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**SALAZAR RESOURCES LIMITED**

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE TWELVE MONTHS ENDED  
DECEMBER 31, 2024

*(Unaudited - Expressed in Canadian Dollars)*

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**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	December 31, 2024 \$	December 31, 2023 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		636,654	609,303
Prepaid expenses		146,011	63,851
Amounts receivable		89,616	549,644
GST / IVA tax receivables		83,129	123,968
Materials and supplies		<u>473,249</u>	<u>448,239</u>
<b>Total current assets</b>		<u>1,428,659</u>	<u>1,795,005</u>
<b>Non-current assets</b>			
Property, plant and equipment	4	857,176	892,053
Exploration and evaluation assets	5	5,818,987	6,722,428
Investment in associated company	6	<u>14,279,479</u>	<u>14,422,911</u>
<b>Total non-current assets</b>		<u>20,955,642</u>	<u>22,037,392</u>
<b>TOTAL ASSETS</b>		<u>22,384,301</u>	<u>23,832,397</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		<u>270,423</u>	<u>459,257</u>
<b>TOTAL LIABILITIES</b>		<u>270,423</u>	<u>459,257</u>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	7	52,212,337	49,898,110
Share-based payments reserve		6,785,239	6,265,236
Accumulated other comprehensive income		1,137,759	594,697
Deficit		<u>(38,021,457)</u>	<u>(33,384,903)</u>
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<u>22,113,878</u>	<u>23,373,140</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<u>22,384,301</u>	<u>23,832,397</u>

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

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

These condensed consolidated interim financial statements were approved for issue by the Board of Directors on February 28, 2025 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 December 31		Twelve Months Ended December 31	
		2024 \$	2023 \$	2024 \$	2023 \$
<b>Expenses</b>					
Accounting and administration	8(b)(ii)	14,859	14,220	57,673	56,604
Audit		-	-	117,450	119,000
Consulting		15,586	-	23,967	500
Corporate development		-	-	14,272	2,294
Community relations		-	9,446	-	9,446
Depreciation		31,554	73,221	103,115	179,075
Director and officer compensation	8	51,451	34,174	148,181	191,095
Drill expenses		244,795	439,858	920,587	1,629,587
General exploration		67,560	96,808	307,321	398,149
Legal		10,730	2,250	26,340	27,795
Office		8,899	2,948	69,649	57,956
Regulatory		7,789	10,264	26,130	49,790
Salaries		25,265	24,325	223,633	81,437
Share-based compensation	7(d)	-	(59,380)	646,505	352,930
Shareholder costs		870	(237)	6,058	1,794
Transfer agent		943	1,053	11,068	11,869
Travel		-	-	2,424	11,649
		<u>480,301</u>	<u>648,950</u>	<u>2,704,373</u>	<u>3,180,970</u>
<b>Loss before other items</b>		<u>(480,301)</u>	<u>(648,950)</u>	<u>(2,704,373)</u>	<u>(3,180,970)</u>
<b>Other items</b>					
Drill income		6,351	(189,227)	304,004	842,148
Interest income		15,047	10,511	49,105	67,124
Other income		-	415,977	-	449,871
Impairment of exploration and evaluation assets	5	-	(135,000)	(2,143,748)	(1,605,532)
Write-off of property, plant and equipment		-	13,372	-	13,372
Foreign exchange		(2,643)	(2,704)	1,890	(11,715)
Insurance proceeds recovery		-	(2,100)	-	482,436
Equity income (loss) in associated company	6(a)	72,694	106,659	(143,432)	(257,691)
Impairment in investment in associated company	6(c)	-	-	-	(2,474,365)
		<u>91,449</u>	<u>217,488</u>	<u>(1,932,181)</u>	<u>(2,494,352)</u>
<b>Net loss for the period</b>		<u>(388,852)</u>	<u>(431,462)</u>	<u>(4,636,554)</u>	<u>(5,675,322)</u>
<b>Other comprehensive income (loss)</b>					
Change in currency translation of foreign subsidiaries		<u>366,473</u>	<u>(218,186)</u>	<u>542,062</u>	<u>(368,276)</u>
<b>Comprehensive loss for the period</b>		<u>(22,379)</u>	<u>(649,648)</u>	<u>(4,094,492)</u>	<u>(6,043,598)</u>
<b>Basic and diluted loss per common share</b>		<u>\$(0.00)</u>	<u>\$(0.00)</u>	<u>\$(0.02)</u>	<u>\$(0.03)</u>
<b>Weighted average number of common shares outstanding</b>		<u>223,859,254</u>	<u>184,169,857</u>	<u>210,979,447</u>	<u>183,854,635</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>Twelve Months Ended December 31, 2024</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, 2023</b>	184,212,079	49,898,110	6,265,236	594,697	(33,384,903)	23,373,140
Common shares issued for:						
- private placements	37,740,000	2,029,800	-	-	-	2,029,800
- share options	1,907,175	170,074	-	-	-	170,074
Share issue costs	-	(12,149)	-	-	-	(12,149)
Transfer on exercise of share options	-	126,502	(126,502)	-	-	-
Share-based compensation:						
- share options	-	-	646,505	-	-	646,505
Currency translation adjustment	-	-	-	543,062	-	543,062
Net loss for the period	-	-	-	-	(4,636,554)	(4,636,554)
<b>Balance at December 31, 2024</b>	<b>223,859,254</b>	<b>52,212,337</b>	<b>6,785,239</b>	<b>1,137,759</b>	<b>(38,021,457)</b>	<b>22,113,878</b>
<b>Twelve Months Ended December 31, 2023</b>						
<b>Share Capital</b>						
	Number of Shares	Amount \$	Share-Based Payments Reserve \$	Accumulated Other Comprehensive Income (Loss) \$	Deficit \$	Total Shareholders' Equity \$
<b>Balance at December 31, 2022</b>	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
- restricted share units	100,000	37,000	-	-	-	37,000
Transfer on exercise of:						
- share options	-	12,000	(12,000)	-	-	-
- restricted share units	-	-	(37,000)	-	-	(37,000)
Share-based compensation:						
- share options	-	-	315,468	-	-	315,468
- restricted share units	-	-	37,462	-	-	37,462
Currency translation adjustment	-	-	-	(368,276)	-	(368,276)
Net loss for the period	-	-	-	-	(5,675,322)	(5,675,322)
<b>Balance at December 31, 2023</b>	<b>184,212,079</b>	<b>49,898,110</b>	<b>6,265,236</b>	<b>594,697</b>	<b>(33,384,903)</b>	<b>23,373,140</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)*

