
SALAZAR RESOURCES LIMITED

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED
JUNE 30, 2024

(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	June 30, 2024 \$	December 31, 2023 \$
ASSETS			
Current assets			
Cash and cash equivalents		1,131,995	609,303
Prepaid expenses		229,601	63,851
Amounts receivable		37,700	549,644
GST / IVA tax receivables		146,332	123,968
Materials and supplies		<u>463,239</u>	<u>448,239</u>
Total current assets		<u>2,008,867</u>	<u>1,795,005</u>
Non-current assets			
Property, plant and equipment	4	869,009	892,053
Exploration and evaluation assets	5	7,366,406	6,722,428
Investment in associated companies	6	<u>14,249,461</u>	<u>14,422,911</u>
Total non-current assets		<u>22,484,876</u>	<u>22,037,392</u>
TOTAL ASSETS		<u>24,493,743</u>	<u>23,832,397</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		<u>273,120</u>	<u>459,257</u>
TOTAL LIABILITIES		<u>273,120</u>	<u>459,257</u>
SHAREHOLDERS' EQUITY			
Share capital	7	51,716,036	49,898,110
Share-based payments reserve		6,785,239	6,265,236
Accumulated other comprehensive income		875,801	594,697
Deficit		<u>(35,156,453)</u>	<u>(33,384,903)</u>
TOTAL SHAREHOLDERS' EQUITY		<u>24,220,623</u>	<u>23,373,140</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>24,493,743</u>	<u>23,832,397</u>

Nature of Operations and Going Concern - see Note 1

Commitments - see Note 9

These condensed consolidated interim financial statements were approved for issue by the Board of Directors on August 29, 2024 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 LOSS
(Unaudited - Expressed in Canadian Dollars)

	Note	Three Months Ended June 30		Six Months Ended June 30	
		2024 \$	2023 \$	2024 \$	2023 \$
Expenses					
Accounting and administration	8(b)(ii)	14,360	14,004	28,570	28,289
Audit		17,705	58,000	117,450	136,000
Consulting		5,498	-	6,298	500
Corporate development		-	-	14,272	1,111
Depreciation		23,870	29,535	47,624	54,768
Director and officer compensation	8	33,142	35,380	66,396	123,862
Drill expenses		140,716	473,517	362,309	929,683
General exploration		139,392	115,297	210,407	250,757
Legal		2,027	6,291	9,988	25,545
Office		20,939	17,946	38,635	39,014
Regulatory		8,805	15,873	11,433	29,261
Salaries		63,294	17,210	134,558	39,943
Share-based compensation	7(d)	636,155	305,596	646,505	368,174
Shareholder costs		3,178	-	3,453	2,031
Transfer agent		5,842	1,130	7,637	10,023
Travel		-	-	2,305	11,649
		<u>1,114,923</u>	<u>1,089,779</u>	<u>1,707,840</u>	<u>2,050,610</u>
Loss before other items		<u>(1,114,923)</u>	<u>(1,089,779)</u>	<u>(1,707,840)</u>	<u>(2,050,610)</u>
Other items					
Drill income		70,061	592,757	84,565	865,999
Interest income		16,855	18,962	21,872	43,175
Other income		-	(35,883)	-	31,782
Foreign exchange		2,654	(3,570)	3,303	(16,078)
Insurance proceeds recovery		-	484,536	-	484,536
Equity loss in associated company	6	<u>(118,627)</u>	<u>(116,238)</u>	<u>(173,450)</u>	<u>(257,964)</u>
		<u>(29,057)</u>	<u>940,564</u>	<u>(63,710)</u>	<u>1,151,450</u>
Net loss for the period		<u>(1,143,980)</u>	<u>(149,215)</u>	<u>(1,771,550)</u>	<u>(899,160)</u>
Other comprehensive income (loss)					
Change in currency translation of foreign subsidiaries		<u>82,491</u>	<u>(176,098)</u>	<u>281,104</u>	<u>(246,087)</u>
Comprehensive loss for the period		<u>(1,061,489)</u>	<u>(325,313)</u>	<u>(1,490,446)</u>	<u>(1,145,247)</u>
Basic and diluted loss per common share					
		<u>\$(0.01)</u>	<u>\$(0.00)</u>	<u>\$(0.01)</u>	<u>\$(0.00)</u>
Weighted average number of common shares outstanding					
		<u>212,596,631</u>	<u>183,712,079</u>	<u>198,404,355</u>	<u>183,583,847</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)

