

---

---

**SALAZAR RESOURCES LIMITED**

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE NINE MONTHS ENDED  
SEPTEMBER 30, 2022

*(Unaudited - Expressed in Canadian Dollars)*

---

---

**NOTICE OF NO AUDITOR REVIEW OF  
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

In accordance with National Instrument 51-102 Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of these condensed consolidated interim financial statements they must be accompanied by a notice indicating that the condensed consolidated interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's auditors have not performed a review of these condensed consolidated interim financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

**SALAZAR RESOURCES LIMITED**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**  
*(Unaudited - Expressed in Canadian Dollars)*

	Notes	September 30, 2022 \$	December 31, 2021 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		198,254	3,721,815
Amounts receivable		661,084	223,936
GST / IVA tax receivables		69,855	313,042
Prepaid expenses		423,233	278,851
Materials and supplies		<u>663,342</u>	<u>623,814</u>
<b>Total current assets</b>		<u>2,015,768</u>	<u>5,161,458</u>
<b>Non-current assets</b>			
Property, plant and equipment	3	1,586,029	1,510,397
Exploration and evaluation assets	4	8,767,983	7,425,242
Investment in associated company	5	<u>14,829,401</u>	<u>15,081,000</u>
<b>Total non-current assets</b>		<u>25,183,413</u>	<u>24,016,639</u>
<b>TOTAL ASSETS</b>		<u>27,199,181</u>	<u>29,178,097</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		<u>1,019,532</u>	<u>401,923</u>
<b>Non-current liabilities</b>			
Advances		<u>136,601</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>		<u>1,156,133</u>	<u>401,923</u>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	6	46,828,812	46,817,062
Share-based payments reserve		5,898,728	5,668,238
Accumulated other comprehensive income		960,163	95,669
Deficit		<u>(27,644,655)</u>	<u>(23,804,795)</u>
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<u>26,043,048</u>	<u>28,776,174</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<u>27,199,181</u>	<u>29,178,097</u>

**Nature of Operations and Going Concern** - see Note 1

**Commitments** - see Note 8

**Event after the Reporting Period** - see Note 12

These condensed consolidated interim financial statements were approved for issue by the Board of Directors on November 29, 2022 and are signed on its behalf by:

/s/ **Fredy Salazar**  
 Fredy Salazar  
 Director

/s/ **Pablo Acosta**  
 Pablo Acosta  
 Director

*The accompanying notes are an integral part of these condensed consolidated interim financial statements.*

**SALAZAR RESOURCES LIMITED**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**  
*(Unaudited - Expressed in Canadian Dollars)*

	Note	Three Months Ended September 30		Nine Months Ended September 30	
		2022 \$	2021 \$	2022 \$	2021 \$
<b>Expenses</b>					
Accounting and administration	7(b)(ii)	16,326	16,456	43,816	48,723
Audit		-	-	131,892	132,777
Consulting	7(b)(i)	57,006	40,344	169,475	145,052
Corporate development		20,446	22,957	85,793	85,459
Depreciation		35,326	37,685	102,690	125,592
General exploration		32,595	15,056	74,829	29,696
Legal		2,520	6,603	26,608	17,183
Office		6,747	7,367	40,976	85,144
Regulatory		9,625	21,045	44,452	46,833
Salaries, compensation and benefits	7(a)	53,330	149,393	158,165	365,951
Share-based compensation	6	62,578	95,279	235,490	177,269
Shareholder costs		185	3,761	3,925	7,851
Transfer agent		690	1,810	3,146	4,656
Travel		10,515	3,836	38,497	3,836
Cost recoveries		-	(101,512)	-	(293,856)
		<u>307,889</u>	<u>320,080</u>	<u>1,159,754</u>	<u>982,166</u>
<b>Loss before other items</b>		<u>(307,889)</u>	<u>(320,080)</u>	<u>(1,159,754)</u>	<u>(982,166)</u>
<b>Other items</b>					
Interest income		7,377	1,032	17,352	17,313
Other income		88,038	3,491	184,088	48,349
Drill income, net of costs		223,081	4,204	299,365	42,092
Impairment of exploration and evaluation assets	4(d)	(2,936,043)	-	(2,936,043)	-
Foreign exchange		3,038	86,910	6,731	80,863
Equity loss in associated company	5	(123,659)	-	(251,599)	-
		<u>(2,738,168)</u>	<u>95,637</u>	<u>(2,680,106)</u>	<u>188,617</u>
<b>Net loss for the period</b>		<u>(3,046,057)</u>	<u>(224,443)</u>	<u>(3,839,860)</u>	<u>(793,549)</u>
<b>Other comprehensive income</b>					
Change in currency translation of foreign subsidiaries		<u>653,547</u>	<u>708,469</u>	<u>864,494</u>	<u>13,267</u>
<b>Comprehensive income (loss) for the period</b>		<u>(2,392,510)</u>	<u>484,026</u>	<u>(2,975,366)</u>	<u>(780,282)</u>
<b>Basic and diluted loss per common share</b>					
		<u>\$(0.02)</u>	<u>\$(0.00)</u>	<u>\$(0.03)</u>	<u>\$(0.01)</u>
<b>Weighted average number of common shares outstanding</b>					
		<u>152,712,073</u>	<u>147,353,920</u>	<u>152,706,332</u>	<u>144,493,777</u>

*The accompanying notes are an integral part of these condensed consolidated interim financial statements.*

**SALAZAR RESOURCES LIMITED**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
*(Unaudited - Expressed in Canadian Dollars)*

<b>Nine Months Ended September 30, 2022</b>						
<b>Share Capital</b>						
	Number of Shares	Amount \$	Share-Based Payments Reserve \$	Accumulated Other Comprehensive Income \$	Deficit \$	Total Shareholders' Equity \$
<b>Balance at December 31, 2021</b>	152,662,073	46,817,062	5,668,238	95,669	(23,804,795)	28,776,174
Common shares issued for:						
- share options	50,000	6,750	-	-	-	6,750
Transfer on exercise of share options	-	5,000	(5,000)	-	-	-
Share-based compensation:						
- share options	-	-	139,964	-	-	139,964
- restricted share units	-	-	95,526	-	-	95,526
Currency translation adjustment	-	-	-	864,494	-	864,494
Net loss for the period	-	-	-	-	(3,839,860)	(3,839,860)
<b>Balance at September 30, 2022</b>	<b>152,712,073</b>	<b>46,828,812</b>	<b>5,898,728</b>	<b>960,163</b>	<b>(27,644,655)</b>	<b>26,043,048</b>

