, but have requested additional time to finalize the definitive agreement. The Company has agreed to amend the LOI to provide additional time to Guangshou while allowing the Company to investigate other opportunities for moving the Curipamba project forward.

Corporate Update

On September 25, 2014 the Company held its Annual and Special Meeting of Shareholders (the “AGSM”) and the shareholders elected Messrs. Fredy Salazar, Pablo Acosta, Nick DeMare, Graeme Robinson, Etienne Walter and Juan Ortiz as directors of the Company. The shareholders also passed all other resolutions including ordinary resolutions to:

- (i) approve the updated “rolling” stock option plan of the Company, pursuant to which the Company may grant stock options up to 10% of its issued and outstanding common shares at the time of the grant; and
- (ii) approve any private placement arranged by the Company, which may result in the creation of a new “Control Person” of the Company, as defined under the policies of the TSX Venture Exchange, from the acquisition, by Guangshou Group Co. Ltd., of securities of the Company pursuant to such private placement.

At a directors meeting held following the AGSM, the directors appointed Mr. Salazar as President and Chief Executive Officer (“CEO”) of the Company, Mr. Acosta as Chief Financial Officer (“CFO”), Mr. DeMare as Corporate Secretary and Mr. Harvey Lim as Assistant Corporate Secretary. The directors also appointed Messrs. DeMare, Robinson and Walter as members of the audit committee of the Company.

Properties Update

Ecuador

Introduction

The Company's concession holdings in Ecuador cover approximately 45,059 hectares comprising:

Curipamba Project	- 7 concessions totalling 30,327 hectares;
Rumiñahui Project	- 2 concessions totalling 2,910 hectares;
Mendez Project	- 2 concessions totalling 9,472 hectares; and
Santiago Project	- 1 concession totalling 2,350 hectares.

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. An initial NI 43-101 compliant resource estimate was prepared by Roscoe Postle Associates for the El Domo deposit in 2011. The Company subsequently completed a 51 hole (10,245.92 meters) diamond drilling program on the project which indicated potential for extensions to the mineralization beyond the areas tested. Further drilling is required to evaluate this potential.

Curipamba Project

On February 5, 2014 the Company announced updated resource estimates which considered most of the additional drilling which the Company had completed. Details of the 2014 updated resource estimates are as follows:

El Domo Project - Mineral Resource Estimate at an NSR cut-off of US \$30 per tonne (December 2013), by BISA

Lithology Unit	Category	Tonnes	Copper	Zinc	Lead	Gold	Silver	Copper	Zinc	Lead	Gold	Silver
		(Mt)	(%)	(%)	(%)	(g/t)	(g/t)	(Mlbs)	(Mlbs)	(Mlbs)	(oz)	(oz)
VMS	Indicated	5.468	2.52	3.27	0.30	3.23	59.19	303.78	394.2	36.16	567,898	10,406,782
Grainstone	Indicated	0.216	0.92	1.01	0.12	1.09	27.91	4.38	4.81	0.57	7,570	193,844
Breccia	Indicated	0.345	0.49	1.33	0.13	0.76	26.91	3.73	10.12	0.99	8,431	298,519
Gypsum	Indicated	0.051	0.94	0.39	0.03	0.34	7.40	1.06	0.44	0.03	558	12,135
Total Indicated		6.080	2.33	3.06	0.28	2.99	55.81	312.95	409.56	37.76	584,457	10,911,281
VMS	Inferred	3.093	1.75	2.59	0.19	2.38	49.45	119.33	176.61	12.96	236,699	4,917,969
Grainstone	Inferred	0.170	0.96	0.69	0.10	1.00	19.24	3.60	2.59	0.37	5,466	105,170
Breccia	Inferred	0.370	0.53	0.83	0.07	0.78	24.89	4.32	6.77	0.57	9,280	296,119
Gypsum	Inferred	0.249	1.13	0.26	0.01	0.27	4.80	6.20	1.43	0.05	2,162	38,431
Total Inferred		3.882	1.56	2.19	0.16	2.03	42.92	133.46	187.39	13.96	253,607	5,357,690

The updated mineral resource estimate was prepared by Buenaventura Ingenieros S.A. ("BISA"). BISA is an engineering firm based in Peru that has extensive experience in Ecuador and throughout South America.

On February 25, 2014 the Company announced results of metallurgical testwork at El Domo. The highlights of the work are as follows:

- Preliminary metallurgical testwork confirmed that El Domo feed is amenable for conventional flotation technology.
- Testwork also confirmed the production of commercial quality flotation concentrates from "El Domo" deposit.