Six Months Ended June 30, 2024						
Share Capital						
	Number of Shares	Amount \$	Share-Based Payments Reserve \$	Accumulated Other Comprehensive Income \$	Deficit \$	Total Shareholders' Equity \$
Balance at December 31, 2023	184,212,079	49,898,110	6,265,236	594,697	(33,384,903)	23,373,140
Common shares issued for:						
- private placement	30,600,000	1,530,000	-	-	-	1,530,000
- share options	1,907,175	170,074	-	-	-	170,074
Share issue costs	-	(8,650)	-	-	-	(8,650)
Transfer on exercise of share options	-	126,502	(126,502)	-	-	-
Share-based compensation:						
- share options	-	-	646,505	-	-	646,505
Currency translation adjustment	-	-	-	281,104	-	281,104
Net loss for the period	-	-	-	-	(1,771,550)	(1,771,550)
Balance at June 30, 2024	216,719,254	51,716,036	6,785,239	875,801	(35,156,453)	24,220,623

Six Months Ended June 30, 2023						
Share Capital						
	Number of Shares	Amount \$	Share-Based Payments Reserve \$	Accumulated Other Comprehensive Income (Loss) \$	Deficit \$	Total Shareholders' Equity \$
Balance at December 31, 2022	180,026,869	49,440,589	5,961,306	962,973	(27,709,581)	28,655,287
Common shares issued for:						
- private placement	3,685,210	368,521	-	-	-	368,521
- share options	400,000	40,000	-	-	-	40,000
Transfer on exercise of share options	-	12,000	(12,000)	-	-	-
Share-based compensation:						
- share options	-	-	304,490	-	-	304,490
- restricted share units	-	-	63,684	-	-	63,684
Currency translation adjustment	-	-	-	(246,087)	-	(246,087)
Net loss for the period	-	-	-	-	(899,160)	(899,160)
Balance at June 30, 2023	184,112,079	49,861,110	6,317,480	716,886	(28,608,741)	28,286,735

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)

	Six Months Ended	
	June 30,	
	2024	2023
	\$	\$
Operating activities		
Net loss for the period	(1,771,550)	(899,160)
Adjustments for:		
Depreciation	47,624	54,768
Share-based compensation	646,505	368,174
Equity loss in associated company	173,450	257,964
Changes in non-cash working capital items:		
Amounts receivable	526,959	(66,380)
GST/VAT receivable	(18,292)	(41,276)
Prepaid expenses and deposits	(162,853)	(17,116)
Material and supplies	620	103,968
Accounts payable and accrued liabilities	(96,332)	(63,620)
Net cash used in operating activities	<u>(653,869)</u>	<u>(302,678)</u>
Investing activities		
Expenditures on exploration and evaluation assets, net of recoveries	(432,458)	(729,331)
Additions to property, plant and equipment, net of recoveries	-	(12,791)
Investment in associated companies	-	(123,675)
Net cash used in by investing activities	<u>(432,458)</u>	<u>(865,797)</u>
Financing activities		
Issuance of common shares	1,530,000	368,521
Share issue costs	(8,650)	-
Net cash provided by financing activities	<u>1,521,350</u>	<u>368,521</u>
Effect of exchange rate changes on cash	<u>87,669</u>	<u>(36,686)</u>
Net change in cash	522,692	(836,640)
Cash at beginning of period	<u>609,303</u>	<u>2,165,730</u>
Cash at end of period	<u>1,131,995</u>	<u>1,329,090</u>

Supplemental Cash Flow Information - see Note 11

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 SIX MONTHS ENDED JUNE 30, 2024
(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 June 30, 2024 the Company had working capital of \$1,735,747. 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. Additional capital may be sought from existing shareholders and creditors and from the sale of additional common shares or other equity or debt instruments. There is no assurance such additional capital will be available to the Company on acceptable terms or at all. In the longer term, the Company’s ability to continue as a going concern will be dependent upon the discovery of economically recoverable reserves and the achievement of profitable operations. Whether the Company can generate positive cash flow and, ultimately, achieve profitability is uncertain. These uncertainties cast significant doubt upon the Company’s ability to continue as a going concern.

