

SALAZAR RESOURCES LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE SIX MONTHS ENDED JUNE 30, 2021

This discussion and analysis of financial position and results of operation is prepared as at August 30, 2021 and should be read in conjunction with the unaudited condensed consolidated interim financial statements for the six months ended June 30, 2021 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

Certain information in this MD&A may constitute forward-looking statements or forward-looking information within the meaning of applicable securities laws (collectively, "Forward-Looking Statements"). All statements, other than statements of historical fact that address activities, events or developments that the Company believes, expects or anticipates will or may occur in the future are Forward-Looking Statements. Forward-Looking Statements are often, but not always, identified by the use of words such as "seek," "anticipate," "believe," "plan," "estimate," "expect," and "intend" and statements that an event or result "may," "will," "can," "should," "could," or "might" occur or be achieved and other similar expressions. Forward-Looking Statements are based upon the opinions and expectations of the Company based on information currently available to the Company. Forward-Looking Statements are subject to a number of factors, risks and uncertainties that may cause the actual results of the Company to differ materially from those discussed in the Forward-Looking Statements including, among other things, the Company has yet to generate a profit from its activities; there can be no guarantee that the estimates of quantities or qualities of minerals disclosed in Salazar's public record will be economically recoverable; uncertainties relating to the availability and costs of financing needed in the future; successful completion of planned drill program; competition with other companies within the mining industry; the success of the Company is largely dependent upon the performance of its directors and officers and Salazar's ability to attract and train key personnel; changes in world metal markets and equity markets beyond Salazar's control; mineral reserves are, in the large part, estimates and no assurance can be given that the anticipated tonnages and grades will be achieved or that the indicated level of recovery will be realized; production rates and capital and other costs may vary significantly from estimates; unexpected geological conditions; delays in obtaining or failure to obtain necessary permits and approvals from government authorities; community relations; all phases of a mining business present environmental and safety risks and hazards and are subject to environmental and safety regulation, and rehabilitation and restitution costs; and management of Salazar have experience in mineral exploration but may lack all or some of the necessary technical training and experience to successfully develop and operate a mine. Although Salazar believes that the expectations reflected in the Forward-Looking Statements, and the assumptions on which such Forward-Looking Statements are made, are reasonable, there can be no assurance that such expectations will prove to be correct. Readers are cautioned not to place undue reliance on Forward-Looking Statements, as there can be no assurance that the plans, intentions or expectations upon which the Forward-Looking Statements are based will occur. Forward-Looking Statements herein are made as at the date hereof, and unless otherwise required by law, Salazar does not intend, or assume any obligation, to update these Forward-Looking Statements.

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. The Company presently has no proven 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 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, on the OTCQB under the symbol "SRLZF", and on the Frankfurt Exchange under the symbol "CCG". The Company's executive head office is located in Quito, Ecuador.

The Company's main activities have been the ongoing exploration activities on its Curipamba Project in Ecuador. The Curipamba Project is subject to a 2% net smelter return royalty ("NSR"). In late fiscal 2017 the Company entered into an option agreement (the "Curipamba Option") with Adventus Mining Corporation ("Adventus") whereby Adventus may earn (the "Earn-In") a 75% interest in the Curipamba Project with Adventus funding costs of US \$25,000,000 over five years (now met), including the completion of a feasibility study on the El Domo deposit. Under the Curipamba Option Adventus has agreed to provide the Company with US \$250,000 per year advance payments until achievement of commercial production, to a maximum of US \$1,500,000. As at June 30, 2021 the Company has received total advance payments of US \$1,000,000. As operator, the Company also receives a 10% management fee on certain expenditures, with a prescribed minimum annual amount of US \$350,000.

Upon achievement of commercial production, Adventus will receive 95% of the dividends from the Curipamba Project until its aggregate investment, including the US \$25,000,000, has been recouped minus the approximate Company carrying value of US \$18,200,000 when the Curipamba Option was signed, after which dividends will be shared on a pro-rata basis according to their respective ownership. In certain circumstances where project development is delayed post earn-in, Adventus' ownership position could be diluted.

The Company and Adventus have also entered into an exploration alliance agreement (the "Alliance") to jointly explore Ecuador for zinc rich assets. The venture, Minera Dos Gemas M2G S.A. ("Dos Gemas"), was formed in 2017 and is currently owned 80% by Adventus and 20% by the Company with Adventus funding all activities incurred up to a construction decision. As operator the Company receives a 10% operator's fee on certain expenditures incurred, subject to an annual maximum fee of US \$200,000 on costs pertaining to surface rights acquisitions.

In March 2018 the Company and Adventus agreed to transfer the Pijili Project to Dos Gemas under the Alliance upon completion by Adventus of the following considerations:

- (i) on July 17, 2018 the Company received 2,536,232 Adventus common shares at an ascribed value of \$2,028,986;
- (ii) Adventus was also required to fully fund a US \$1,000,000 exploration budget on the Pijili Project by September 28, 2020. Adventus fulfilled this funding commitment in fiscal 2018; and
- (iii) payment of US \$150,000 cash, of which US \$100,000 was received by the Company as at December 31, 2018 and the remaining US \$50,000 was received in August 2019.

The official transfer of the Pijili Project to Dos Gemas was completed in May 2021.

In May 2018 the Company and Adventus agreed to the transfer of the Santiago Project to Dos Gemas under the Alliance upon completion by Adventus of the following considerations:

- (i) on July 17, 2018 the Company received 1,268,116 Adventus common shares at an ascribed value of \$1,014,492;
- (ii) Adventus was also required to fully fund a US \$500,000 exploration budget on the Santiago Project by May 22, 2020. Adventus fulfilled this funding commitment in March 2019; and
- (iii) payment of US \$75,000 in cash to the Company, of which US \$50,000 was received during fiscal 2018 and the remaining US \$25,000 was received in July 2019.

During fiscal 2019 the Company completed the official transfer of the transfer of the Santiago Project to Dos Gemas.

The Santiago Project is subject to a 1.5% NSR that can be purchased for US \$1,000,000 as well as a 4% net profits interest royalty that is in favour of INV Metals Inc.

During the second half of fiscal 2020 the Company initiated an exploration work program on its 100% owned properties at Los Osos, geophysics at Macara and sampling at Ruminahui. For 2021 the Company plans to continue its work programs on its 100% owned properties

Corporate/Equity Changes for the Six Months ended June 30, 2021

1. In January 2021 the Company received TSXV approval to the Los Santos LOI and, at Mesoloma's election, the Company issued of 177,283 units comprising 177,283 common shares and 88,642 warrants.
2. On February 2, 2021 the Company completed a non-brokered private placement of 18,572,000 common shares for proceeds of \$6,500,200. The funds raised are being used to accelerate exploration of the Company's 100% owned portfolio.
3. On April 23, 2021 Ms Jennifer Hui Wu resigned as a director and on June 14, 2021 the Company appointed Mary Gilzean, MSc Geology, as a director of the Company. Ms. Gilzean has over 25 years of experience in international mineral exploration and human resources management.
4. On July 22, 2021 the Company was successfully upgraded from the OTCQB Venture Market to the OTCQX Best Market under the same symbol "SRLZF".

COVID-19

In March 2020 the World Health Organization ("WHO") declared a global pandemic of the novel coronavirus identified as "COVID-19". In order to combat the spread of COVID-19 governments worldwide, including Ecuador and Canada, have enacted emergency measures including travel bans, legally enforced or self-imposed quarantine periods, social distancing and business and organization closures. These measures have caused material disruptions to businesses, governments and other organizations resulting in an economic slowdown and increased volatility in national and global equity and commodity markets. The Company and its strategic partner temporarily had suspended all its site activities at the Curipamba, Pijili and Santiago projects, while desktop and office work continued remotely where possible. In July 2020 there was a partial lifting of COVID-19 related restrictions and the Company resumed field and drilling activities, complying with guidance from the government of Ecuador and the development of detailed COVID-19 health and safety protocol for resumption of field activities at both the Curipamba and Pijili projects and other Company owned projects. While the overall impact on the Company has not been material, whether or not there will be a significant impact in 2021 is dependent on whether there will be further spikes in infection, the spread of the virus and its variants, the timely rollout of the vaccines and their effectiveness in managing the spread, the lifting of mobility restrictions, the recovery of the global economy and the volatility of the commodity markets, all of which are uncertain and may impose significant negative impact on the operations of the Company.