	Twelve Months Ended December 31,	
	2024 \$	2023 \$
<b>Operating activities</b>		
Net loss for the period	(4,636,554)	(5,675,322)
Adjustments for:		
Depreciation	103,115	179,075
Share-based compensation	646,505	352,930
Impairment of exploration and evaluation assets	2,143,748	1,605,532
Write-off of property, plant and equipment	-	13,372
Equity loss in associated company	143,432	257,691
Impairment in investment in associated company	-	2,474,365
Changes in non-cash working capital items:		
Amounts receivable	483,722	297,151
GST/VAT receivable	48,727	(51,710)
Prepaid expenses and deposits	(75,462)	84,585
Materials and supplies	13,715	117,045
Accounts payable and accrued liabilities	(214,829)	(150,181)
<b>Net cash used in operating activities</b>	<u>(1,343,881)</u>	<u>(495,467)</u>
<b>Investing activities</b>		
Expenditures on exploration and evaluation assets, net of recoveries	(764,405)	(1,177,492)
Additions to property, plant and equipment, net of recoveries	-	(12,791)
Investment in associated companies	-	(169,714)
<b>Net cash used in investing activities</b>	<u>(764,405)</u>	<u>(1,359,997)</u>
<b>Financing activities</b>		
Issuance of common shares	2,199,874	408,521
Share issue costs	(12,149)	-
<b>Net cash provided by financing activities</b>	<u>2,187,725</u>	<u>408,521</u>
<b>Effect of exchange rate changes on cash</b>	<u>(52,088)</u>	<u>(109,484)</u>
<b>Net change in cash</b>	27,351	(1,556,427)
<b>Cash at beginning of period</b>	<u>609,303</u>	<u>2,165,730</u>
<b>Cash at end of period</b>	<u>636,654</u>	<u>609,303</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 TWELVE MONTHS ENDED DECEMBER 31, 2024**  
*(Unaudited - Expressed in Canadian Dollars)*

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**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. In November 2024 the Company changed its fiscal year-end from December 31<sup>st</sup> to March 31<sup>st</sup>.

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 December 31, 2024 the Company had working capital of \$1,158,236. 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. 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.

**SALAZAR RESOURCES LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2024**  
*(Unaudited - Expressed in Canadian Dollars)*

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

***Basis of Presentation***

These condensed consolidated interim financial statements are presented for a period of twelve months ended December 31, 2024. The Company has changed its fiscal year end from December 31 to March 31 effective March 31, 2025. The change in the fiscal year will synchronize the Company's financial reporting with that of Silvercorp Metals Inc., ("Silvercorp"), majority shareholder of Salazar Holdings Ltd. ("Salazar Holdings"). Silvercorp's financial year-end is March 31<sup>st</sup>.