These condensed consolidated interim financial statements are prepared in accordance with IFRS Accounting Standards appropriate for a going concern. The going concern basis of accounting assumes the Company will continue to realize the value of its assets and discharge its liabilities and other obligations in the ordinary course of business. Should the Company be required to realize the value of its assets in other than the ordinary course of business, the net realizable value of its assets may be materially less than the amounts shown in the consolidated financial statements. These condensed consolidated interim financial statements do not include any adjustments to the amounts and classifications of assets and liabilities that may be necessary should the Company be unable to repay its liabilities and meet its other obligations in the ordinary course of business or continue operations.

2. Basis of Preparation

Statement of Compliance

These condensed consolidated interim financial statements have been presented in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (“IASB”), applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*. The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

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. These condensed consolidated interim financial statements are presented in Canadian Dollars unless otherwise stated.

SALAZAR RESOURCES LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2024
(Unaudited - Expressed in Canadian Dollars)

2. Basis of Preparation (continued)

Details of the Group

In addition to the Company, the condensed consolidated interim financial statements include all subsidiaries. Subsidiaries are all corporations over which the Company is able, directly or indirectly, to control financial and operating policies, which is the authority usually connected with holding majority voting rights. Subsidiaries are fully consolidated from the date on which control is acquired by the Company. Inter-company transactions and balances are eliminated upon consolidation. They are de-consolidated from the date that control by the Company ceases.

3. Material Accounting Policies

These condensed consolidated interim financial statements have been prepared on a basis consistent with the material accounting policies disclosed in the consolidated financial statements for the year ended December 31, 2023. Accordingly, they should be read in conjunction with the consolidated financial statements for the year ended December 31, 2023.

Accounting Standards Issued but Not Yet Effective

As at June 30, 2024 there are no IFRS Accounting Standards with future effective dates that are expected to have a material impact on the Company.

4. Property, Plant and Equipment

	Land \$	Drill Rigs and Equipment \$	Total \$
Cost:			
Balance at December 31, 2022	412,744	2,872,927	3,285,671
Additions	-	12,791	12,791
Write-off	-	(29,748)	(29,748)
Foreign exchange movement	(9,690)	(65,163)	(74,853)
Balance at December 31, 2023	403,054	2,790,807	3,193,861
Foreign exchange movement	14,049	94,402	108,451
Balance at June 30, 2024	<u>417,103</u>	<u>2,885,209</u>	<u>3,302,312</u>
Accumulated Depreciation:			
Balance at December 31, 2022	-	(2,151,443)	(2,151,443)
Depreciation	-	(216,084)	(216,084)
Write-off	-	16,376	16,376
Foreign exchange movement	-	49,343	49,343
Balance at December 31, 2023	-	(2,301,808)	(2,301,808)
Depreciation	-	(54,075)	(54,075)
Foreign exchange movement	-	(77,420)	(77,420)
Balance at June 30, 2024	<u>-</u>	<u>(2,433,303)</u>	<u>(2,433,303)</u>
Carrying Value:			
Balance at December 31, 2023	<u>403,054</u>	<u>488,999</u>	<u>892,053</u>
Balance at June 30, 2024	<u>417,103</u>	<u>451,906</u>	<u>869,009</u>

SALAZAR RESOURCES LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2024
(Unaudited - Expressed in Canadian Dollars)

5. Exploration and Evaluation Assets

As at June 30, 2024				
	Acquisition Costs \$	Deferred Exploration Costs \$	Foreign Exchange Movement \$	Total \$
Ecuador				
Macara	627,338	4,393,582	220,772	5,241,692
El Potro	<u>319,977</u>	<u>1,736,105</u>	<u>68,632</u>	<u>2,124,714</u>
	<u>947,315</u>	<u>6,129,687</u>	<u>289,404</u>	<u>7,366,406</u>

As at December 31, 2023					
	Acquisition Costs \$	Deferred Exploration Costs \$	Foreign Exchange Movement \$	Impairment \$	Total \$
Ecuador					
Macara	600,006	4,166,110	70,261	-	4,836,377
Los Osos	332,607	1,215,867	57,058	(1,605,532)	-
El Potro	<u>305,291</u>	<u>1,573,137</u>	<u>7,623</u>	<u>-</u>	<u>1,886,051</u>
	<u>1,237,904</u>	<u>6,955,114</u>	<u>134,942</u>	<u>(1,605,532)</u>	<u>6,722,428</u>

SALAZAR RESOURCES LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2024
(Unaudited - Expressed in Canadian Dollars)