On April 5, 2021, the World Bank announced that it has approved \$150,000,000 in additional financing to the COVID-19 Emergency Response Project for the procurement of COVID-19 vaccination in Ecuador which the Government of Ecuador expects to help cover the immunization needs for approximately 30% of the population. According to <https://ourworldindata.org/covid-vaccinations>, over 50% of the population in Ecuador has received at least one vaccination as of July 31, 2021.

Property Highlights for the Three Months Ended June 30, 2021

Feasibility Study - El Domo

Adventus and the Company continued to make progress on the Feasibility Study at the El Domo ("El Domo") volcanogenic massive sulphide deposit in Curipamba with completion being anticipated to take place during the fourth quarter of 2021. All drilling required for the feasibility study was completed by June 30, 2021. (See "Curipamba - El Domo Feasibility Study" below for more details).

Exploration

1. Curipamba regional exploration - drilling continued on the targets defined for Curipamba, most of which are new areas that have not undergone systematic exploration or drilling. On August 9, 2021, the the Company and Adventus announced that it has identified a new VMS system approximately 4.5 km southwest of the El Domo VMS deposit. (See "Curipamba Project - Regional Exploration" below for details).

2. Pijilí exploration - drilling program on the Mercy concession at Pijilí was completed in March 2021 with a total of twelve drill holes totalling 7,031 metres on the first of multiple porphyry targets identified. (See “Exploration Alliance - Pijilí” below for more details).
3. Santiago exploration - community support work, including public health initiatives and socialization of the exploration plans continued at site. A 2,500-metre drilling program is being planned for mobilization in the second half of 2021.
4. On the Company’s 100% owned properties:
 - (i) the phase 1 drilling program was completed at Los Osos and assay results from all six holes were announced. (See “Los Osos Project” below);
 - (ii) field geophysics at Macara Mina was completed and drilling is planned to start as soon as relevant permits are received;
 - (iii) fieldwork at Los Santos to generate targets for a 3,000 m drill program in the second half of fiscal 2021 is almost completed; and
 - (iv) preparations for a preliminary drill program of 3,000 m to test gold-copper targets are still underway at Ruminahui. The Company is still awaiting the requisite water permits.

Property Update - Joint Venture Projects

Curipamba - El Domo Feasibility Study

The Feasibility Study, commenced in July 2020 by DRA Americas Inc., is on track to be completed by the fourth quarter of 2021, with a construction decision to be made in 2022. Work programs to date have been focused on enhancements to the project through additional metallurgical test work, trade-off studies, and advancement of various engineering designs. The results will serve as a solid baseline from which the rest of the study will be built on. Other regulatory and project risk mitigation activities in 2021 is expected to include submission of the draft environmental and social impact assessment (“ESIA”) to authorities in Ecuador, negotiation of a formal investment agreement with the government of Ecuador, upgrade the existing Curipamba mining permits from small to medium scale categories, additional surface rights acquisition, and project financing discussions.

Metallurgical Test Work Update

The Feasibility Study metallurgical test work is anticipated to be completed in the third quarter of 2021. The latest program is focused on variability test work and confirmation of metallurgical performance using fresh mineralized material from the recently completed infill drilling program at El Domo. The process plant design which proceeded in parallel to the metallurgical test work program is now complete, and based on the test work results to date, it is unlikely that any significant changes will be required. The facility is expected to have a design throughput capacity of 1,850 tonnes per day, and will be designed to produce three payable concentrates, namely, copper, zinc and lead.

Mineral Resource Estimate Update

An update to the mineral resource estimate is currently underway and is expected to be completed in the third quarter of 2021. This will allow the finalization of the Feasibility Study life of mine plan, an estimate of the Mineral Reserve, and the open pit design.

Mine Site Infrastructure

The majority of the mine site infrastructure layout design has been completed, including the access road, haul roads, administration facilities, maintenance shops, warehouses and power distribution system. Engineering work on the proposed tailings and surface water management facilities is in progress and is expected to be completed in August 2021.

ESIA

In June 2021, Cardno Entrix was awarded the contract to prepare the ESIA for the project. Cardno Entrix is an Ecuadorian environmental engineering consultant and has been involved in the only three large scale mining ESIA's

in Ecuador to date. Work is expected to be completed in September 2021 for submission to the government of Ecuador. This is the primary permitting requirement for the project and is a major step towards the ability to begin construction in 2022.

Community Consultations

In May 2021, the first of a series of community consultation meetings was held in the El Domo community ahead of the upcoming construction and operational phases of the El Domo project. It was well attended by over 300 community members in 11 different communities and confirmed that employment opportunities and water management are their two most important considerations in their acceptance of mining projects. A second, more detailed round of consultations will take place from the end of July 2021 to mid-August with the same communities.

Water Management Strategy

A positive water balance has been confirmed for the project site. Rainfall exceeds evaporation by a ratio of approximately 3:1 before considering subsurface water contributions. Once in operation, 100% of the project's process water requirements will be met through a combination of reclaimed tailings facility water and rainfall within the project boundaries. Potable and emergency water supply will be from a suitably located borehole within the project site. As a result, a decision was made to eliminate the previously planned make-up water pump station on the nearby Runayacu river to minimize the potential impact to the nearby environment and communities as well as to realize cost savings.

Construction water and initial process start-up water requirements will be satisfied by means of a temporary water control and storage ponds constructed on the plant site as part of the early site-works program. The El Domo project is expected to be 100% self-sufficient from a process water perspective during construction, start-up, and operations.

Trade-off Study Results

A number of trade-off studies were conducted as part of the Feasibility Study with the objective of providing a clear and optimized definition of the project scope and baseline. The scope of these trade-offs were related to various aspects of the mine, process plant, project execution strategy, and infrastructure. The results of these studies have been reviewed and decisions made based on these results which are expected to lower cost, reduce risks, and/or improve the overall project economics.

Infill Drilling

On May 2, 2019 the Company announced results of a preliminary economic assessment ("PEA") for El Domo in which the Mineral Resource estimate for El Domo has been updated. The National Instrument 43-101 ("NI 43-101") Technical Report dated June 14, 2019 was prepared by Rostle Postle Associates ("RPA") and may be found under the Company's profile on SEDAR as well as the Company's website at www.salazarresources.com.

The updated Mineral Resource estimate is summarized as follows:

Total Mineral Resource for El Domo

Resource Category	Tonnes (Mt)	Grade					Contained Metal				
		Cu (%)	Pb (%)	Zn (%)	Au (g/t)	Ag (g/t)	Cu (kt)	Pb (kt)	Zn (kt)	Au (koz)	Ag (koz)
Measured	1.4	1.92	0.37	3.52	3.75	58	27.8	5.3	50.9	174	2,704
Indicated	7.5	2.02	0.26	2.81	2.33	49	150.9	19.7	210.3	559	11,884
M+I	8.9	2.00	0.28	2.93	2.56	51	178.7	25.0	261.3	733	14,588
Inferred	1.3	1.52	0.20	2.25	1.83	42	20.1	2.7	29.7	78	1,783

Pit Constrained Mineral Resource for El Domo

Resource Category	Tonnes (Mt)	Grade					Contained Metal				
		Cu (%)	Pb (%)	Zn (%)	Au (g/t)	Ag (g/t)	Cu (kt)	Pb (kt)	Zn (kt)	Au (koz)	Ag (koz)
Measured	1.4	1.92	0.37	3.52	3.75	58	27.8	5.3	50.9	174	2,704
Indicated	5.7	1.74	0.28	2.60	2.47	51	99.0	16.1	147.8	452	9,417
M+I	7.1	1.78	0.30	2.78	2.73	53	126.8	21.4	198.7	627	12,121
Inferred	0.7	0.67	0.21	1.72	1.60	46	4.6	1.5	11.9	36	1,032

Underground Mineral Resource for El Domo

Resource Category	Tonnes (Mt)	Grade					Contained Metal				
		Cu (%)	Pb (%)	Zn (%)	Au (g/t)	Ag (g/t)	Cu (kt)	Pb (kt)	Zn (kt)	Au (koz)	Ag (koz)
Indicated	1.8	2.91	0.20	3.51	1.85	43	51.9	3.6	62.5	106	2,467
Inferred	0.6	2.46	0.19	2.82	2.09	37	15.5	1.2	17.8	42	751

The 2020/21 drilling program for the El Domo deposit was designed for infill, geomechanical, geotechnical and hydrogeological drilling required to support the completion of the El Domo feasibility study and the submission of the environmental and social impact assessment. Two diamond rig drills were deployed, completing 53 drill holes totalling 6,555 metres. Details of the drilling results can be found in news releases dated December 21, 2020, December 30, 2020, January 13, 2021, February 8, 2021, February 24, 2021, March 16, 2021, April 6, 2021, May 12, 2021, June 1, 2021 and Jun 15, 2021) as well as on the the Company’s website www.salazarresources.com. The results of this program will lead to a new mineral resource in the third quarter, supporting the feasibility study activities.