The metallurgical testwork was completed in December 2013 under the direction of Transmin Metallurgical Consultants in Lima, Peru.

This was followed with the announcement of PEA results on February 28, 2014. The PEA was completed by BISA.

The PEA includes a mine plan and plant design. The completion of the PEA is part of the Company's overall development strategy for the Curipamba Project. BISA has extensive experience conducting major studies in Ecuador and throughout South America. In addition BISA is very knowledgeable of the current operating environment throughout Latin America and in particular Ecuador. The PEA evaluated the economics of an initial open pit operation followed by underground mining feeding to a conventional froth flotation plant. The report also studied several alternative sites for waste dump, tailings reservoir, processing plant and ancillary facilities, while at the same time, identified the most likely sources for process-water and electricity.

A summary of the key conclusions in the PEA are as follows:

- Mine life of 14 years split into 9 years for open pit (at 2,000 tonnes per day) + 5 years for underground mining (at 1,000 tonnes per day).
- Total open pit production -which has been factored for mining extraction and mining dilution- of 6,213,029 tonnes (79% Indicated and 21% Inferred resources) at 2.06% Cu, 2.98% Zn, 0.39% Pb, 2.90 gr/t Au and 57 gr/t Ag.
- Total waste production for open pit of 46,220,572 tonnes. Mining strip ratio of 7.44.
- Total underground production -which has been factored for mining extraction and mining dilution- of 1,751,204 tonnes (35% Indicated and 65% Inferred resources) at 2.10% Cu, 1.39% Zn, 0.08% Pb, 1.09gr/t Au and 31 gr/t Ag.
- Pre-Operational CAPEX of US \$110.28 million including studies , mine equipment, pre-stripping, processing plant, tailing reservoir, waste dump, power supply and ancillary services.
- Price assumptions were US \$3.06/lb for Copper, US \$0.86/lb for Zinc, US \$0.95/lb for Lead, US \$1,200/Oz for Gold and US \$20/Oz for Silver.
- After-tax Net Present Value of US \$86.72 million at a 10% discount rate.
- After-tax Internal Rate of Return of 30%.
- After-tax Payback of 2 years.
- Net after-tax cash flow of US \$202.58 million.

In recent months the government of Ecuador implemented changes to the Mining Law and has introduced a new medium-size mining category. The Government approval process for production capacity up to 1,000 tonnes of ore per day for underground operations, and up to 2,000 tonnes per day for open pit operations, has been significantly simplified, and will be governed by the Mining Law versus having to negotiate taxation and royalty terms with the Government as is the case for larger scale projects. This is of significant importance as these medium sized mining companies will no longer be required to sign a Production Contract with the State, and therefore will not be subject to windfall taxes but rather have a fixed 4% royalty rate.

In April 2014 the Company and Urion agreed to terminate the Agreement, (see "Company Overview" for Agreement description). The terms of the Agreement were such that Urion had the option to negotiate a new agreement to provide mine operation and development expertise and development capital. In return Urion could have earned an interest in the Company or the Curipamba Project and would have secured off-take rights to purchase all production from future operations.

Urion no longer wished to provide mine operating and development services for the El Domo deposit and attempts by Urion to have a third party mine operator provide the services resulted in terms and conditions put forward that were too dilutive to the Company's interests in El Domo and were consequently not seen as beneficial to the Company and its shareholders.

Urion remains a significant shareholder and supporter of the Company; however, Urion's rights under the Agreement, including off-take and earn-in rights, have expired.

In August 2014 the Company signed the LOI with Guangshou to provide working capital to the Company and funding to advance the Curipamba Project. See "Company Overview".

Mapping, Prospecting & Geochemical Sampling

No mapping, prospecting or geochemical sampling were completed during the period as the Company's efforts were focussed on the ongoing PEA work.

Ecuador - Other Projects

There has been limited activity on the Company's other projects in Ecuador. The Santiago, Mendez and Rumiñahui projects are essentially on care and maintenance. The lack of work has, in part, been due to the Company's focus on the Curipamba Project, in part, due to allocation of available resources to the "focus" project and also access and permitting issues. The access and permit issues the Company faces are not insurmountable but the effort has not been put in to deal with the issues. The Company has continued to make the annual property payments to preserve these other resource properties and believes that the projects still have geological merit.

Colombia

There has been no change in the application status of the Company's concessions in Colombia which is summarized in the tables below.