5. Exploration and Evaluation Assets (continued)

	Macara \$	El Potro \$	Los Osos \$	Total \$
Balance at December 31, 2022	<u>4,586,084</u>	<u>1,199,817</u>	<u>1,541,985</u>	<u>7,327,886</u>
Exploration costs				
Assay analysis	-	34,521	-	34,521
Camp supervision and personnel	25,418	54,997	-	80,415
Camp supplies	43,360	33,583	-	76,943
Community relations	-	27,858	-	27,858
Depreciation	34,109	2,900	-	37,009
Environmental studies	-	20,461	2,100	22,561
Equipment maintenance	9,617	1,830	-	11,447
Exploration site	55,973	121,511	-	177,484
Geological	-	695	20,590	21,285
Legal	-	132	181	313
Salaries	<u>234,664</u>	<u>298,014</u>	<u>-</u>	<u>532,678</u>
	<u>403,141</u>	<u>596,502</u>	<u>22,871</u>	<u>1,022,514</u>
Acquisition costs				
Property / concession / option payments	<u>-</u>	<u>149,210</u>	<u>42,777</u>	<u>191,987</u>
Other				
Foreign exchange movement	<u>(152,848)</u>	<u>(59,478)</u>	<u>(2,101)</u>	<u>(214,427)</u>
Impairment provision	<u>-</u>	<u>-</u>	<u>(1,605,532)</u>	<u>(1,605,532)</u>
Balance at December 31, 2023	<u>4,836,377</u>	<u>1,886,051</u>	<u>-</u>	<u>6,722,428</u>
Exploration costs				
Assay analysis	17,898	161	-	18,059
Camp supervision and personnel	-	14,967	-	14,967
Camp supplies	-	3,314	-	3,314
Community relations	-	3,314	-	3,314
Depreciation	7,185	227	-	7,412
Exploration site	76,529	60,366	-	136,895
Legal	-	9,327	-	9,327
Salaries	<u>125,860</u>	<u>71,292</u>	<u>-</u>	<u>197,152</u>
	<u>227,472</u>	<u>162,968</u>	<u>-</u>	<u>390,440</u>
Acquisition costs				
Property / concession / option payments	<u>27,332</u>	<u>14,686</u>	<u>-</u>	<u>42,018</u>
Other				
Foreign exchange movement	<u>150,511</u>	<u>61,009</u>	<u>-</u>	<u>211,520</u>
Balance at June 30, 2024	<u>5,241,692</u>	<u>2,124,714</u>	<u>-</u>	<u>7,366,406</u>

The Company holds interests in the following properties in Ecuador:

(a) ***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
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(Unaudited - Expressed in Canadian Dollars)

5. 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 or 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.

As at June 30, 2024 the Company has incurred \$778,525 (December 31, 2023 - \$744,552) of costs on the Macara Project; and

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

As at June 30, 2024 the Company has incurred \$4,312,656 (December 31, 2023 - \$4,091,825) of costs on the Bonanza Concession.

(b) ***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. As at June 30, 2024 the Company has paid a total of US \$200,000 (December 31, 2023 - US \$200,000) and has agreed to make additional cash payments totalling US \$950,000, as follows:

	Amount US \$
August 30, 2024	150,000
August 30, 2025	200,000
August 30, 2026	<u>600,000</u>
	<u>950,000</u>

(c) ***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 was 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. During fiscal 2023 the Company determined to record an impairment charge of \$1,605,532 for all costs capitalized.

SALAZAR RESOURCES LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2024
(Unaudited - Expressed in Canadian Dollars)

6. Investment in Associated Companies

The Company holds ownership interests in the following associates:

Associate	Ownership Interest	June 30, 2024 \$	December 31, 2023 \$
Salazar Holdings Ltd. ("Salazar Holdings")	25%	14,249,461	14,422,911
Minera Dos Gemas M2G S.A. ("Dos Gemas")	20%	-	-
Santos Resources Ltd. ("Santos Resources")	26%	-	-
		<u>14,249,461</u>	<u>14,422,911</u>

(a) ***Salazar Holdings - Curipamba Project***

Salazar Holdings holds a 100% interest in the Curipamba Project, consisting 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").

On September 14, 2017, as amended September 19, 2019, 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 Salazar Holdings 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, subject to certain exceptions. 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 to Adventus, reducing its interest to 25%, under a shareholders' agreement (the "Salazar Holdings Shareholders' Agreement"), dated January 4, 2022.