Curipamba Project - Regional Exploration

The Curipamba project is comprised of seven concessions representing about 21,500 ha and includes the El Domo deposit. No systematic exploration work has been conducted on the greater Curipamba project area since the discovery of the El Domo deposit in 2008 by Salazar. Since completion of the Mobile MT (“MMT”) geophysical survey in 2019, the Corporation has made significant progress generating targets through the processing and integration of all geoscience data collected from surficial geochemistry, geological mapping, prospecting, drilling, and ground geophysical surveys. The various data sets were compiled in order to produce a matrix that will drive exploration logistics and planning through 2020 on priority ranked targets. Targets were classified as either VMS-related, such as the El Domo deposit, or porphyry-related. In total, 15 targets had been defined and ranked in priority during the TGI process. Drilling commenced on the highest-ranking La Vaquera target approximately 8 km southwest of the El Domo deposit in March 2020 just before all field work was suspended due to COVID-19 health protocols. Work restarted in October 2020 and results from the regional exploration work program will aid in further pipeline development of drill ready locations in the favourable strata that hosts the El Domo deposit.

On August 9, 2021, the Company and Adventus, announced drill results from the Agua Santa target at Curipamba, which is approximately 4.5 km southwest of the El Domo deposit,

- (i) CREG-008 was the first drill hole at the Agua Santa target and intersected 6.34 metres of 1.77% copper, 1.46 g/t gold, 7.45% zinc, 23.2 g/t silver, and 0.24% lead – including 1.40 metres of 1.58% copper, 2.67 g/t gold, 31.20% zinc, 55.0 g/t silver, and 1.01% lead; and
- (ii) One drill rig is actively working at Agua Santa following up the massive sulphide mineralization identified in drill hole CREG-008.

Regional drilling on the Agua Santa target started mid-June 2021 and six drill holes have been successfully completed totaling 1,588 metres with one drill hole in progress. VMS mineralization was identified in the first drill hole of the work program designed to test the edge of a MMT airborne geophysical anomaly that coincided with both favourable geology and surface geochemistry results from prospecting in nearby creek beds. The drill site location was limited due to limited access to surface rights, but additional surface rights have been recently acquired, providing wider access and coverage of the MMT geophysical anomaly for additional drilling. Drill hole CREG-008 intersected a different volcanic stratigraphy than El Domo, dominated by mafic volcanic rocks with massive sulphide intersected

in three separate intervals from 60.52 to 66.86 metres with variably mineralized volcanoclastic rocks in between the massive sulphide, noting the highly fragmental appearance of the mineralization.

Drill Hole	From (m)	To (m)	Thickness (m)	Cu (%)	Au (g/t)	Zn (%)	Ag (g/t)	Pb (%)
CREG-008	60.52	66.86	6.34	1.77	1.46	7.45	23.2	0.24
<i>including</i>	60.52	61.92	1.40	1.58	2.67	31.20	55.0	1.01

In the footwall of the massive sulphide mineralization in CREG-008, several broad zones of pyritic stringer stockwork in massive mafic volcanic rocks were observed with focused hydrothermal alteration halos directly around the mineralization. The strongest occurrence of pyritic stringer stockwork in CREG-008 occurs from 158.00 to 164.60 metres of semi-massive to massive sulphide. No significant results were obtained from the pyritic stringer stockwork. Analytical results from the additional drill holes at Agua Santa will be released once data has been received from the laboratory and the results have passed quality assurance and quality control (“QAQC”) protocols.

See August 9, 2021 news release for drill collar location map and drill sections.

As a result of the identification of this new VMS system, the Company and Adventus will increase the regional drilling budget from 4,000 metres to 6,000 metres in 2021, principally to further assess the Agua Santa area. Other high priority targets defined during the 2020 target generation initiative process remain untested (see January 21, 2020 news release). Of key importance is that most of these targets are new and have not seen significant exploration or drilling historically.

Technical Information Quality Control & Quality Assurance

The Curipamba Project work program is being managed and reviewed by Adventus’ Vice President Exploration, Mr. Jason Dunning, M.Sc., P.Geo., a Qualified Person within the meaning of NI 43-101. Staff collect and process samples that are securely sealed and shipped to Bureau Veritas (“BV”) in Quito for sample preparation that includes crushing and milling to prepare pulps that are then split for shipment to their facility in Lima, Peru for analysis. All assay data have undergone internal validation of QAQC; noting there is an established sampling control program with blind insertion of assay blanks, certified industry standards and sample duplicates for the Curipamba project. A QAQC program is also in place at BV and includes insertion of blanks, standards and duplicate reanalysis of selected samples. BV’s quality system complies with the requirements for the International Standards ISO 9001:2000 and ISO 17025:1999. At BV, gold is analyzed by classical fire assay techniques with an ICP-AES finish, and both silver and base metals are analyzed by a 44-element aqua regia ICP-AES technique. Overlimit protocols are in place for gold, silver, copper, lead, and zinc.

Exploration Alliance - Pijilí Project

The Pijilí Project consists of three concessions totalling 3,246 hectares that is subject to a \$5,000,000 spending commitment over four years. Pijilí is located in the province of Azuay, approximately 150 km from the major port city of Guayaquil. The Pijilí Project is an untested epithermal gold-silver target, although there are opinions that there is a broader, larger scale porphyry target present.

A MobileMT geophysical survey was conducted on concessions for Pijilí Project. Field crews successfully completed 91.4% line-kilometres at Pijilí Project in 2019 and drilling targets were identified through a regional surficial geochemistry sampling program coupled with detailed property mapping for geology and hydrothermal alteration. The main targets at the Pijilí project are Cu-Au-Mo porphyry and orogenic gold deposits.

Between July 2020 and March 2021, a total of twelve drill holes has been completed on the Mercy concession totalling 7,031 metres, all of which hit porphyry-style copper-gold-molybdenum mineralization. Ten of the twelve drill holes intersected greater than 100 metres of porphyry mineralization ranging between 100 to 424 metres. One of the drill holes also intersected a high-grade, near-surface silver-tungsten zone. The wide-spaced exploration drilling has traced porphyry-style mineralization approximately 2 km from the artisanal mine site (see June 8, 2020 and October 26, 2020 news releases) northwest to the northern Mercy concession boundary. (See April 20, 2021 news release for maps and detailed drilling results.)

In the Rosa de Oro and Carmen de Pijilí concessions, regional prospecting and geological mapping resulted in the total collection of 286 grab and float samples have been collected from the Rosa de Oro concession and 312 grab and

float samples have been collected from the Carmen de Pijilí concession. The samples were principally from creeks and river exposures over both concessions that identified four high-priority areas for follow-up called El Pato, Rosa de Oro, Naranjos, and Papagayo. An optimized 200 metre by 200 metre spacing was established for collection of surficial geochemistry samples over both concessions. To date, a total of 562 soil samples have been collected from Rosa de Oro concession and 441 soil samples from the Carmen de Pijilí concession. The initial review of geochemical supported the prospecting results and the delineation of four high priority targets that the technical teams have laid out additional soil sampling at 100 metres by 100 metres spacing for the high priority areas to delineate the targets more accurately. (See April 8, 2021 news release for maps and detailed results.)

Future Steps

Given the positive results from the drilling program on the Mercy concession intersecting porphyry mineralization in all twelve drill holes, opportunities are being assessed for a second phase of exploration drilling for later in 2021 or early 2022 to focus on expanding the areas of higher-grade mineralization. Future drilling would continue developing the geological understanding of the new Ensillada porphyry system discovery. In the interim, fieldwork will continue advancing the manual test pit program to further trace porphyry mineralization and aid with the definition of drilling targets. The work on Mercy concession will run in parallel with the continued exploration on the Rosa de Oro and Carmen de Pijilí concessions 8.0 km to the west where targets are being developed for possible drill-ready status (see April 8, 2021 news release).