<b>Nine Months Ended September 30, 2021</b>						
<b>Share Capital</b>						
	Number of Shares	Amount \$	Share-Based Payments Reserve \$	Accumulated Other Comprehensive Income \$	Deficit \$	Total Shareholders' Equity \$
<b>Balance at December 31, 2020</b>	127,087,790	39,283,561	5,797,803	5,284,786	(26,532,416)	23,833,734
Common shares issued for:						
- private placement	18,572,000	6,500,200	-	-	-	6,500,200
- share options	2,023,514	281,542	-	-	-	281,542
- option payment	177,283	62,935	11,523	-	-	74,458
Share issue costs	-	(683,137)	-	-	-	(683,137)
Transfer on exercise of share options	-	202,351	(202,351)	-	-	-
Share-based compensation:						
- share options	-	-	120,682	-	-	120,682
- restricted share units	-	-	56,587	-	-	56,587
- finder's warrants	-	-	267,437	-	-	267,437
Currency translation adjustment	-	-	-	13,267	-	13,267
Net loss for the period	-	-	-	-	(793,549)	(793,549)
<b>Balance at September 30, 2021</b>	<b>147,860,587</b>	<b>45,647,452</b>	<b>6,051,681</b>	<b>5,298,053</b>	<b>(27,325,965)</b>	<b>29,671,221</b>

*The accompanying notes are an integral part of these condensed consolidated interim financial statements.*

**SALAZAR RESOURCES LIMITED**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**  
*(Unaudited - Expressed in Canadian Dollars)*

	Nine Months Ended September 30,	
	2022 \$	2021 \$
<b>Operating activities</b>		
Net loss for the period	(3,839,860)	(793,549)
Adjustments for:		
Depreciation	139,246	125,592
Share-based compensation	235,490	177,269
Impairment of exploration and evaluation assets	2,936,043	-
Equity loss in associated company	251,599	-
Changes in non-cash working capital items:		
Restricted cash	-	160,508
Amounts receivable	(403,022)	108,507
GST/VAT receivable	250,877	(179,643)
Prepaid expenses and deposits	(118,489)	494,724
Materials and supplies	10,359	354,307
Accounts payable and accrued liabilities	552,519	(58,202)
Due to joint venture partner	-	(1,585,397)
<b>Net cash provided by (used in) operating activities</b>	<u>14,762</u>	<u>(1,195,884)</u>
<b>Investing activities</b>		
Expenditures on exploration and evaluation assets, net of recoveries	(3,610,145)	(2,105,896)
Additions to property, plant and equipment, net of recoveries	<u>(95,377)</u>	<u>(225,662)</u>
<b>Net cash used in by investing activities</b>	<u>(3,705,522)</u>	<u>(2,331,558)</u>
<b>Financing activities</b>		
Issuance of common shares	6,750	6,781,742
Advances	136,601	-
Share issue costs	-	(415,700)
<b>Net cash provided by financing activities</b>	<u>143,351</u>	<u>6,366,042</u>
<b>Effect of exchange rate changes on cash</b>	<u>23,848</u>	<u>169,703</u>
<b>Net change in cash</b>	(3,523,561)	3,008,303
<b>Cash at beginning of period</b>	<u>3,721,815</u>	<u>1,345,851</u>
<b>Cash at end of period</b>	<u>198,254</u>	<u>4,354,154</u>

**Supplemental Cash Flow Information** - see Note 10

*The accompanying notes are an integral part of these condensed consolidated interim financial statements.*

**SALAZAR RESOURCES LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022**  
*(Unaudited - Expressed in Canadian Dollars)*

---

**1. Nature of Operations and Going Concern**

Salazar Resources Limited (the “Company”) was incorporated on July 23, 1987 under the provisions of the Company Act (British Columbia). The Company’s common shares are listed and trade on the TSX Venture Exchange (“TSXV”) under the symbol “SRL”, 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 is a junior mineral exploration company currently engaged in the acquisition and exploration of mineral properties located in Latin America. On the basis of information to date, the Company has not yet determined whether these properties contain economically recoverable ore reserves. The underlying value of the exploration and evaluation assets is entirely dependent on the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete development and upon future profitable production. Exploration and evaluation assets represent costs incurred to date, less amounts depreciated and/or written off, and do not necessarily represent present or future values.

The Company’s 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.

As at September 30, 2022 the Company had working capital of \$966,236. To date the Company has not earned any revenues from its mineral interests and the Company’s operations are primarily funded from equity financings which are dependent upon many external factors and may be difficult to impossible to secure or raise when required. The Company requires additional funding to maintain its current levels of overhead for the next twelve months and to fund existing levels of planned exploration expenditures. While the Company has been successful in securing financings in the past there can be no assurance that it will be able to do so in the future. See also Note 12.

These condensed consolidated interim financial statements do not include adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

In March 2020 the World Health Organization 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, enacted emergency measures including travel restrictions, legally enforced or self-imposed quarantine periods, social distancing and business and organization closures. These measures 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. Globally, nations are in different stages of economic recovery from the COVID-19 pandemic. The availability of vaccines or the lack thereof plays an important role in the path back to normalcy. Most countries worldwide have a high vaccination rate, and subject to various health and safety protocols, work on all the projects have been carried out with only minor disruptions. The Company’s offices and sites are now on a hybrid model where possible. Essential travel has resumed and work has returned to pre-pandemic levels.

**2. Basis of Preparation**

***Statement of Compliance***

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting* (“IAS 34”), as issued by the International Accounting Standards Board (“IASB”), and its interpretations, using accounting policies consistent with International Financial Reporting Standards (“IFRS”). The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2021, which have been prepared in accordance with IFRS as issued by the IASB and interpretations of the IFRS Interpretations Committee (“IFRIC”). The accounting policies followed in these condensed consolidated interim financial statements are consistent with those applied in the Company’s consolidated financial statements for the year ended December 31, 2021.