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.

Adventus agreed to provide the Company with non-refundable advance payments of US \$250,000 per year until achievement of commercial production, to a maximum cumulative total of US \$1,750,000. As at December 31, 2023 the Company had received total advance payments of US \$1,750,000.

Adventus is required to fund 100% of the development and construction expenditures to commercial production. Upon achievement of commercial production, Adventus will receive 95% of the dividends from the Curipamba Project until its aggregate investment, including advance payments, has been recouped minus the approximate Company carrying value of US \$19,800,000 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's investment in Salazar Holdings is as follows:

	\$
Balance, December 31, 2022	14,680,601
Equity loss	<u>(257,690)</u>
Balance, December 31, 2023	14,422,911
Equity loss	<u>(173,450)</u>
Balance, June 30, 2024	<u>14,249,461</u>

SALAZAR RESOURCES LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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(Unaudited - Expressed in Canadian Dollars)

6. Investment in Associated Companies (continued)

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

	As at June 30, 2024 \$	As at December 31, 2023 \$
Current assets	1,302,277	1,389,628
Non-current assets	161,044,188	145,047,947
Current liabilities	(4,375,204)	(13,458,939)
Non-current liabilities	<u>(18,230,599)</u>	<u>(18,678,625)</u>
Net assets	<u>139,740,662</u>	<u>114,300,011</u>
	<u>Six Months Ended June 30,</u>	
	2024 \$	2023 \$
Total comprehensive loss for the period	<u>(173,450)</u>	<u>(1,031,856)</u>

(b) ***Dos Gemas - Exploration Alliance***

On September 13, 2017, as amended December 21, 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 would be 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.

On February 19, 2018 the Company, Adventus and 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. 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.

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.

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.

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6. Investment in Associated Companies (continued)

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.

Dos Gemas’ aggregate assets, aggregate liabilities and comprehensive loss are as follows:

	As at June 30, 2024 \$	As at December 31, 2023 \$
Current assets	15,955	42,413
Non-current assets	7,636,802	15,767,378
Current liabilities	(146,350)	(171,452)
Non-current liabilities	<u>(16,020,198)</u>	<u>(15,352,841)</u>
Net assets (liabilities)	<u>(8,513,791)</u>	<u>285,498</u>
	Six Months Ended June 30,	
	2024	2023
	\$	\$
Total comprehensive loss for the period	<u>-</u>	<u>-</u>

(c) *Santos Resources - 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 Los Santos 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.

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 Santos Resources, a company incorporated to hold a 100% beneficial interest in the Los Santos Concession, by making option payments (the “Option Payments”) totalling US \$1,950,000, as follows:

- (i) paid a total of US\$150,000 (the “First Option Exercise Payment”) and earned 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%);

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6. Investment in Associated Companies (continued)

- (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”).

During fiscal 2023 the Company reviewed its ongoing exploration results on the Los Santos Concession and the Company’s remaining investment obligation in Santos Resources and, accordingly, determined to record an impairment of \$2,474,365 to fully impair its investment in Santos Resources. The Company terminated the Mining Option and Shareholders’ Agreement on March 28, 2024.

The Company’s investment in Santos Resources is as follows:

	\$
Balance, December 31, 2021	-
Additional costs incurred towards earn-in	<u>2,304,651</u>
Balance, December 31, 2022	2,304,651
Additional costs incurred towards earn-in	<u>169,714</u>
	2,474,365
Impairment provision	<u>(2,474,365)</u>
Balance, December 31, 2023	<u>-</u>

7. 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) ***Equity Financings***

Six Months Ended June 30, 2024

In April 2024 the Company completed a non-brokered private placement financing and issued a total of 30,600,000 common shares at \$0.05 per share, for proceeds of \$1,530,000. Directors and/or officers of the Company purchased a total of 7,697,697 common shares. See also Note 13.

Fiscal 2023

On January 10, 2023 the Company completed the final tranche of the \$0.10 Financing and issued 3,685,210 common shares for \$368,521.