Exploration Alliance - Santiago Project

The Santiago Project consists of a single concession that encompasses 2,350 hectares. It is located in a geological setting similar to the nearby Loma Larga deposit owned by INV Metals Inc. and is considered prospective for epithermal gold and silver and porphyry copper gold deposits. It features three large, surficial geochemistry anomalies for gold, copper, and zinc. Numerous vein occurrences have been identified on the property thus far, which have yielded good chip sampling results for both gold and silver, including the following highlights (see Salazar news release for technical summary on February 23, 2012):

Española Vein: (up to 3 metres width)

- 2.0 m @ 28.10 g/t gold and 231.0 g/t silver
- 1.0 m @ 26.00 g/t gold and 242.0 g/t silver
- 1.0 m @ 18.20 g/t gold and 252.0 g/t silver
- 1.0 m @ 4.80 g/t gold and 442.0 g/t silver

Structure Quartz-Tourmaline: (3 metres width)

- 1.9 m @ 1.19 g/t gold, 14.3 g/t silver and 296 ppm molybdenum
- 3.3 m @ 0.59 g/t gold, 36.6 g/t silver and 390 ppm molybdenum

Ribs Zone and Ancha Vein: (up to 5 metres width)

- 1.0 m @ 1.29 g/t gold and >100 g/t silver
- 1.0 m @ 1.65 g/t gold and >100 g/t silver

Structure F.U.: (1.5 metres width)

- 1.4 m @ 4.80 g/t gold and 378.0 g/t silver
- 1.2 m @ 6.40 g/t gold and 136.0 g/t silver
- 1.2 m @ 4.20 g/t gold and 183.0 g/t silver

There have also been historically modest drilling campaigns by two operators on the property, including Newmont Mining Corporation in the mid-1990s that reported wide drill intercepts for copper-gold from surface. Unfortunately, these historic drill results cannot be verified, as the drill core is unavailable. Additional work, including drilling, will be required to validate these reported historical drill results.

The initial 24-month program will entail detailed prospecting, surficial sampling, geological and structural mapping, implementation of a PIMA/TerraSpec for detailed hydrothermal alteration mineral studies, and geophysics. An airborne geophysical survey (MMT) was flown in a systematic grid pattern to ensure full coverage and depth penetration. Field crews successfully completed 94.2% line-kilometres at Santiago Project. Evaluation and construction planning work has begun on the potential upgrade of local roads and support infrastructure ahead of a

planned drilling program of approximately 3,000 metres in the second half of 2021. The proposed drill program will utilize results.

Qualified Person

Vice President Exploration for Adventus, Mr. Jason Dunning, M.Sc., P.Geo., a Qualified Person (“QP”) as defined by National Instrument 43-101, is the QP for the Exploration Alliance Projects in Ecuador and has reviewed and verified the technical information provided.

Wholly-Owned Portfolio

The Company continues to work on its strategy to discover, de-risk and define deposits within its wholly-owned portfolio. Salazar Resources intends to retain 100% exposure to its top future discovery and to find mid-tier or major mining company partners for the more advanced work on its non-core discoveries.

The Company is working closely with regulators in Ecuador and has established detailed health & safety protocols to enable field work on its 100%-owned licences. The non-renewable resources sector has been designated as strategic and vital to the economy by the government. As such, field work is actively encouraged, while keeping the safeguarding of local communities, employees, and contractors as a priority. Key aspects include strict hygiene, physical distancing and appropriate quarantining.

Macara Project

The Macara Project currently comprises concessions: (i) Macara Mina concession (288 hectares) leased from a third-party; and (ii) Bonanza mining concession (1,519 hectares) granted by the Ecuadorian government as follows:

- (i) On November 6, 2017 the Company entered into an option agreement with an Ecuadorian individual (the “Macara Vendor”) whereby the Company was granted an option (the “Macara Option”) to acquire a 100% interest in one concession (the “Macara Mina Concession”) located in the province of Loja, Ecuador. The Macara Vendor is currently an employee of the Company however, at the time the Macara Vendor acquired the Macara concessions they were at arm’s length to the Company. Pursuant to the terms of the Macara Option the Company has paid US \$200,000 and agreed to make additional cash payments totalling US \$400,000 (collectively the “Option Proceeds”), as follows:
 - US \$200,000 on the earlier of a NI43-101 resource calculation or November 6, 2021; and
 - US \$200,000 on the earlier of a preliminary economics assessment or November 21, 2024.

The Macara Vendor retains a 0.5% NSR, which may be purchased by the Company for US \$1,000,000 at any time.

The Macara Vendor has entered into a participation agreement with an employee of the Company and the son of the Company’s President to share the Option Proceeds equally.

- (ii) In July 2017 the Company was awarded a concession (the “Bonanza Concession), located in the provinces of Loja and Tacamoros, Ecuador.

The Macara Project lies within Cética volcano-sedimentary Formation (known as the Lancones Formation in neighboring Peru), which is intruded by the Cretaceous-age Tangula granodiorite batholith. This project is highly prospective for epithermal gold-silver, gold-copper porphyry and volcanogenic massive sulfide (VMS) deposits with gold caps at surface. The Macara Project is located 100km to the north of the Tambogrande VMS deposit in the Cretaceous Lancones basin of northwestern Perú, which hosts some of the largest Cu-Zn-Au-Ag-bearing massive sulfide deposits in the world.

Phase 1 exploration at the Macara Project, in 2019, consisting of mapping and sampling (soils and rocks), has been completed. 240 soil samples, on a 100m x 100m grid were taken, with results as high as 9.94 g/t Au helping to define a 600m x 300m anomaly. 152 rock samples (outcrop and float) were taken, with the highest grade chip sample returning 29.6 g/t Au over 1.0 metre. Applications for appropriate drill, water-use and environmental permits have been submitted. The Company had anticipated executing a first pass drill program of up to 3,000m during fiscal 2020 prior to the disruption caused by COVID-19.

Ahead of drilling to target gold resources, the Macara Mina licence has been digitally mapped to provide a topographic model accurate to 5 cm. On November 12, 2020, the Company announced that it has commenced a ground-based gravity and magnetic geophysical survey comprising seventeen lines, spaced 100 m apart, for 31 line-kms in total. Deep Sounding, High Resolution Geophysics, Peru, were contracted to carry out the work and magnetic and gravity measurements were taken approximately every 100 m.

On January 14, 2021 the Company reported that the geophysical survey was completed in December 2020, the raw data had been received, that interpretation of the gravity and magnetic data was ongoing, and that a final report was being prepared. The Company also reported that it was advancing a 3,000m scout drilling application with plans to drill as soon as relevant permits are granted.

On April 13, 2021, the Company announced the results of an interpretation of the geophysical surveys conducted by Brian Williams, Consultant Geophysicist at Williams Geophysics Ltd (UK). A portion of the area in the southwest could not be surveyed due to prohibitively steep terrain. Due to the rugged topography the Magnetic Vector Inversion (“MVI”) and gravity interpretations were presented at -200m and -500m respectively below surface. MVI was used as that was found to best accommodate the remnant magnetic fields in the magnetic sources. The MVI anomaly is clear from -50m to -200m. The main magnetic body lies beneath the valley in the northern part of the grid, near the center of the large gold-bearing geochemical anomaly. This suggests that the gold is associated with the magnetic body, and the survey showed that the anomaly persists at depth. The magnetic sources appear to lie in an arc trending SSW from north to south across the grid. The gravity survey did not identify a large dense body that would have potentially indicated a massive sulphide occurrence but it did highlight an area of low density in the northern part of the license area. The gravity low coincides well with the hydrothermal breccias and gold anomalies shown in the rock samples. The anomaly improves in resolution with depth. At a depth of 500 m it shows a potential correlation between the gravity signal and the geochemical signal more clearly than shallower slices. The combined gravity and magnetic anomalies, coupled with the geology, indicate that the features may well be part of a feeder system or the host of the mineralization seen at surface. Thick units of pillow lavas are evident in the area, and the low density zone under the geochemical anomaly could be generated by an intrusion.

Rumiñahui Project

The Rumiñahui Project comprises two concessions located in the province of Pichincha, Ecuador.

In the first half of fiscal 2019, the Company continued community liaison at Rumiñahui, supporting the Community Association with projects such as road repairs and agri-initiatives. A scout drilling plan and associated environmental impact assessment have been approved. The application for a water-use permit is underway. The Company has scheduled a Phase 1 drill programme of approximately 3,000m to start dependent on when the COVID-19 situation has stabilized and it is deemed safe to do so by the national and regional authorities of Ecuador who are working closely with the WHO.

With partial lifting of COVID-related restrictions in Ecuador, fieldwork at the Rumiñahui Project commenced in early July 2020 and started with stream sediment sampling, mapping and rock chip sampling. It was the first time that geologists carried out systematic technical work at Rumiñahui since 2007 given the complexity of community relations initially encountered by the Company in the area. After lengthy community engagement and dialogue, the Company signed an access agreement allowing field work to progress. The sampling and mapping work helped to delineate targets that are planned to be drilled in 2021.