**2. Basis of Preparation (continued)**

**SALAZAR RESOURCES LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022**  
*(Unaudited - Expressed in Canadian Dollars)*

***Basis of Measurement***

The Company's condensed consolidated interim financial statements have been prepared on the historical cost basis except for the revaluation of certain financial assets and financial liabilities to fair value.

**3. Property, Plant and Equipment**

	Land \$	Drill Rigs and Equipment \$	Total \$
<b>Cost:</b>			
Balance at December 31, 2020	387,999	2,646,022	3,034,021
Additions	1,165,941	371,488	1,537,429
Cost recoveries	(1,165,941)	(119,309)	(1,285,250)
Foreign exchange movement	(1,645)	(6,749)	(8,394)
Balance at December 31, 2021	386,354	2,891,452	3,277,806
Additions	-	95,377	95,377
Foreign exchange movement	31,358	234,421	265,779
Balance at September 30, 2022	417,712	3,221,250	3,638,962
<b>Accumulated Depreciation:</b>			
Balance at December 31, 2020	-	(1,575,416)	(1,575,416)
Depreciation	-	(195,665)	(195,665)
Foreign exchange movement	-	3,672	3,672
Balance at December 31, 2021	-	(1,767,409)	(1,767,409)
Depreciation	-	(139,246)	(139,246)
Foreign exchange movement	-	(146,278)	(146,278)
Balance at September 30, 2022	-	(2,052,933)	(2,052,933)
<b>Carrying Value:</b>			
Balance at December 31, 2021	386,354	1,124,043	1,510,397
Balance at September 30, 2022	417,712	1,168,317	1,586,029



**SALAZAR RESOURCES LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022**  
*(Unaudited - Expressed in Canadian Dollars)*

**4. Exploration and Evaluation Assets**

<b>As at September 30, 2022</b>				
	<b>Acquisition Costs \$</b>	<b>Deferred Exploration Costs \$</b>	<b>Foreign Exchange Movement \$</b>	<b>Total \$</b>
Ecuador				
Macara	599,658	3,567,209	163,732	4,330,599
Ruminahui	-	-	-	-
Los Osos	249,512	1,202,606	53,965	1,506,083
Los Santos	339,653	1,581,328	105,758	2,026,739
El Potro	154,950	700,981	48,631	904,562
	<u>1,343,773</u>	<u>7,052,124</u>	<u>372,086</u>	<u>8,767,983</u>
<b>As at December 31, 2021</b>				
	<b>Acquisition Costs \$</b>	<b>Deferred Exploration Costs \$</b>	<b>Foreign Exchange Movement \$</b>	<b>Total \$</b>
Ecuador				
Macara	575,810	2,898,249	(70,145)	3,403,914
Ruminahui	252,600	2,073,646	(42,557)	2,283,689
Los Osos	247,015	1,198,392	(27,372)	1,418,035
Los Santos	171,158	-	(3,697)	167,461
El Potro	77,416	74,947	(220)	152,143
	<u>1,323,999</u>	<u>6,245,234</u>	<u>(143,991)</u>	<u>7,425,242</u>

**SALAZAR RESOURCES LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022**  
*(Unaudited - Expressed in Canadian Dollars)*

**4. Exploration and Evaluation Assets (continued)**

	<b>Year Ended December 31, 2021</b>						<b>Total</b>
	<b>Curipamba</b>	<b>Macara</b>	<b>Ruminahui</b>	<b>Los Osos</b>	<b>Los Santos</b>	<b>El Potro</b>	
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Balance at December 31, 2020</b>	<u>17,623,195</u>	<u>1,510,929</u>	<u>789,003</u>	<u>560,836</u>	<u>83,246</u>	<u>-</u>	<u>20,567,209</u>
<b>Exploration costs</b>							
Assay analysis	969,722	199,274	-	45,850	-	-	1,214,846
Camp supervision and personnel	417,094	199,824	625,146	239,326	-	21,753	1,503,143
Camp supplies	-	57,406	82,792	-	-	-	140,198
Community relations	1,852,180	17,764	26,075	-	-	18,806	1,914,825
Depreciation	-	33,298	8,590	2,554	-	861	45,303
Drilling	3,655,970	1,988	381,832	419,465	-	-	4,459,255
Environmental studies	555,512	7,591	-	12,376	-	1,868	577,347
Equipment maintenance	540,270	82,051	11,518	-	-	-	633,839
Exploration site	1,203,864	231,801	62,154	30,167	-	25,642	1,553,628
Geological	3,278,580	44,395	27,354	1,699	-	-	3,352,028
Legal	-	19,984	17,192	26,321	-	6,017	69,514
Salaries	3,714,300	519,893	-	-	-	-	4,234,193
Supplies	440,718	144,272	57,037	740	-	-	642,767
Travel	262,316	51,988	59,401	-	-	-	373,705
VAT incurred	1,018,910	-	98,799	-	-	-	1,117,709
	<u>17,909,436</u>	<u>1,611,529</u>	<u>1,457,890</u>	<u>778,498</u>	<u>-</u>	<u>74,947</u>	<u>21,832,300</u>
<b>Acquisition costs</b>							
Property / concession / option payments	255,604	286,398	40,112	80,760	84,458	77,416	824,748
<b>Other</b>							
Cost recoveries	(18,165,040)	-	-	-	-	-	(18,165,040)
Management fees	(564,165)	-	-	-	-	-	(564,165)
Advance payment	(313,425)	-	-	-	-	-	(313,425)
Drilling services	(249,189)	-	-	-	-	-	(249,189)
Foreign exchange movement	(184,266)	(4,942)	(3,316)	(2,059)	(243)	(220)	(195,046)
	<u>(19,476,085)</u>	<u>(4,942)</u>	<u>(3,316)</u>	<u>(2,059)</u>	<u>(243)</u>	<u>(220)</u>	<u>(19,486,865)</u>
<b>Impairment provision</b>	<u>(1,231,150)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,231,150)</u>
<b>Transfer on loss of control</b>	<u>(15,081,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(15,081,000)</u>
<b>Balance at December 31, 2021</b>	<u>-</u>	<u>3,403,914</u>	<u>2,283,689</u>	<u>1,418,035</u>	<u>167,461</u>	<u>152,143</u>	<u>7,425,242</u>