Province of Nariño

Application #	Hectares	Project	Status
LHV-09441	6753.56	La Verde	Concessions paid, awaiting sign off by government officials
LJB-15281	5597.37	Rio Ramos	Concessions paid, awaiting sign off by government officials
LI9-15141	4195.41	Rio Ramos	Concessions paid, awaiting sign off by government officials
LJM-14221	8073.82	Rio Ramos	Concessions paid, awaiting sign off by government officials
LIM-15112	665.75	Q. Santa Rosa	Concessions paid, awaiting sign off by government officials
KJ1-09381	52.95	Diamante-Santa Cruz	Concessions paid, awaiting sign off by government officials
KHK-15061	359.53	Diamante-Santa Cruz	Concessions paid, awaiting sign off by government officials
KHK-15451	22.53	Diamante-Santa Cruz	Concessions paid, awaiting sign off by government officials
Total Hectares	25,720.92		

SOTOMAYOR - EXISTING APPLICATIONS

Application #	Hectares	Status
KIM-14471	859.00	Concessions paid, awaiting sign off by government officials
KI2-16581	1,080.00	-
KI2-16381	558.00	Concessions paid, awaiting sign off by government officials

Province of Sur De Bolivar

Application #	Hectares	Project	Status
LIN-16141	7,847	Mostaza	Concessions paid, awaiting sign off by government officials.

Provinces of Narino, Valle del Cauca and Santander

With the re-opening of the Colombian Mining Registry eight new concessions have been applied for.

Province	Application #	Hectares	Project	Status
Nariño	OG2-08126	1,120	Alisales 1	In progress
Nariño	OG2-082811	1,538	Alisales 2	In progress
Nariño	OG2-08178	1,708	Alisales 3	In progress
Nariño	OG2-15281	892	Alisales 4	In progress
Nariño	OG2-082526	1,032	Sotomayor	In progress
Nariño	OG2-083812	460	Diamante	In progress
Valle del Cauca	OG2-081814	1,980	Versalles	In progress
Santander	OG2-083313	1,990	La Olla	In progress
	Total Hectares	10,720		

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 2014			Fiscal 2013			Fiscal 2012	
	Sep. 30 2014 \$	Jun. 30 2014 \$	Mar. 31 2014 \$	Dec. 31 2013 \$	Sep. 30 2013 \$	Jun. 30 2013 \$	Mar. 31 2013 \$	Dec. 31 2012 \$
Operations:								
Revenues	Nil							
Expenses	(350,595)	(276,688)	(235,534)	(349,638)	(302,342)	(304,674)	(521,055)	(402,285)
Other items	(35,807)	(1,034)	20,416	(98,158)	(55,841)	(16,914)	(10,003)	(19,275)
Loss before deferred income tax	(386,402)	(277,722)	(215,118)	(447,796)	(358,183)	(321,588)	(531,058)	(421,560)
Deferred income tax	Nil	Nil	Nil	2,250	Nil	(5,600)	1,800	(200)
Net loss	(386,402)	(277,722)	(215,118)	(445,546)	(358,183)	(327,188)	(529,258)	(421,760)
Other comprehensive (loss) income	(652)	(435)	(652)	21,947	(6,410)	(10,350)	(16,100)	(1,450)
Comprehensive loss	(387,054)	(278,157)	(215,770)	(423,599)	(364,593)	(337,538)	(545,358)	(423,210)
Basic and diluted (loss) income per share	(0.01)	(0.00)	(0.01)	(0.00)	(0.01)	(0.01)	(0.01)	(0.02)
Dividends per share	Nil							
Balance Sheet:								
Working capital (deficiency)	(583,686)	(821,537)	(873,556)	(514,597)	(24,047)	339,400	(1,259)	(138,714)
Total assets	20,191,535	19,928,169	19,946,359	19,312,915	19,540,689	19,755,227	19,150,131	18,218,592
Total long-term liabilities	Nil	Nil	(547,374)	Nil	Nil	(420,371)	Nil	Nil

Results of Operations

Three Months Ended September 30, 2014 Compared to the Three Months Ended June 30, 2014

During the three months ended September 30, 2014 (“Q3”) the Company reported a net loss of \$386,402 compared to a net loss of \$277,722 for the three months ended June 30, 2014 (“Q2”), for an increase in loss of \$108,680. A review of the components of these losses and the changes from quarter to quarter which contributed to this increase in loss of \$108,680 was mainly due to the Company incurring legal fees relating to the preparation of the LOI and various agreements with Guangshou.