On January 14, 2021 the Company reported that preparations for a preliminary drill program of 3,000m to test gold-copper targets during Q2/2021 were underway. The drill program is designed to test historic adits, old workings, near surface veins and stockworks that may be linked to an underlying porphyry. Drilling will be the culmination of years of positive and constructive dialogue with the local community.

On April 13, 2021 the Company reported that preparations for a preliminary drill program of 3,000 m to test gold-copper targets are complete, bar the water use permit. The core shed and logging areas are ready, as are all the support and logistics systems. The Company has complied with the regulatory requirements to qualify for drilling and is now awaiting final sign-off from the local authorities.

Los Osos Project

The Los Osos Concession is a 229 hectare, single concession, exploration licence located in the Cerro Pelado-Cangrejos mineral district within the Province of El Oro in southwest Ecuador. The licence area hosts a system of veins rich in gold and silver, combined with hydrothermal breccias and mineralised gold-copper porphyries. Several quartz-tourmaline breccias mineralised with chalcopyrite and pyrrhotite are present on the property.

Under previous tenure, the area has been mapped, sampled, and subject to airborne geophysical surveys (magnetic and radiometric). Artisanal miners have historically worked some of the veins, and small scale mining has been active on the Los Osos Concession and the adjacent properties for over fifteen years.

In January 2020 the Phase 1 geological exploration fieldwork at the Los Osos Project was completed and the Company identified extensive sulphide mineralization within porphyries, metamorphic rocks and hydrothermal breccias mapped and tested, peaking at 14.5 g/t gold over 0.6 m in a veined quartzite. An apparent correlation of gold and copper grades with sulphide intensity was noted, and numerous old workings for gold-silver in high-grade veins and in some hydrothermal breccia zones were mapped. One of the mineralized zones, Area A, was traced over approximately 50 m, despite limited exposure. Four samples were taken from a gully ranging from 0.4 g/t gold over a fault zone, to 14.5 g/t gold from a channel sample in veined quartzite. In a second mineralized area, Area B, a broadly continuous breccia body was identified in underground workings over approximately 100m, and mappable at surface approximately 600 m northeast of Area A. Thirty-three samples were taken from the underground workings, and range in grade from six separate samples that returned 0.1 g/t gold in channel samples, to a panel sample in breccia that returned 4.5 g/t gold.

In the northeast of the licence area there are several NE-SW trending quartz-breccia veins that are up to one meter in thickness and can be traced over several hundred meters. These arsenopyrite-pyrite-chalcopyrite veins contain significant gold and silver values and have been extensively worked by artisanal miners. Intense propylitic-argillic alteration and silicification can be observed across the property.

On September 23, 2020 the Company announced a 5,000m diamond drill program to test mineralized porphyry and associated veins and hydrothermal breccias identified in mapping and sampling. The plan is to drill up to 5,000m starting in October 2020 to test the depth-extent of gold-copper mineralization that is visible at the surface in porphyries and hydrothermal breccias. Drilling at Los Osos is ongoing.

On December 10, 2020 the Company reported the completion of hole OSO-01 at a depth of 647m with favourable visible geology, alteration and sulphides. On January 14, 2021 Salazar reported that hole OSO-02 had been completed at a depth of 576m prior to the cessation of drilling for the Christmas holiday period.

On February 12, 2021 the Company reported assays for holes OSO-01 and OSO-02. The holes focused on hydrothermal breccias and intrusive diorites with porphyry copper-gold potential. Encouragingly, the drilling intercepted significant zones of mineralization that are consistent with a large-scale gold system with 244 m of broad mineralization encountered in drill hole OSO-01.

Drill Results for OSO-01 and OSO-02					
Drill Hole	From (m)	To (m)	Width (m) ¹	Au (g/t)	Cu (%)
OSO-01	0.0	243.7	243.7	0.31	0.06
<i>including</i>	0.0	69.0	69.0	0.58	0.02
<i>including</i>	25.0	28.0	3.0	4.59	0.03
	389.0	393.0	4.0	0.28	0.07
	493.0	529.0	36.0	0.20	0.07
	541.1	553.3	12.2	0.21	0.04
	563.4	574.8	11.4	0.60	0.03
	625.0	631.0	6.0	0.31	0.02
OSO-02	319.0	320.0	1.0	22.90	-
	337.9	339.1	1.2	2.51	-
	539.0	540.8	1.8	1.45	-

1 Reported intervals are down-hole lengths and not true thickness.

OSO-01 successfully intersected hydrothermal breccias, 0.1 to 3% chalcopyrite, pyrite, pyrrhotite and arsenopyrite, clay alteration (sericite + chlorite), quartz veining, veinlets, and stockworks, with elevated to anomalous gold mineralization. All of which indicates that the hole was drilled into the upper part of a mineralized porphyry system.

The best continuous run of gold grades was present in the metamorphic (quartzitic) host rocks in OSO-01 from surface to 63 m downhole, with an average of 0.58 g/t gold and 0.02% copper over 69 m. Within this run, an interval of 3 m returned 4.59 g/t gold and 0.03% copper from a depth of 25 m. Salazar interprets the higher gold grades in the top section to be a function of a weathering process that caused some enrichment in the oxidized zone. OSO-01 continued into breccias and intrusions that were mapped in old workings, and gold and copper were present throughout the entire hole. The intersection of 244 m @ 0.31 g/t gold and 0.06% copper from surface is highly encouraging. It is also worth noting that not a single sample was below detection limits in the 644 m hole.

OSO-02 was collared in a >200 ppm copper-in-soil anomaly on a slope. It is possible the copper anomaly has been displaced down slope and the source of the anomaly is further up slope, near the overlapping copper and gold soil anomalies. In OSO-02, three veins returned grades above 1 g/t gold, with a maximum of 22.9 g/t gold within a 1 m sample at a down hole depth of 319 m, containing a 30 cm thick vein. In addition, a 1.2 m sample from 337.85 m to 339.05 m returned 2.5 g/t gold, and a 1.75 m sample from 539.00 m to 540.75 m returned 1.4 g/t gold. Furthermore, only seven samples of approximately 2 m each in the 576 m hole were below detection limits, suggesting that OSO-02 is on the margin of a mineralized system.

The multi-hole drill program targeting a large area of unexplored potential at Los Osos is continuing. OSO-03 will be drilled using a rig owned by Andes Drill, Salazar's wholly-owned drilling subsidiary, once it becomes available. The target for OSO-03 is a prospective area to the north of OSO-01 that has coincident copper and gold anomalies in soil.

On April 13, 2021 the Company reported that hole OSO-03 (270°/-60°), a step-out to the north of hole OSO-01, is currently drilling to test the continuity of the mineralization intersected in OSO-01. At time of reporting the hole was at a depth of 508m. The core will be logged prior to dispatch for assay. Following completion of OSO-03 Salazar is planning to drill test the high-grade structures in the northeast of the property.

On June 8, 2021 the Company reported that drill holes OSO-03 and OSO-05, confirmed the widespread presence of mineralization from surface to depth, over 400 m, and open in all directions and at depth. Five holes (3,113m) had been completed. Results from OSO-01 (647 m) and OSO-02 (576 m) were previously reported.

Highlights from the drilling are as follows:

1. **OSO-03** returned significant mineralized intervals to a depth of 525 m downhole
 - 240 m @ 0.4 g/t Au, 0.1% Cu, and 7.1 g/t Ag from 7m, including:
 - 51 m @ 0.5 g/t Au, 0.1% Cu, and 25.1 g/t Ag from 7 m
 - 23 m @ 0.7 g/t Au, 0.1% Cu, and 3.0 g/t Ag from 224 m
 - 37 m @ 0.4 g/t Au, 0.1% Cu, and 27.6 g/t Ag from 345 m
 - 54 m @ 0.5 g/t Au, 0.1% Cu, and 1.1 g/t Ag from 471 m
2. **OSO-05** showed visual indications of mineralization to a depth of over 800 m downhole
 - Assays were pending
 - Located approximately 200 m northeast of OSO-03
 - Although planned to be 500-600 m long it was completed at a depth of 864 m due to continued mineralization

The rig has been moved 500 m back to Pad 1 (collar of OSO-01) to drill west.