**SALAZAR RESOURCES LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022**  
*(Unaudited - Expressed in Canadian Dollars)*

**4. Exploration and Evaluation Assets (continued)**

	<b>Nine Months Ended September 30, 2022</b>					
	<b>Macara</b>	<b>Ruminahui</b>	<b>Los Osos</b>	<b>Los Santos</b>	<b>El Potro</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Balance at December 31, 2021</b>	3,403,914	2,283,689	1,418,035	167,461	152,143	7,425,242
<b>Exploration costs</b>						
Assay analysis	12,805	-	-	109,796	72,977	195,578
Camp supervision and personnel	67,020	260,103	-	72,928	258,144	658,195
Camp supplies	14,889	52,186	-	17,678	37,106	121,859
Community relations	771	1,129	-	1,361	6,771	10,032
Depreciation	25,731	8,212	-	-	2,614	36,557
Drilling	-	-	-	1,000,463	-	1,000,463
Environmental studies	321	-	1,993	-	8,297	10,611
Equipment maintenance	10,892	-	-	9,627	-	20,519
Exploration site	114,929	17,366	962	102,824	107,253	343,334
Geological	-	718	359	8,293	-	9,370
Legal	89,181	31,325	900	6,155	8,500	136,061
Salaries	294,214	-	-	252,203	117,296	663,713
Supplies	27,705	7,166	-	-	7,076	41,947
Travel	10,502	12,390	-	-	-	22,892
VAT incurred	-	63,527	-	-	-	63,527
	<u>668,960</u>	<u>454,122</u>	<u>4,214</u>	<u>1,581,328</u>	<u>626,034</u>	<u>3,334,658</u>
<b>Acquisition costs</b>						
Property / concession / option payments	23,848	39,669	2,497	168,495	77,534	312,043
<b>Other</b>						
Foreign exchange movement	233,877	158,563	81,337	109,455	48,851	632,083
<b>Impairment provision</b>	<u>-</u>	<u>(2,936,043)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,936,043)</u>
<b>Balance at September 30, 2022</b>	<u>4,330,599</u>	<u>-</u>	<u>1,506,083</u>	<u>2,026,739</u>	<u>904,562</u>	<u>8,767,983</u>

The Company holds interests in the following properties in Ecuador:

(a) **Curipamba Project**

- (i) The Curipamba Project consists of seven concessions located in the provinces of Bolivar and Los Rios, Ecuador. The Curipamba Project is subject to a 2% net smelter return royalty (“NSR”).

In fiscal 2017, the Company entered into a definitive option agreement (the “Curipamba Option”) whereby Adventus Mining Corporation (“Adventus”) would earn (the “Earn-In”) a 75% interest in the Company’s Curipamba Project by funding costs on the Curipamba Project of US \$25,000,000 over the next five years, including the completion of a feasibility study on the El Domo deposit. In December 2021 Adventus delivered the completed feasibility study and provided written notice of its exercise of the Earn-in. Effective December 31, 2021 the Company agreed to the transfer of a 75% ownership interest in Salazar Holdings, the entity holding the 100% interest in the Curipamba Project, to Adventus. See also Note 5.

- (ii) With the receipt of the feasibility study the Company completed an asset impairment test that determined that the recoverable amount of its effective ownership interest on the Curipamba Project based on a fair value less costs of disposal (“FVLCD”) model of \$15,081,000 exceeded the carrying value resulting in an asset impairment charge of \$1,231,150 for fiscal 2021. Estimates of future cash flows used in the calculation of the recoverable amount of the Curipamba Project were based on a reserve evaluation report prepared by independent engineers.

**SALAZAR RESOURCES LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022**  
*(Unaudited - Expressed in Canadian Dollars)*

---

**4. Exploration and Evaluation Assets (continued)**

(b) ***Exploration Alliance***

In fiscal 2017 the Company and Adventus signed an exploration alliance memorandum of understanding (the “MOU”) to jointly explore in Ecuador (the “Alliance”). Under the MOU the venture is owned 80% by Adventus and 20% by the Company, with the Company operating the Alliance and Adventus funding all activities incurred on behalf of the Alliance up to a construction decision.

*Dos Gemas*

On February 19, 2018 the Company, Adventus and Minera Dos Gemas M2G S.A. (“Dos Gemas”) entered into the definitive exploration alliance agreement (the “Exploration Alliance Agreement”) to formalize the terms of the MOU. Dos Gemas is owned 80% by Adventus and 20% by the Company. As operator of the Alliance the Company will be paid a 10% operator’s fee on all expenditures incurred, subject to an annual maximum fee of US \$200,000 on costs pertaining to surface rights acquisitions. In addition, commencing fiscal 2020 the Company provided drilling services to Dos Gemas.

During fiscal 2018 Adventus assumed control of Dos Gemas and, as such, the Company derecognized the assets and liabilities of Dos Gemas from the consolidated financial statements. The remaining 20% investment retained in Dos Gemas was recognized at fair value when control was assumed by Adventus and the Company subsequently accounted for its investment using the equity method. The Company’s share of losses exceeds its interest in Dos Gemas and, as such, the Company has discontinued recognizing its share of any further losses as there are no legal or constructive obligations.

*Pijili Project*

In August 2017 the Company was awarded three concessions (the “Pijili Project”), located in the province of Azuay, Ecuador. On March 28, 2018 the Company, Adventus and Dos Gemas entered into a letter agreement whereby the Company agreed to transfer the Pijili Project to Dos Gemas under the Alliance whereby Adventus has issued 2,536,232 Adventus common shares at an ascribed value of \$2,028,986, paid a total of \$195,705 (US \$150,000) cash and fulfilled its US \$1,000,000 minimum exploration commitments. The official transfer of the Pijili Project was completed in May 2021.