Nine Months Ended September 30, 2014 Compared to the Nine Months Ended September 30, 2013

During the nine months ended September 30, 2014 (the “2014 period”) the Company reported a net loss of \$879,242 (\$0.02 per share), compared to a net loss of \$1,214,629 (\$0.02 per share) for the nine months ended September 30, 2013 (the “2013 period”), a decrease in loss of \$335,387. The decrease in loss during the 2014 period is mainly attributed to the Company scaling back its operations in Ecuador and corporate activities during the current economic period.

General and administrative expenses decreased by \$265,254 from \$1,128,071 during the 2013 period to \$862,817 during the 2014 period. Specific expenses of note are as follows:

- incurred \$27,200 (2013 - \$27,500) for accounting and administrative services provided by Chase Management Ltd. (“Chase”) a private corporation owned by a director of the Company;
- incurred \$320,936 (2013 - \$309,840) for salaries and benefits for the management and administrative staff in Ecuador;
- recorded \$40,489 (2013 - \$228,914) for general exploration expense for due diligence on potential mineral property acquisitions in Colombia. During the 2014 period the Company has scaled back its operations in Columbia;
- incurred consulting fees of \$143,017 (2013 - \$263,843) of which \$83,720 (2013 - \$168,504) were incurred by officers and directors of the Company, and \$59,297 (2013 - \$95,339) was billed by various parties for advisory services; and
- incurred legal fees of \$61,639 (2013 - \$12,469). During the 2014 period legal fees were paid for preparation of the LOI and various other agreements with Guangshou.

Investment

The Batero common shares are classified as available-for-sale investment and are measured as fair value. As at September 30, 2014 the quoted market value of the remaining 43,500 Batero common shares was \$3,698.

Exploration and Evaluations Assets

During the 2014 period the Company incurred a total of \$902,416 (2013 - \$1,231,730) for exploration and evaluation assets comprising of \$812,755 (2013 - \$1,082,895) on the Curipamba property and \$89,661 (2013 - \$148,835) on other properties. Details of the expenditures are as follows:

	Ecuador				Colombia	Total \$
	Curipamba \$	Ruminahui \$	Santiago \$	Mendez \$	Other \$	
Balance at December 31, 2012	<u>15,348,344</u>	<u>563,081</u>	<u>336,946</u>	<u>583,147</u>	<u>233,752</u>	<u>17,065,270</u>
Exploration costs						
Assays	662	-	-	-	-	662
Camp supervision and personnel	263,102	-	-	-	-	263,102
Camp supplies	28,225	-	-	-	-	28,225
Depreciation	37,416	-	-	-	-	37,416
Drilling related costs	93,584	-	-	-	-	93,584
Environmental studies	7,401	-	-	-	-	7,401
Exploration site	54,921	384	12,501	3,881	-	71,687
Fuel	5,187	-	-	-	-	5,187
Preliminary economic assessment	385,819	-	-	-	-	385,819
Supplies	15,345	-	-	-	-	15,345
Travel and mobilization	9,441	-	-	-	-	9,441
Vehicles repairs and maintenance	6,606	-	-	-	-	6,606
	<u>907,709</u>	<u>384</u>	<u>12,501</u>	<u>3,881</u>	<u>-</u>	<u>924,475</u>
Acquisition costs						
Property / concession payments	<u>407,880</u>	<u>28,630</u>	<u>19,011</u>	<u>76,628</u>	<u>-</u>	<u>532,149</u>
Balance at December 31, 2013	<u>16,663,933</u>	<u>592,095</u>	<u>368,458</u>	<u>663,656</u>	<u>233,752</u>	<u>18,521,894</u>
Exploration costs						
Assays	1,654	-	-	-	-	1,654
Camp supervision and personnel	135,270	-	-	-	-	135,270
Camp supplies	15,450	-	-	-	-	15,450
Depreciation	28,062	-	-	-	-	28,062
Environmental studies	7,076	-	-	-	-	7,076
Exploration site	39,570	-	-	-	-	39,570
Preliminary economic assessment	118,763	-	-	-	-	118,763
Supplies	2,054	-	-	-	-	2,054
Travel and mobilization	1,924	-	-	-	-	1,924
	<u>349,823</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>349,823</u>
Acquisition costs						
Property / concession payments	<u>462,932</u>	<u>11,725</u>	<u>22,042</u>	<u>55,894</u>	<u>-</u>	<u>552,593</u>
Balance at September 30, 2014	<u>17,476,688</u>	<u>603,820</u>	<u>390,500</u>	<u>719,550</u>	<u>233,752</u>	<u>19,424,310</u>

See also "Properties Update".

Cash Flows

During the 2014 period cash decreased by \$34,890. Operations utilized \$881,374, investing activities for expenditures on exploration and evaluation assets utilized \$849,945 and financing activities generated \$1,696,429 from advances and issuance of share capital.