Hole OSO-03 was completed at a depth of 597 m and results had been received for the entire hole. Hole OSO-04 was drilled in the south of the area to test a surface anomaly and completed at a depth of 430 m. Samples to a downhole depth of 318 m from this hole had been returned but with no significant results. Assays from the remaining 112 m were pending. Hole OSO-05 was located 200 m northeast of OSO-03 and completed at a depth of 864 m. The first 500 m of OSO-05 had been logged, sampled, and sent to the laboratory for assay. Assays were pending.

Mineralization had been identified in assays over 200m between holes OSO-01 and OSO-03. OSO-05, with visual evidence of mineralization, is a further 200 m step-out to the northeast. Gold grading above 0.5 g/t over 50 m was identified in the upper 60 m of both OSO-01 and OSO-03, and it is open in all directions and at depth. Both holes also returned more than 240 m at gold grades above 0.3 g/t in the uppermost 250 m.

OSO-03 Results

Hole OSO-03 was designed to be an angled hole 500-600 m long, and was completed as planned at a down hole depth of 597 m. Like OSO-01, the hole was collared in metamorphic host rock before entering a suite of hydrothermal breccias, porphyritic andesites, dikes, and diorites. Sulphides were present throughout the hole, predominantly pyrrhotite and pyrite with lesser chalcopyrite and arsenopyrite. The rocks are silicified and exhibit moderate phyllic alteration, with gold, copper, silver and trace molybdenum present in core. Significant intersections are shown in the following table:

Significant Drill Intersections from Los Osos							
Hole	From (m)	To (m)	Width* (m)	Au (g/t)	Cu (%)	Mo (ppm)	Ag (g/t)
OSO-03	6.55	246.60	240.05	0.39	0.09	16.52	7.10
Including	6.55	57.50	50.95	0.52	0.08	9.48	25.12
Including	223.55	246.60	23.05	0.74	0.11	12.11	2.99
	345.25	382.00	36.75	0.37	0.06	27.58	0.77
	470.65	524.15	53.50	0.52	0.07	2.4	1.13
OSO-04	0.00	318.00	318.00	<i>no significant results returned</i>			
	318.00	430.00	112.00	<i>assays pending</i>			

*Reported intervals are down-hole lengths and not true thickness

The gold content appears to be spatially related to the intrusion complexes, with some good grade continuity in the metamorphic host rocks and in the breccias. The andesites appear to be lower tenor and may be a post-mineralization or a late-stage intrusion.

Following completion of hole OSO-05 the drill rig was moved 500 m back to Pad 1 (the collar location of OSO-01) to drill west. Petrographic study on the core is ongoing, to maximize the understanding of the controls on mineralization to assist further exploration.

On August 13, 2021 the Company announced it had completed the Phase 1 drilling program at Los Osos and it reported the results from the final three holes drilled. In total, six holes were completed:

PHASE 1 DIAMOND DRILL HOLES						
Hole	Easting	Northing	Azimuth	Dip	EOH (m)	UTM Zone
OSO-01	626017	9606455	140	-60	676	PSAD Zone 17S
OSO-02	626117	9605622	90	-60	576	PSAD Zone 17S
OSO-03	626196	9606609	270	-60	597	PSAD Zone 17S
OSO-04	626124	9605205	300	-60	430	PSAD Zone 17S
OSO-05	626387	9606827	270	-60	864	PSAD Zone 17S
OSO-06	626017	9606455	270	-70	516	PSAD Zone 17S

Highlights from the drilling:

1. **OSO-05** returned mineralized intervals to a depth of 796 m downhole, with end of hole at 864 m
 - 30 m @ 0.4 g/t Au, 0.1% Cu, and 1.0 g/t Ag from 44 m, including:
 - 15 m @ 0.6 g/t Au, 0.1% Cu, and 1.1 g/t Ag from 54 m
 - 18 m @ 0.3 g/t Au, 0.1% Cu, and 1.4 g/t Ag from 223 m

2. **OSO-06** returned mineralized intervals to a depth of 514 m downhole, with end of hole at 516 m
- 87 m @ 0.2 g/t Au, 0.1% Cu, and 0.8 g/t Ag from 160 m
 - 133 m @ 0.2 g/t Au, 0.1% Cu, and 0.6 g/t Ag from 282 m
 - 17 m @ 0.4 g/t Au, 0.1% Cu, and 0.9 g/t Ag from 451 m

The Company reported the results from the last 112 m of OSO-04, and full hole results from OSO-05 and OSO-06. The drill rigs have been redeployed across the Salazar Resources portfolio, in preparation for exploration drilling in conjunction with Adventus Mining and also on Salazar's wholly-owned properties.

Results

Holes OSO-04, OSO-05 and OSO-06 were designed to be angled holes 500-600 m long, or longer if still intersecting abundant sulphide mineralization at depth. Hole OSO-04 did not intersect significant amounts of sulphide and was stopped at a down hole depth of 430 m. Hole OSO-05 intersected abundant sulphide mineralization throughout its length and was eventually finished at a depth of 864 m. Although the hole was visually similar to OSO-03 and encouraged the continuation of the hole to its final depth, the results were lower grade than encountered in OSO-03.

Hole OSO-06 was collared from the same pad as OSO-01, but oriented to the west, rather than to the southeast. Whereas OSO-01 encountered an enriched zone from surface to the southeast, OSO-06 only entered elevated mineralization at a downhole depth of 87 m to the west. Throughout the length of the hole, the sulphide content was estimated to be lower than in holes OSO-01, OSO-03, and OSO-05 and a decision to end the hole at 516 m was taken.

All three holes were collared in metamorphic host rock before entering a suite of hydrothermal breccias, porphyritic andesites, dikes, and diorites. Sulphides were present throughout hole OSO-05 and OSO-06, in particular, predominantly pyrrhotite and pyrite with lesser chalcopyrite and arsenopyrite. The rocks are silicified and exhibit moderate phyllic alteration, with gold, copper,

Significant drill intersections from Los Osos							
Hole	From (m)	To (m)	Width* (m)	Au (g/t)	Cu (%)	Mo (ppm)	Ag (g/t)
OSO-04	0.00	430.00	430.00	<i>no significant results returned</i>			
OSO-05	41.00	70.61	29.61	0.45	0.06	10.00	1.01
<i>Including</i>	54.40	69.00	14.60	0.59	0.09	14.00	1.14
	96.00	121.76	25.76	0.19	0.07	8.06	1.01
	223.40	241.25	17.85	0.27	0.08	58.71	1.46
	398.35	460.80	62.45	0.38	0.04	2.46	0.79
	602.60	611.90	9.30	0.48	0.20	13.32	2.06
	745.84	796.00	50.16	0.18	0.07	9.24	1.56
OSO-06	13.30	91.25	77.95	0.24	0.03	16.10	1.16
	160.40	247.50	87.10	0.22	0.06	11.08	0.78
	281.60	414.8	133.20	0.22	0.06	5.80	0.60
	450.70	477.77	17.27	0.37	0.06	3.85	0.85
*Reported intervals are down-hole lengths and not true thickness							

The high-grade vein structures in the northeast of the licence area remain undrilled. Salazar Resources is reviewing the data from Los Osos and will continue to evaluate the options for the project within the broader portfolio of exploration licences.

Los Santos Concession

On December 8, 2020 the Company entered into a binding letter of intent (the “Los Santos LOI”) with Minera Mesaloma S.A. (“Mesaloma”) whereby the Company may acquire a 100% interest in the 2,215 hectares Los Santos Concession, in southwest Ecuador located approximately 10 km northeast of Los Osos.

On January 14, 2021 the Company reported that mapping and sampling had already started with a view to generating drill targets that can be drilled later in the second half of 2021. Key areas of interest are situated where artisanal activity has been concentrated and also where areas of anomalous mineralization have been highlighted in previous exploration. The 2,215 hectare property is situated adjacent to the concessions hosting the 16.7 Moz Cangrejos deposits and it is approximately 10 km northeast of Los Osos project (Salazar 100%).

On April 13, 2021 the Company reported that field crews have mapped about 12% of the 2,215-hectare licence area so far, with a number of soil and rock chip samples collected and assayed. The geochemical plots show that the gold and the copper anomalies are coincident, with gold values high relative to copper. The presence of porphyritic intrusions and artisanal development on structures has been noted, but so far the intense brecciation seen at Los Osos has not been encountered. Fieldwork is continuing with the aim of having drill targets developed by mid-year.

Qualified Person

Kieran Downes, Ph.D., P.Geo., a Qualified Person (“QP”) as defined by National Instrument 43-101, is the Company’s QP for the Company’s wholly-owned properties and has reviewed and verified the technical information provided.