*Santiago Concession*

The Company held a 100% interest in a concession (the “Santiago Concession”) located in the province of Loja, Ecuador. On May 22, 2018 the Company, Adventus and Dos Gemas entered into an agreement whereby the Company agreed to transfer the Santiago Project to Dos Gemas under the Alliance whereby Adventus has issued 1,268,116 Adventus common shares, at an ascribed value of \$1,014,492, paid a total of \$97,118 (US \$75,000) cash and fulfilled its US \$500,000 minimum exploration commitments. The official transfer of the Santiago Project was completed in fiscal 2019. The Santiago Project is subject to a 1.5% net smelter royalty that can be bought out for US \$1,000,000, as well as a 4% net profits interest royalty that is in favour of INV Metals Inc.

(c) ***Macara Project***

The Macara Project comprises two concessions 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 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.

**SALAZAR RESOURCES LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022**  
*(Unaudited - Expressed in Canadian Dollars)*

---

**4. Exploration and Evaluation Assets (continued)**

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 of November 21, 2024.

The Macara Vendor also 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.

(d) ***Ruminahui Project***

The Company owns a 100% interest in two concessions (the “Ruminahui Project”) located in the province of Pichincha, Ecuador. During the nine months ended September 30, 2022 the Company completed its evaluation of drilling results conducted on the Ruminahui Project and has determined to record an impairment charge of \$2,936,043 for capitalized costs.

(e) ***Los Osos Concession***

On March 21, 2019 the Company entered into an option agreement with an Ecuadorian individual (the “Los Osos Vendor”), whereby the Company has been granted the option to acquire up to a 100% interest in one mineral concession (“Los Osos Concession”) located in the province of El Oro, Ecuador. The Los Osos Vendor is currently an employee of the Company however, at the time the Los Osos Vendor acquired the Los Osos concession they were at arm’s length to the Company. Pursuant to the terms of the agreement the Company may earn the following interests by payments of:

Interest	Amount US \$
15% on March 21, 2019	35,000 (paid)
15% on March 21, 2020	35,000 (paid)
20% on March 21, 2021	50,000 (paid)
25% on March 21, 2022	65,000 *
25% on March 21, 2023	<u>65,000</u>
	<u>250,000</u>

\* The Company and the Los Osos Vendor have agreed to defer the US \$65,000 option payment due on March 31, 2022 to a date to be determined.

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

**SALAZAR RESOURCES LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022**  
*(Unaudited - Expressed in Canadian Dollars)*

---

**4. Exploration and Evaluation Assets (continued)**

(f) ***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 up to a 100% interest in the Los Santos Concession, located in southwest Ecuador. Pursuant to the terms of the LOI the Company made an initial payment of US \$25,000 in December 2020 and, at Mesaloma’s election, in January 2021 the Company issued 177,283 units, comprising 177,283 common shares and 88,642 warrants, with each warrant entitling Mesaloma to acquire an additional common share at a price of \$0.385 per share, expiring July 22, 2022. The value assigned to the common shares was \$62,935 and to the warrants was \$11,523 for a total fair value of \$74,458. The fair value of the warrants has been estimated using the Black-Scholes option pricing model. The assumptions used were: a risk-free interest rate of 0.14%; expected volatility of 83%; an expected life of 1.5 years; a dividend yield of 0%; and an expected forfeiture rate of 0%.

On November 24, 2021, as amended on July 16, 2022, the Company and Mesaloma and other parties (collectively the “Optionor”) completed the definitive agreement (the “Mining Option and Shareholders’ Agreement”) under which the Company may acquire up to a 90% beneficial interest in the Los Santos Concession, by making option payments (the “Option Payments”) totalling US \$1,950,000, as follows:

- (i) US\$150,000 (the “First Option Exercise Payment”), comprising of four monthly instalments of US \$37,500 commencing July 21, 2022, to earn an initial 26% interest;
- (ii) US\$250,000 (the “Second Option Exercise Payment”) on or before the 12 month anniversary of the date of making the First Option Exercise Payment to earn an additional 25% interest (for a total of 51%);
- (iii) US\$350,000 (the “Third Option Exercise Payment”) on or before the 12 month anniversary of the date of making the Second Option Exercise Payment to earn an additional 10% interest (for a total of 61%);
- (iv) US\$500,000 (the “Fourth Option Exercise Payment”) on or before the 12 month anniversary of the date of making the Third Option Exercise Payment to earn an additional 19% interest (for a total of 80%); and
- (v) US\$700,000 to the Optionor on or before the 12 month anniversary of the date of payment of the Fourth Option Exercise Payment to earn an additional 10% interest (for a total of 90%) (the “Fifth Earn-in Option”).

The Optionor can elect to receive any of the Option Payments, in lieu of the respective cash amounts, in units of the Company. Each unit will comprise one common share and one-half share purchase warrant. Each unit will be issuable at the greater of \$0.23 or the five-day volume weighted average price of the Company’s common shares minus a discount of 7.5% from the market price prior to the payment date. Each warrant will be exercisable for 18 months at the greater of \$0.305 or the market price prior to the payment date.

Upon the Company having earned a beneficial 90% interest in the Los Santos Concession the Company may acquire the remaining 10% interest by paying the Optionor US \$2,000,000 and granting a 1.5% NSR, which may be repurchased by the Company for a price of US \$1,250,000 per 0.5% NSR.

**SALAZAR RESOURCES LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022**  
*(Unaudited - Expressed in Canadian Dollars)*

---

**4. Exploration and Evaluation Assets (continued)**

(g) *El Potro Concession*

On August 30, 2021 the Company entered into an option to purchase agreement whereby the Company has been granted the mineral title (the “El Potro Concession”) located in the province of Loja, Ecuador. During fiscal 2021 the Company has paid US \$50,000 and agreed to make additional cash payments totalling US \$1,100,000, as follows:

	Amount US \$
First anniversary	50,000 (paid)
Second anniversary	100,000
Third anniversary	150,000
Fourth anniversary	200,000
Fifth anniversary	<u>600,000</u>
	<u>1,100,000</u>

**5. Investment in Associated Company**

In fiscal 2017 the Company entered into the Curipamba Option, as described in Note 4(a), pursuant to which Adventus had the option to acquire 75% of the interest in Salazar Holdings Ltd. (“Salazar Holdings”), the entity which holds Curimining Mining S.A. (“Curimining”), which owns the Curipamba Project, by spending US \$25,000,000 and completing a feasibility study report.