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7. **Share Capital** (continued)

(c) **Warrants**

A summary of the number of common shares reserved pursuant to the Company's outstanding warrants at June 30, 2024 and 2023 and the changes for the six months ended on those dates is as follows:

	2024		2023	
	Number	Weighted Average Exercise Price \$	Number	Weighted Average Exercise Price \$
Balance, beginning of period	2,114,320	0.24	2,114,320	0.24
Expired	<u>(1,000,000)</u>	0.12	<u>-</u>	-
Balance, end of period	<u>1,114,320</u>	0.35	<u>2,114,320</u>	0.24

As at June 30, 2024 the Company had warrants outstanding and exercisable to purchase 1,114,320 common shares at a price of \$0.35 per share expiring on or before February 2, 2026.

(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 six months ended June 30, 2024 the Company granted share options to purchase 9,751,588 (2023 - 8,500,000) common shares and recorded compensation expense of \$633,111 (2023 - \$255,000) on the granting of share options. In addition the Company recorded share-based compensation of \$13,394 (2023 - \$49,490) on the vesting of share options previously granted.

The fair value of share options granted is estimated using the Black-Scholes option pricing model using the following assumptions:

	2024	2023
Risk-free interest rate	3.55%	3.18%
Estimated volatility	69%	64%
Expected life	5 years	5 years
Expected dividend yield	0%	0%
Estimated forfeiture rate	0%	0%

The weighted average measurement date fair value of all share options granted during the six months ended June 30, 2024 was \$0.06 (2023 - \$0.03) 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.

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7. **Share Capital** (continued)

A summary of the Company's share options at June 30, 2024 and 2023 and the changes for the six months ended on those dates, is as follows:

	2024		2023	
	Number of Options Outstanding	Weighted Average Exercise Price \$	Number of Options Outstanding	Weighted Average Exercise Price \$
Balance, beginning of period	14,987,000	0.14	6,887,000	0.19
Granted	9,751,588	0.09	8,500,000	0.10
Exercised	(1,907,175)	0.09	(400,000)	0.10
Expired	<u>(4,537,000)</u>	0.13	-	-
Balance, end of period	<u>18,294,413</u>	0.12	<u>14,987,000</u>	0.14

The following table summarizes information about the share options outstanding and exercisable at June 30, 2024:

Number	Exercise Price \$	Expiry Date
1,850,000	0.29	April 6, 2026
500,000	0.37	June 14, 2026
8,100,000	0.10	May 23, 2028
3,594,413	0.08	May 16, 2029
<u>4,250,000</u>	0.105	May 16, 2029
<u>18,294,413</u>		

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

On August 27, 2020 and amended on December 6, 2022 the Company adopted a restricted share unit plan (the "RSU Plan"). The RSU Plan provides for the issuance of up to 2,000,000 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.

A summary of the Company's RSUs at June 30, 2024 and 2023 and the changes for the six months ended on those dates, is as follows:

	2024 Number of RSUs	2023 Number of RSUs
Balance, beginning and end of period	<u>763,000</u>	<u>863,000</u>

During the six months ended June 30, 2023 the Company recorded share-based compensation of \$63,684 relating to the RSUs.

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8. 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 six months ended June 30, 2024 and 2023 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:

	2024 \$	2023 \$
Salaries and fees	48,543	89,091
Health benefits	-	3,500
Share-based compensation - share options	184,174	94,417
Share-based compensation - RSUs	-	28,032
	<u>232,717</u>	<u>215,040</u>

As at June 30, 2024 \$3,750 (December 31, 2023 - \$13,250) remained unpaid and has been included in accounts payable and accrued liabilities.

(b) *Other Related Party Transactions*

(i) During the six months ended June 30, 2024 and 2023 the following amounts were incurred with respect to non-executive directors of the Company:

	2024 \$	2023 \$
Consulting	17,853	31,272
Share-based compensation - share options	66,645	63,099
Share-based compensation - RSUs	-	16,987
	<u>84,498</u>	<u>111,358</u>

As at June 30, 2024 \$1,027 (December 31, 2023 - \$13,342) remained unpaid and has been included in accounts payable and accrued liabilities.

(ii) During the six months ended June 30, 2024 the Company incurred a total of \$28,570 (2023 - \$28,289) 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 June 30, 2024 \$5,445 (December 31, 2023 - \$4,629) remained unpaid and has been included in accounts payable and accrued liabilities.

During the six months ended June 30, 2024 the Company also recorded \$15,000 (2023 - \$6,300) share-based compensation for share options granted to Chase.