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 2021		Fiscal 2020				Fiscal 2019	
	Jun. 30 2021 \$	Mar. 31 2021 \$	Dec. 31 2020 \$	Sep. 30 2020 \$	Jun. 30 2020 \$	Mar. 31 2020 \$	Dec. 31 2019 \$	Sep. 30 2019 \$
Operations:								
Revenues	Nil							
Expenses	(336,372)	(325,714)	192,752	(280,802)	(547,933)	(536,639)	(228,152)	(239,933)
Other items	(19,186)	112,166	(2,008)	124,121	66,210	(13,163)	32,690	132,608
Net income (loss)	(355,558)	(213,548)	190,744	(156,681)	(481,723)	(549,802)	(195,462)	(107,325)
Other comprehensive income (loss)	(301,792)	(393,410)	(1,223,087)	(612,553)	(1,071,903)	2,112,153	1,964,476	(521,993)
Comprehensive (loss) income	(657,350)	(606,958)	(1,032,343)	(769,234)	(1,553,626)	1,562,351	1,769,014	(629,318)
Basic and diluted income (loss) per share	(0.00)	(0.00)	0.00	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Balance Sheet:								
Working capital	5,297,917	7,006,485	1,807,920	2,681,622	3,248,935	3,730,964	4,462,286	4,324,303
Total assets	31,531,138	31,965,976	26,092,902	26,781,862	26,563,796	28,218,436	26,259,090	21,030,693
Total long-term liabilities	Nil							

Results of Operations

Three Months Ended June 30, 2021 Compared to the Three Months Ended March 31, 2021

During the three months ended June 30, 2021 (“Q2/2021”) the Company recorded a net loss of \$355,558 compared to net loss of \$213,548 for the three months ended March 31, 2021 (“Q1/2021”) an increase in loss of \$142,010. The fluctuation is primarily attributed to the recognition of drilling loss, net of costs of \$66,851 in Q2/2021 compared to drilling income, net of costs of \$108,207 in Q1/2021.

Three Months Ended March 31, 2021 Compared to the Three Months Ended December 31, 2020

During the three months ended March 31, 2021 (“Q1/2021”) the Company recorded a net loss of \$213,548 compared to net income of \$190,744 for the three months ended December 31, 2020 (“Q4/2020”) an increase in loss of \$404,292. The fluctuation is primarily attributed to the reallocation of drill standby costs to drill income, net of costs, in Q4/2020.

Three Months ended December 31, 2020 Compared to the Three Months ended September 30, 2020

During the three months ended December 31, 2020 (“Q4/2020”) the Company recorded a net income of \$190,744 compared to a net loss of \$156,681 for the three months ended September 30, 2020 (“Q3/2020”), an increase in income of \$347,425. The increase is primarily attributed to the reallocation of drill standby costs to drill income, net of costs, as the majority of drilling activities occurred in Q4/2020.

Three Months ended September 30, 2020 Compared to the Three Months ended June 30, 2020

During the three months ended September 30, 2020 (“Q3/2020”) the Company recorded a net loss of \$156,681 compared to a net loss of \$481,723 for the three months ended June 30, 2020, a decrease in loss of \$325,042. The decrease is primarily attributed to \$120,526 drill income, net of costs, generated from drilling activities in Q3/2020 on the Pijili Project which is being funded by Adventus.

Three Months Ended June 30, 2020 Compared to the Three Months Ended March 31, 2020

During the three months ended June 30, 2020 (“Q2/2020”) the Company recorded a net loss of \$481,723 compared to net loss of \$549,802 for the three months ended March 31, 2020 (“Q1/2020”) a decrease in loss of \$68,079. The decrease is primarily attributed to a foreign exchange gain of \$18,600 during Q2/2020 compared to a foreign exchange loss of \$31,633 during Q1/2020.

Three Months Ended March 31, 2020 Compared to the Three Months Ended December 31, 2019

During the three months ended March 31, 2020 (“Q1/2020”) the Company recorded a net loss of \$549,802 compared to net loss of \$195,462 for the three months ended December 31, 2019 (“Q4/2019”) an increase in loss of \$354,340. The fluctuation is primarily attributed to the allocation of costs to exploration and evaluation assets.

Three Months Ended December 31, 2019 Compared to the Three Months Ended September 30, 2019

During the three months ended December 31, 2019 (“Q4/2019”) the Company reported a net loss of \$195,462 compared to net loss of \$107,325 for the three months ended September 30, 2019 (“Q3/2019”) an increase in loss of \$88,137. The fluctuation is primarily attributed to the recognition of a gain on property dispositions of \$99,138 in Q3/2019 compared to \$nil in Q4/2019.

Three Months Ended September 30, 2019 Compared to the Three Months Ended June 30, 2019

During the three months ended September 30, 2019 (“Q3/2019”) the Company reported a net loss of \$107,325 compared to net loss of \$168,644 for the three months ended June 30, 2019 (“Q2/2019”) a decrease in loss of \$61,319. The fluctuation is primarily attributed to the Company recognizing audit fees of \$60,596 in Q2/2019 compared to \$nil in Q3/2019 due to the timing of the billings.

Six Months Ended June 30, 2021 Compared to the Six Months Ended June 30, 2020

During the six months ended June 30, 2021 (the “2021 period”) the Company reported a net loss of \$569,106 compared to a net loss of \$1,031,525 for the six months ended June 30, 2020 (the “2020 period”), a decrease in loss of \$462,419. The fluctuation is primarily attributed to a \$422,486 decrease in expenses from \$1,084,572 during the 2020 period to \$662,086 during the 2021 period.

Excluding cost recoveries, expenses decreased by \$402,930, from \$1,257,360 during the 2020 period to \$854,430 during the 2021 period. Specific fluctuations in expenses are as follows:

- (i) incurred drill rig standby costs of \$448,236 during the 2020 period as the Company maintained the drill rigs in an operation ready status until it is needed. No standby costs were incurred during the 2021 period;

- (ii) recognized share-based compensation of \$81,990 during the 2021 period compared to \$27,096 during the 2020 period on the vesting of share options and restricted share units.

Exploration and Evaluations Assets

During the 2021 period the Company incurred a total of \$11,663,751 (2020 - \$3,291,341) for exploration and evaluation assets comprising of \$9,549,243 (2020 - \$2,857,382) on the Curipamba Project and \$2,114,508 (2020 - \$433,959) on other projects. During the 2021 period Adventus funded a total of \$9,775,421 (2020 - \$5,530,072) for costs incurred by the Company, of which \$33,834 (2020 - \$3,325,071) was applied against property, plant and equipment, \$9,549,243 (2020 - \$2,032,213) against exploration and evaluation assets and \$192,344 (2020 - \$172,788) as an expense recovery. As at June 30, 2021, a balance of \$655,914 as due from the joint-venture partner and \$236,644 of unspent funding remained in restricted cash. The balances are expected to vary due to timing of funding from Adventus and expenditures on the Curipamba Project.

Details of the exploration and acquisition expenditures are as follows:

	Curipamba \$	Other \$	Total \$
Balance at December 31, 2019	<u>18,793,643</u>	<u>1,192,820</u>	<u>19,986,463</u>
Exploration costs			
Assay analysis	323,038	71,050	394,088
Camp supervision and personnel	113,707	677,957	791,664
Camp supplies	-	113,969	113,969
Community relations	754,264	28,568	782,832
Construction	144,310	-	144,310
Consulting	159,388	-	159,388
Depreciation	-	14,902	14,902
Drilling	1,456,980	275,422	1,732,402
Environmental studies	222,408	28,913	251,321
Equipment maintenance	373,071	35,163	408,234
Exploration site	260,845	94,692	355,537
Geological	717,093	65,099	782,192
Legal	137,328	32,556	169,884
Permits	33,085	-	33,085
Salaries	2,562,805	2,916	2,565,721
Supplies	22,819	96,148	118,967
Travel	215,414	51,024	266,438
VAT incurred	421,253	36,082	457,335
	<u>7,917,808</u>	<u>1,624,461</u>	<u>9,542,269</u>
Acquisition costs			
Property / concession / option payments	<u>231,089</u>	<u>248,886</u>	<u>479,975</u>
Other			
Cost recoveries	(7,897,627)	-	(7,897,627)
Management fees	(502,950)	-	(502,950)
Advance payment	(335,300)	-	(335,300)
Drilling services	(59,497)	-	(59,497)
Foreign exchange movement	(523,971)	(122,153)	(646,124)
	<u>(9,319,345)</u>	<u>(122,153)</u>	<u>(9,441,498)</u>
Balance at December 31, 2020	<u>17,623,195</u>	<u>2,944,014</u>	<u>20,567,209</u>
Exploration costs			
Assay analysis	555,956	120,164	676,120
Camp supervision and personnel	187,024	476,411	663,435
Camp supplies	-	56,605	56,605
Community relations	727,704	7,365	735,069
Depreciation	-	16,376	16,376
Drilling	2,893,990	397,961	3,291,951
Environmental studies	273,221	6,910	280,131
Equipment maintenance	279,067	39,606	318,673
Exploration site	181,515	151,018	332,533
Geological	-	58,668	58,668
Geophysics	1,354,224	-	1,354,224
Legal	49,030	28,077	77,107
Salaries	1,835,115	201,710	2,036,825