On December 10, 2021 Adventus filed the feasibility study report (the “Feasibility Study”) and, having completed its obligations under the Curipamba Option, delivered written notice of its exercise (the “Option Exercise Notice”) to the Company. On December 31, 2021 (the “Option Exercise Date”) the Company approved the transfer of a 75% ownership interest in Salazar Holdings, effectively reducing the Company’s ownership interest to 25%.

Pursuant to the Curipamba Option, as of the Option Exercise Date:

- (a) the aggregate amount of advances from Adventus for the Curipamba Project shall be capitalized in Salazar Holdings. Adventus shall be granted 75 Class A common shares representing 75% of the total issued and outstanding Class A common shares, and 95 Class B preferred shares, representing 100% of the total issued and outstanding Class B preferred shares; and
- (b) the Company, Adventus, Salazar Holdings and Curimining shall enter into a shareholders’ agreement (“Shareholders’ Agreement”) and reconstitute the board of directors of Curimining (“Curimining Board”) with two Adventus nominees and one Company nominee. The Company and Adventus proceeded to finalize the Shareholders Agreement on January 4, 2022.

As the rights of Adventus to the earn-in were substantively achieved on the Option Exercise Date, the Company and Adventus agreed that Adventus had obtained control of Salazar Holdings as from the Option Exercise Date and acquired 75% of the interest of Salazar Holdings.

In accordance with IFRS 10, *Consolidated Financial Statements*, the Company has derecognized the assets and liabilities of Salazar Holdings and recognized the 25% interest as investment in associated company at its fair value of \$15,081,000. The Company will continue to account for the investment in Salazar Holdings using the equity method. As the Option Exercise Date occurred on December 31, 2021 there was no equity income adjustment for fiscal 2021. In addition, on the Option Exercise Date the Company reclassified \$5,551,762 from the Accumulated Other Comprehensive Income (Loss) (“AOI”), this being the cumulative amount of exchange differences relating to Salazar Holdings.

**SALAZAR RESOURCES LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022**  
*(Unaudited - Expressed in Canadian Dollars)*

**5. Investment in Associated Company** (continued)

Pursuant to the Curipamba Option and the Shareholders' Agreement, Adventus has priority repayment of its investment in Salazar Holdings according to an agreed distribution formula.

The Company's investment in Salazar Holdings is as follows:

	Nine Months Ended September 30, 2022 \$
Balance, December 31, 2021	15,081,000
Equity loss	<u>(251,599)</u>
Balance, September 30, 2022	<u>14,829,401</u>

Salazar Holdings' aggregate assets, aggregate liabilities and comprehensive loss are as follows:

	As at September 30, 2022 \$
Current assets	2,415,005
Non-current assets	107,646,210
Current liabilities	(4,590,629)
Non-current liabilities	<u>(20,597,913)</u>
Net assets	<u>84,872,673</u>
	\$
Total comprehensive loss for the nine months ended September 30, 2022	<u>(1,006,398)</u>

**6. Share Capital**

(a) ***Authorized Share Capital***

The Company's authorized share capital consisted of an unlimited number of common shares without par value. All issued common shares are fully paid.

(b) ***Reconciliation of Changes in Share Capital***

*Nine Months Ended September 30, 2022*

No financings were conducted during the nine months ended September 30, 2022. See also Note 12.

*Fiscal 2021*

(i) In January 2021 the Company received TSXV approval to the Los Santos LOI and issued 177,283 units of the Company at a fair value of \$74,458. See also Note 4(f).



**SALAZAR RESOURCES LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022**  
*(Unaudited - Expressed in Canadian Dollars)*

**6. Share Capital (continued)**

- (ii) On February 2, 2021 the Company completed a non-brokered private placement of 18,572,000 common shares at \$0.35 per share, for total proceeds of \$6,500,200. The Company paid finders' fees totalling \$390,012 and issued 1,114,320 finders' warrants. Each finders' warrant entitles the holder to purchase one common share of the Company at a price of \$0.35 per share, expiring February 2, 2026. The value assigned to the finders' warrants was \$267,437. The weighted average fair value of the Broker Warrants issued was \$0.24 per warrant. The fair value of the finders' warrants has been estimated using the Black-Scholes option pricing model. The assumptions used were: a risk-free interest rate of 0.44%; expected volatility of 78%; an expected life of 5 years; a dividend yield of 0%; and an expected forfeiture rate of 0%.

The Company incurred a total of \$21,185 for legal and other costs associated with this private placement financing.

(c) **Warrants**

A summary of the number of common shares reserved pursuant to the Company's outstanding warrants at September 30, 2022 and 2021 and the changes for the nine months ended on those dates is as follows:

	2022		2021	
	Number	Weighted Average Exercise Price \$	Number	Weighted Average Exercise Price \$
Balance, beginning of period	2,202,962	0.25	1,000,000	0.12
Issued	-	-	1,202,962	0.35
Expired	<u>(88,642)</u>	0.385	<u>-</u>	-
Balance, end of period	<u>2,114,320</u>	0.24	<u>2,202,962</u>	0.25

The following table summarizes information about the number of common shares reserved pursuant to the Company's warrants outstanding and exercisable at September 30, 2022:

Number	Exercise Price \$	Expiry Date
1,000,000	0.12	February 16, 2024
<u>1,114,320</u>	0.35	February 2, 2026
<u>2,114,320</u>		

(d) **Share Option Plan**

The Company has established a rolling share option plan (the "Plan"), in which the maximum number of common shares which can be reserved for issuance under the Plan is 10% of the issued and outstanding shares of the Company. The minimum exercise price of the options is set at the Company's closing share price on the day before the grant date, less allowable discounts in accordance with the policies of the TSXV. Options granted may be subject to vesting provisions as determined by the Board of Directors and have a maximum term of five years.

During the nine months ended September 30, 2022 the Company did not grant any options. The Company recorded share-based compensation of \$139,964 on the vesting of share options previously granted.