During the 2014 period the Company completed a non-brokered private placement and issued a total of 5,102,443 units for gross proceeds of \$1,122,447. The proceeds were used for various corporate purposes, including the funding of tenure holding costs, costs of the PEA and corporate operating costs.

During the 2013 period cash increased by \$242,855. Operations utilized \$1,035,958, investing activities, mainly for expenditures on exploration and evaluation assets, utilized \$1,282,809 and financing activities generated \$2,561,622 from advances and the issuance of common shares.

During the 2013 period the Company completed private placements for 9,600,541 units for gross proceeds of \$2,562,119 which was used for various corporate purposes, including the funding of tenure holding costs, costs of the PEA and an updated resource estimate.

Financial Condition / Capital Resources

As at September 30, 2014, the Company had a working capital deficit of \$583,686. In the immediate term, the Company's ability to continue as a going concern is dependent upon its ability to continue to raise additional capital to fund its ongoing business operations and exploration projects. Additional capital may be sought from existing shareholders and creditors and 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 August 2014 the Company entered into the LOI which is expected to provide ongoing working capital to the Company and funding for the advancement of the Curipamba Project. There can be no assurances that the Company and Guangshou will be able to finalize a definitive agreement to finance the Curipamba Project. See "Company Overview".

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, 2013 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 nine months ended September 30, 2014 and 2013 the following amounts were incurred with respect to the President, Fredy Salazar, and the Chief Financial Officer (“CFO”), Pablo Acosta, of the Company:

	2014 \$	2013 \$
Mr. Salazar (President)		
- Salaries	98,487	92,133
- Bonus	-	50,000
- Health benefits	2,775	2,596
	<u>101,262</u>	<u>144,729</u>
Mr. Acosta (CFO)		
- Salaries	19,697	55,370
- Bonus	-	40,000
- Health benefits	2,775	2,596
	<u>22,472</u>	<u>97,966</u>
	<u>123,734</u>	<u>242,695</u>

As at September 30, 2014, \$22,989 (2013 - \$nil) remained unpaid.

- (ii) During the nine months ended September 30, 2014 the Company received advances of \$245,856 and repaid advances of \$249,971 from Sesmo S.A., a private corporation controlled by family members of the President of the Company. The advances bear interest at a rate of 10% per annum and have no fixed terms of repayment. During the nine ended September 30, 2014 the Company recorded interest expense of \$17,419 which was unpaid at September 30, 2014. As at September 30, 2014 the principal balance of \$131,580 remained unpaid.

(b) *Transactions with Other Related Parties*

- (i) During the nine months ended September 30, 2014 and 2013 the following consulting expenses were incurred with respect to non-executive directors of the Company:

	2014 \$	2013 \$
Etienne Walters	19,699	18,428
Graeme Robinson	14,774	13,820
Nick DeMare	49,247	46,256
	<u>83,720</u>	<u>78,504</u>

As at September 30, 2014, \$137,077 (2013 - \$66,853) remained unpaid.

- (ii) During the nine months ended September 30, 2014 the Company incurred a total of \$27,200 (2013 - \$27,500) to Chase Management Ltd. (“Chase”), a private corporation owned by Mr. DeMare, for accounting and administration services provided by Chase personnel, excluding the director. As at September 30, 2014, \$8,000 (2013 - \$5,000) remained unpaid.

- (iii) During the nine months ended September 30, 2014 the Company received advances of \$270,000 and repaid advances of \$185,631 from DNG Capital Corp., 888 Capital Corp., and DNG Capital Corp. (USA), private corporations owned by Mr. DeMare. The advances bear interest at 10% per

annum and have no fixed terms of repayment. During the nine months ended September 30, 2014 the Company recorded interest expense of \$11,827 which was unpaid at September 30, 2014. As at September 30, 2014 the principal balance of \$150,000 remained unpaid.

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.

Investor Relations Activities

On August 20, 2014 the Company retained Questrade Inc. ("Questrade") to provide market awareness and investor relations services. During the nine months ended September 30, 2014 the Company paid Questrade a total of \$5,625. The arrangement may be terminated by either party with 30 days written notice. On October 20, 2014 the Company and Questrade agreed to temporarily suspend the arrangement due to poor market conditions.

The Company continues to maintain a website at www.salazarresources.com.

Outstanding Share Data

The Company's authorized share capital is unlimited common shares with no par value. As at November 28, 2014, there were 63,497,743 issued and outstanding common shares 7,237,849 warrants outstanding at an exercise price of \$0.50 per share.