	Curipamba	Other	Total
	\$	\$	\$
Supplies	265,724	99,815	365,539
Travel	129,764	43,471	173,235
VAT incurred	574,114	46,970	621,084
	<u>9,306,448</u>	<u>1,751,127</u>	<u>11,057,575</u>
Acquisition costs			
Property / concession / option payments	242,795	363,381	606,176
Other			
Cost recoveries	(9,549,243)	-	(9,549,243)
Management fees	(280,643)	-	(280,643)
Drilling services	(304,488)	-	(304,488)
Foreign exchange movement	51,559	(92,242)	(40,683)
	<u>(10,082,815)</u>	<u>(92,242)</u>	<u>(10,175,057)</u>
Balance at June 30, 2021	<u>17,089,623</u>	<u>4,966,280</u>	<u>22,055,903</u>

See also “Properties Update”.

Financing Activities

During the 2021 period the Company completed a non-brokered private placement of 18,572,000 common shares for total proceeds of \$6,500,200. The funds will be used to accelerate exploration of the Company’s 100% owned properties.

No financings were conducted during the 2020 period.

Financial Condition / Capital Resources

The Company has negotiated a number of agreements to provide continued funding for exploration of its exploration and evaluation assets. As at June 30, 2021 the Company had working capital of \$5,297,917 and an accumulated deficit of \$27,101,522. Management considers that the Company has adequate resources to maintain its core operations and, with the financial support of its partner, conduct ongoing exploration programs on its existing exploration and evaluation assets for the next twelve months. See also “COVID-19”.

Contractual Commitments

- (a) When applying for new concessions via the public tender process in Ecuador, the Company, either directly or under option agreement, presented its investment offers for each concession. The investment offer represents the total amount that is required to be spent in order to maintain possession of the concession area at the end of the four-year investment period required by the Government of Ecuador. Accordingly, should the Company wish to retain possession of all the concession areas it holds as at June 30, 2021, the Company’s commitment for fiscal 2021 is approximately \$2,300,000.
- (b) Concessions in Ecuador that were not acquired via the public tender process require the Company to submit an annual expenditure plan to the Government of Ecuador outlining the minimum amount of committed expenditures for the upcoming year. The total obligation of the Company for these concession areas for the fiscal 2021 is approximately US \$2,400,000.

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 the Company's critical accounting estimates and sources of estimation is included in Note 3 to the December 31, 2020 audited annual consolidated financial statements.

Changes in Accounting Policies

There are no changes in accounting policies. A detailed summary of the Company's accounting policies is included in Note 3 to the December 31, 2020 audited annual consolidated financial statements.

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*

During the 2021 and 2020 periods the following amounts were incurred with respect to the Company's President and CEO, Fredy Salazar, the CFO, Pablo Acosta and the Executive Vice-President Merlin Marr-Johnson:

	2021	2020
	\$	\$
Mr. Salazar		
- Salaries and compensation	42,612	63,903
- Health benefits	2,310	3,090
- Share-based compensation (share options)	12,950	-
- Share-based compensation (RSUs)	6,525	-
	<u>64,397</u>	<u>66,993</u>
Mr. Acosta		
- Salaries and compensation	56,845	55,692
- Health benefits	929	1,671
- Share-based compensation (share options)	3,985	-
- Share-based compensation (RSUs)	2,900	-
	<u>64,659</u>	<u>57,363</u>
Mr. Marr-Johnson		
- Consulting fees	66,000	59,750
- Share-based compensation (share options)	11,580	-
- Share-based compensation (RSUs)	5,438	-
	<u>83,018</u>	<u>59,750</u>
	<u>212,074</u>	<u>184,106</u>

As at June 30, 2021 \$26,988 (December 31, 2020 - \$14,335) remained unpaid.

(b) *Transactions with Other Related Parties*

- (i) During 2021 and 2020 periods the following consulting expenses were incurred with respect to non-executive directors and a former corporate secretary (Freddy Salazar) of the Company:

	2021 \$	2020 \$
Consulting fees		
- Etienne Walter	11,155	12,257
- Nick DeMare	22,451	24,548
- Jennifer Wu ⁽²⁾	7,064	12,257
- Mary Gilzean ⁽³⁾	930	-
- Freddy Salazar ⁽¹⁾	-	17,924
Share-based compensation (share options)		
- Etienne Walter	2,490	-
- Nick DeMare	5,081	-
Share-based compensation (RSUs)		
- Etienne Walter	1,269	-
- Nick DeMare	4,168	-
- Mary Gilzean	2,880	-
	<u>57,488</u>	<u>66,986</u>

(1) Mr. Salazar Jr. was appointed corporate secretary September 30, 2019 and subsequently resigned March 19, 2020.

(2) Ms. Wu resigned April 23, 2021.

(3) Ms. Gilzean was appointed a director on June 14, 2021.

As at June 30, 2021 \$2,789 (December 31, 2020 - \$nil) remained unpaid.

- (ii) During the 2021 period the Company incurred a total of \$32,267 (2020 - \$28,615) 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 June 30, 2021 \$4,338 (December 31, 2020 - \$4,456) remained unpaid.
- (c) During the 2021 period the Company incurred \$119,741 (2020 - \$49,595) for equipment rental services and \$76,709 (2020 - \$67,568) for professional services provided provided by Amlatminas S.A. (“Amlatminas”) a private corporation controlled by Mr. Salazar and Mr. Acosta. As at June 30, 2021 \$95,244 (December 31, 2020 - \$95,244) remained unpaid.
- (d) During the 2021 period the Company incurred \$17,213 (2020 - \$17,199) for storage rental provided by Agrosamex S.A. (“Agrosamex”), a private corporation controlled by the son of the President of the Company.
- (e) During the 2021 period the Company incurred \$69,912 (2020 - \$38,886) for environmental studies provided by Cinge CIA LTDA (“Cinge”), a private corporation owned by the CFO of the Company.
- (f) During the 2021 period the Company incurred \$4,695 (2020 - \$7,016) for geological services provided by Sthjobs Services S.A. (“Sthjobs”), a private corporation owned by the CFO of the Company.
- (g) The Company holds an interest in the Macara Project pursuant to an agreement dated November 6, 2017 with an Ecuadorian individual (the “Macara Vendor”) whereby the Company was granted an option (the “Macara Option”) to acquire a 100% interest in one concession (the “Macara Concession”). The Macara Vendor is currently an employee of the Company however, at the time the Macara Vendor acquired the Macara concessions they were at arm’s length to the Company. See “Macara Project” for details of the agreement.

The Macara Vendor has entered into a participation agreement with an employee of the Company and the son of the Company’s President to share the option proceeds equally.

(g) *Cost Recoveries from Adventus*

Certain of the expenses incurred by the Company with related parties and remuneration paid to Company personnel have been recovered from Adventus pursuant to the earn-in under the Curipamba Option and the Alliance. The table below reflects what occurred during the 2021 and 2020 periods.

	2021		2020	
	Total \$	Recovered from Adventus \$	Total \$	Recovered from Adventus \$
Salaries and Compensation				
Mr. Salazar	42,612	8,981	63,903	3,413
Mr. Acosta	56,845	32,929	55,692	29,484
Geological Services				
Amlatminas	76,709	76,709	67,568	67,568
Sthjobs	4,695	4,695	7,016	7,016
Environmental Studies				
Cinge	69,912	69,912	-	-
Rentals				
Agrosamex (storage)	17,213	17,213	17,199	17,199
Amlatminas (equipment)	119,741	119,741	49,595	49,595

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 August 30, 2021, there were 147,786,587 issued and outstanding common shares, 11,788,486 share options outstanding at exercise prices ranging from \$0.12 to \$0.37 per share, 2,202,962 share purchase warrants outstanding at exercise prices ranging from \$0.12 to \$0.385 per share and 763,000 restricted share units.