**SALAZAR RESOURCES LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022**  
*(Unaudited - Expressed in Canadian Dollars)*

**6. Share Capital (continued)**

During the nine months ended September 30, 2021 the Company granted share options to purchase 2,450,000 common shares and recorded compensation expense of \$120,682 on the granting and vesting of share options previously granted. The fair value of share options granted and vested is estimated using the Black-Scholes option pricing model using the following assumptions:

	<u>2021</u>
Risk-free interest rate	0.86% - 0.92%
Estimated volatility	71% - 75%
Expected life	5 years
Expected dividend yield	0%
Estimated forfeiture rate	0%

The weighted average measurement date fair value of all share options granted during the nine months ended September 30, 2021 was \$0.10 per share option.

Option-pricing models require the use of estimates and assumptions including the expected volatility. Changes in the underlying assumptions can materially affect the fair value estimates and, therefore, existing models do not necessarily provide reliable measure of the fair value of the Company's share options.

A summary of the Company's share options at September 30, 2022 and 2021 and the changes for the nine months ended on those dates, is as follows:

	<u>2022</u>		<u>2021</u>	
	Number of Options Outstanding	Weighted Average Exercise Price \$	Number of Options Outstanding	Weighted Average Exercise Price \$
Balance, beginning of period	6,937,000	0.19	11,462,000	0.14
Granted	-	-	2,450,000	0.31
Exercised	(50,000)	0.135	(2,023,514)	0.14
Expired	-	-	(100,000)	0.29
Balance, end of period	<u>6,887,000</u>	0.19	<u>11,788,486</u>	0.17

The following table summarizes information about the share options outstanding and exercisable at September 30, 2022:

Number Outstanding	Number Exercisable	Exercise Price \$	Expiry Date
1,000,000	1,000,000	0.12	January 25, 2024
3,537,000	3,537,000	0.135	February 14, 2024
1,850,000	-	0.29	April 6, 2026
<u>500,000</u>	<u>166,666</u>	0.37	June 14, 2026
<u>6,887,000</u>	<u>4,703,666</u>		

(e) **Restricted Share Units ("RSU") Plan**

On August 27, 2020 the Company adopted a restricted share unit plan (the "RSU Plan"). The RSU Plan provides for the issuance of up to 1,000,000 restricted share units (the "RSUs"). Under the RSU Plan, RSUs may be granted to directors, officers, employees and consultants of the Company (excluding investor relations consultants) as partial compensation for the services they provide to the Company. The RSU Plan is a fixed number plan, and the number of common shares issued under the RSU Plan, when combined with the number of stock options available under the Company's share option plan, will not exceed 10% of the Company's outstanding common shares.

**SALAZAR RESOURCES LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022**  
*(Unaudited - Expressed in Canadian Dollars)*

**6. Share Capital (continued)**

On April 6, 2021 the Company awarded 798,000 RSUs which will vest, as to 100%, on April 6, 2023. On June 14, 2021 the Company awarded 100,000 RSUs which will vest, as to 100%, on June 14, 2023. During fiscal 2021 35,000 RSUs were forfeited upon the resignation of a director.

As at December 31, 2021 and September 30, 2022 863,000 RSUs remained outstanding as follows:

Number Outstanding	Number Exercisable	Expiry Date
763,000	-	April 6, 2023
<u>100,000</u>	<u>-</u>	June 14, 2023
<u>863,000</u>	<u>-</u>	

During the nine months ended September 30, 2022 the Company recorded share-based compensation of \$95,526 (2021 - \$56,587) relating to the RSUs.

**7. Related Party Disclosures**

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) *Compensation of Key Management Personnel*

During the nine months ended September 30, 2022 and 2021 the following amounts were incurred with respect to the President & Chief Executive Officer (“CEO”), the Chief Financial Officer (“CFO”), and the Executive Vice-President of the Company:

	2022 \$	2021 \$
Salaries and fees	210,815	284,824
Health benefits	4,998	4,876
Share-based compensation - share options	56,095	56,994
Share-based compensation - RSUs	<u>42,048</u>	<u>29,074</u>
	<u>313,956</u>	<u>375,768</u>

As at September 30, 2022 \$36,427 (December 31, 2021 - \$11,000) remained unpaid and has been included in accounts payable and accrued liabilities.

(b) *Other Related Party Transactions*

(i) During the nine months ended September 30, 2022 and 2021 the following amounts were incurred with respect to non-executive directors of the Company:

	2022 \$	2021 \$
Consulting	63,876	64,335
Share-based compensation - share options	49,277	32,029
Share-based compensation - RSUs	<u>25,480</u>	<u>8,155</u>
	<u>138,633</u>	<u>104,519</u>

As at September 30, 2022 \$10,280 (December 31, 2021 - \$6,339) remained unpaid and has been included in accounts payable and accrued liabilities.

**SALAZAR RESOURCES LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022**  
*(Unaudited - Expressed in Canadian Dollars)*

---

**7. Related Party Disclosures** (continued)

- (ii) During the nine months ended September 30, 2022 the Company incurred a total of \$43,816 (2021 - \$48,723) to Chase Management Ltd. (“Chase”), a private corporation owned by a director of the Company, for accounting and administration services provided by Chase personnel, excluding the director. As at September 30, 2022 \$4,797 (December 31, 2021 - \$4,437) remained unpaid and has been included in accounts payable and accrued liabilities.
- (iii) During the nine months ended September 30, 2022 the Company incurred \$184,752 (2021 - \$180,231) for equipment rental services and \$111,672 (2021 - \$137,801) for professional services provided by a private corporation controlled by the President and the CFO of the Company. As at September 30, 2022 \$nil (December 31, 2021 - \$74,298) remained unpaid and has been included in accounts payable and accrued liabilities.
- (iv) During the nine months ended September 30, 2022 the Company incurred \$26,558 (2021 - \$25,908) for storage rental provided by a private corporation controlled by the son of the President of the Company.
- (v) During the nine months ended September 30, 2022 the Company incurred \$25,610 (2021 - \$147,921) for environmental studies provided by a private corporation controlled by the CFO of the Company.
- (vi) During the nine months ended September 30, 2022 the Company incurred \$13,856 (2021 - \$4,712) for geological services provided by a private corporation controlled by the CFO of the Company.
- (vii) See also Note 4(c).
- (c) Certain of the expenses incurred by the Company with related parties and remuneration paid to Company personnel have been recovered from Adventus.