(iii) During the six months ended June 30, 2024 the Company incurred \$nil (2023 - \$16,170) for equipment rental services and \$38,001 (2023 - \$32,340) for professional services provided by a private corporation controlled by the President of the Company. As at June 30, 2024 \$nil (December 31, 2023 - \$77,509) remained unpaid and has been included in accounts payable and accrued liabilities.

During the six months ended June 30, 2024 the Company also recorded \$42,000 (2023 - \$21,000) share-based compensation for share options granted to the private corporation controlled by the President of the Company.

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8. Related Party Disclosures

- (iv) During the six months ended June 30, 2024 the Company incurred \$14,673 (2023 - \$14,553) for storage rental provided by a private corporation controlled by the son of the President of the Company.
- (vi) See also Note 5(a).

9. 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. Accordingly, should the Company wish to retain possession of all the concession areas it holds as at June 30, 2024, the Company's commitment for fiscal 2024 is approximately US \$1,300,000 (December 31, 2023 - US \$1,300,000).
- (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 fiscal 2024 is approximately US \$ 65,000 (December 31, 2023 - US \$65,000).

10. 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:

Financial Instrument	Category	June 30, 2024 \$	December 31, 2023 \$
Cash and cash equivalents	FVTPL	1,131,995	609,303
Amounts receivable	Amortized cost	37,700	549,644
Accounts payable and accrued liabilities	Amortized cost	(273,120)	(459,257)

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 and cash equivalents under the fair value hierarchy is measured using Level 1 inputs.

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10. Financial Instruments and Risk Management (continued)

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.

	Contractual Maturity Analysis at June 30, 2024				Total \$
	Less than 3 Months \$	3 - 12 Months \$	1 - 5 Years \$	Over 5 Years \$	
Cash and cash equivalents	1,131,995	-	-	-	1,131,995
Amounts receivable	37,700	-	-	-	37,700
Accounts payable and accrued liabilities	(273,120)	-	-	-	(273,120)

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 June 30, 2024, 1 Canadian Dollar was equal to 0.73 US Dollar.

Balances are as follows:

	US \$	CDN \$ Equivalent
Cash and cash equivalents	182,844	250,471
Amounts receivable	27,544	37,700
VAT receivable	95,306	130,556
Accounts payable and accrued liabilities	<u>(193,908)</u>	<u>(265,627)</u>
	<u>111,786</u>	<u>153,100</u>

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10. Financial Instruments and Risk Management (continued)

Based on the net exposures as of June 30, 2024 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 \$15,000 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.

11. Supplemental Cash Flow Information

During the six months ended June 30, 2024 and 2023 non-cash activities were conducted by the Company as follows:

	2024 \$	2023 \$
Operating activities		
Depreciation	6,451	28,359
General exploration	(96,574)	-
Accounts payable and accrued liabilities	<u>(73,500)</u>	<u>(40,000)</u>
	<u>(163,623)</u>	<u>(11,641)</u>
Investing activity		
Exploration and evaluation assets	<u>(6,451)</u>	<u>(28,359)</u>
Financing activities		
Issuance of common shares	296,576	52,000
Share-based payments reserve	<u>(126,502)</u>	<u>(12,000)</u>
	<u>170,074</u>	<u>40,000</u>

12. 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.

	<u>June 30, 2024</u>		
	Corporate Canada \$	Mineral Operations Ecuador \$	Total \$
Current assets	1,001,838	1,007,029	2,008,867
Property, plant and equipment	-	869,009	869,009
Exploration and evaluation assets	-	7,366,406	7,366,406
Investment in associated companies	<u>14,249,461</u>	<u>-</u>	<u>14,249,461</u>
	<u>15,251,299</u>	<u>9,242,444</u>	<u>24,493,773</u>

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12. Segmented Information (continued)

	December 31, 2023		
	Corporate Canada \$	Mineral Operations Ecuador \$	Total \$
Current assets	490,165	1,304,840	1,795,005
Property, plant and equipment	-	892,053	892,053
Exploration and evaluation assets	-	6,722,428	6,722,428
Investment in associated companies	<u>14,422,911</u>	<u>-</u>	<u>14,422,911</u>
	<u>14,913,076</u>	<u>8,919,321</u>	<u>23,832,397</u>

13. Event after the End of the Period

In August 2024 the Company completed a non-brokered private placement financing and issued 7,140,000 common shares, at a price of \$0.07 per share, for proceeds of \$499,800. Directors and/or officers of the Company purchased a total of 1,671,000 common shares.