**8. Commitments**

The Company is obligated to fulfill certain investment obligations on its mineral concessions in Ecuador pursuant to the following rules:

- (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.
- (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.

**SALAZAR RESOURCES LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022**  
*(Unaudited - Expressed in Canadian Dollars)*

**9. Financial Instruments and Risk Management**

***Categories of Financial Assets and Financial Liabilities***

Financial instruments are classified into one of the following categories: FVTPL, FVOCI and amortized cost. The carrying values of the Company's financial instruments are classified into the following categories:

<b>Financial Instrument</b>	<b>Category</b>	<b>September 30, 2022 \$</b>	<b>December 31, 2021 \$</b>
Cash	FVTPL	198,254	3,721,815
Amounts receivable	Amortized cost	661,084	223,936
Accounts payable and accrued liabilities	Amortized cost	(1,019,532)	(401,923)

The Company's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.

Level 2 - Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the market place.

Level 3 - Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The recorded amounts for amounts receivable and accounts payable and accrued liabilities approximate their fair value due to their short-term nature. The Company's cash under the fair value hierarchy is measured using Level 1 inputs.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

***Credit Risk***

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and amounts receivable. Management believes that the credit risk concentration with respect to financial instruments included in cash and amounts receivable is remote.

***Liquidity Risk***

Liquidity risk is the risk that the Company will not have the resources to meet its obligations as they fall due. The Company manages this risk by closely monitoring cash forecasts and managing resources to ensure that it will have sufficient liquidity to meet its obligations. All of the Company's financial liabilities are classified as current and are anticipated to mature within the next fiscal period. The following table is based on the contractual maturity dates of financial assets and the earliest date on which the Company can be required to settle financial liabilities.

	<b>Contractual Maturity Analysis at September 30, 2022</b>				
	<b>Less than 3 Months \$</b>	<b>3 - 12 Months \$</b>	<b>1 - 5 Years \$</b>	<b>Over 5 Years \$</b>	<b>Total \$</b>
Cash	198,254	-	-	-	198,254
Amounts receivable	661,084	-	-	-	661,084
Accounts payable and accrued liabilities	(1,019,532)	-	-	-	(1,019,532)

**SALAZAR RESOURCES LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022**  
*(Unaudited - Expressed in Canadian Dollars)*

---

**9. Financial Instruments and Risk Management (continued)**

*Market Risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. These fluctuations may be significant.

(a) Interest Rate Risk

The Company is exposed to interest rate risk to the extent that the cash bears floating rates of interest. The interest rate risk on cash and on the Company's obligations are not considered significant.

(b) Foreign Currency Risk

The Company's significant subsidiary is located in Ecuador which has adopted the US Dollar as its currency.

The Company also maintains cash deposits in US Dollars with its Canadian bank. As such, the fluctuation of the Canadian Dollar in relation to the US Dollar will have an impact upon the profitability of the Company and may also affect the value of the Company's assets and the amount of shareholders' equity. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks. At September 30, 2022, 1 Canadian Dollar was equal to 0.73 US Dollar.

Balances are as follows:

	US \$	CDN \$ Equivalent
Cash	117,884	161,485
Amounts receivable	482,296	661,084
VAT receivable	45,087	61,764
Accounts payable and accrued liabilities	<u>(715,491)</u>	<u>(980,125)</u>
	<u>(70,224)</u>	<u>(95,792)</u>

Based on the net exposures as of September 30, 2022 and assuming that all other variables remain constant, a 10% fluctuation on the Canadian Dollar against the US Dollar would result in the Company's comprehensive loss being approximately \$10,000 higher (or lower).

*Capital Management*

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain development of the business. The Company defines capital that it manages as share capital and cash. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

**SALAZAR RESOURCES LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022**  
*(Unaudited - Expressed in Canadian Dollars)*

**10. Supplemental Cash Flow Information**

During the nine months ended September 30, 2022 and 2021 non-cash activities were conducted by the Company as follows:

	2022 \$	2021 \$
Operating activity		
Depreciation	36,556	24,383
Investing activity		
Exploration and evaluation assets	(36,556)	(24,383)
Financing activities		
Issuance of common shares	5,000	265,286
Share-based payments reserve	(5,000)	(532,723)
Share issue costs	-	267,437
	-	-

**11. Segmented Information**

The Company operates in one reportable segment, the exploration and development of unproven exploration and evaluation assets. The Company's exploration and evaluation assets are located in Ecuador and its corporate assets are located in Canada.

	September 30, 2022		
	Corporate Canada \$	Mineral Operations Ecuador \$	Total \$
Current assets	254,142	1,761,626	2,015,768
Property, plant and equipment	-	1,586,029	1,586,029
Exploration and evaluation assets	-	8,767,983	8,767,983
Investment in associated company	14,829,401	-	14,829,401
	<u>15,083,543</u>	<u>12,115,638</u>	<u>27,199,181</u>
	December 31, 2021		
	Corporate Canada \$	Mineral Operations Ecuador \$	Total \$
Current assets	3,707,216	1,454,242	5,161,458
Property, plant and equipment	-	1,510,397	1,510,397
Exploration and evaluation assets	-	7,425,242	7,425,242
Investment in associated company	15,081,000	-	15,081,000
	<u>18,788,216</u>	<u>10,389,881</u>	<u>29,178,097</u>

**12. Event after the Reporting Period**

Subsequent to September 30, 2022 the Company announced that it was conducting a non-brokered private placement for the sale of up to 30,000,000 common shares of the Company at a price of \$0.10 per share to raise gross proceeds of up to \$3,000,000. In November 2022 the Company completed the first tranche of the private placement and issued 19,801,872 common shares for gross proceeds of \$1,980,187. A finder's fee of \$3,000 cash was paid and 1,000,000 common shares were also issued.