***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 December 31, 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**

	<b>Land</b>	<b>Drill Rigs and Equipment</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Cost:</b>			
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)
	<u>403,054</u>	<u>2,790,807</u>	<u>3,193,861</u>
Balance at December 31, 2023	403,054	2,790,807	3,193,861
Foreign exchange movement	35,442	238,155	273,597
	<u>438,496</u>	<u>3,028,962</u>	<u>3,467,458</u>
Balance at December 31, 2024	438,496	3,028,962	3,467,458



**SALAZAR RESOURCES LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2024**  
*(Unaudited - Expressed in Canadian Dollars)*

**4. Property, Plant and Equipment (continued)**

	Land \$	Drill Rigs and Equipment \$	Total \$
<b>Accumulated Depreciation:</b>			
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	-	(108,232)	(108,232)
Foreign exchange movement	-	(200,242)	(200,242)
Balance at December 31, 2024	-	(2,610,282)	(2,610,282)
<b>Carrying Value:</b>			
Balance at December 31, 2023	403,054	488,999	892,053
Balance at December 31, 2024	438,496	418,680	857,176

**5. Exploration and Evaluation Assets**

	As at December 31, 2024				
	Acquisition Costs \$	Deferred Exploration Costs \$	Foreign Exchange Movement \$	Impairment \$	Total \$
Ecuador					
Macara	627,568	4,702,427	488,992	-	5,818,987
El Potro	319,977	1,763,868	59,903	(2,143,748)	-
	<u>947,545</u>	<u>6,466,295</u>	<u>548,895</u>	<u>(2,143,748)</u>	<u>5,818,987</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	305,291	1,573,137	7,623	-	1,886,051
	<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 TWELVE MONTHS ENDED DECEMBER 31, 2024**  
*(Unaudited - Expressed in Canadian Dollars)*

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

	Macara \$	El Potro \$	Los Osos \$	Total \$
<b>Balance at December 31, 2022</b>	<u>4,586,084</u>	<u>1,199,817</u>	<u>1,541,985</u>	<u>7,327,886</u>
<b>Exploration costs</b>				
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>
<b>Acquisition costs</b>				
Property / concession / option payments	<u>-</u>	<u>149,210</u>	<u>42,777</u>	<u>191,987</u>
<b>Other</b>				
Foreign exchange movement	<u>(152,848)</u>	<u>(59,478)</u>	<u>(2,101)</u>	<u>(214,427)</u>
<b>Impairment provision</b>	<u>-</u>	<u>-</u>	<u>(1,605,532)</u>	<u>(1,605,532)</u>
<b>Balance at December 31, 2023</b>	<u>4,836,377</u>	<u>1,886,051</u>	<u>-</u>	<u>6,722,428</u>
<b>Exploration costs</b>				
Assay analysis	35,606	161	-	35,767
Camp supervision and personnel	-	14,967	-	14,967
Camp supplies	-	3,314	-	3,314
Community relations	-	3,314	-	3,314
Depreciation	13,889	227	-	14,116
Environmental studies	10,960	-	-	10,960
Exploration site	226,023	60,865	-	286,888
Legal	-	9,327	-	9,327
Salaries	<u>249,839</u>	<u>98,556</u>	<u>-</u>	<u>348,395</u>
	<u>536,317</u>	<u>190,731</u>	<u>-</u>	<u>727,048</u>
<b>Acquisition costs</b>				
Property / concession / option payments	<u>27,562</u>	<u>14,686</u>	<u>-</u>	<u>42,248</u>
<b>Other</b>				
Foreign exchange movement	<u>418,731</u>	<u>52,280</u>	<u>-</u>	<u>471,011</u>
<b>Impairment provision</b>	<u>-</u>	<u>(2,143,748)</u>	<u>-</u>	<u>(2,143,748)</u>
<b>Balance at December 31, 2024</b>	<u>5,818,987</u>	<u>-</u>	<u>-</u>	<u>5,818,987</u>

**SALAZAR RESOURCES LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2024**  
*(Unaudited - Expressed in Canadian Dollars)*

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

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.

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 December 31, 2024 the Company has incurred \$845,139 (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 December 31, 2024 the Company has incurred \$4,551,117 (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 was granted the mineral title (the “El Potro Concession”) located in the province of Loja, Ecuador. Pursuant to the option agreement the Company had paid a total of US \$200,000 and was to make additional cash payments totalling US \$950,000, with a US \$150,000 payment due on August 30, 2024. The Company determined not to make the payment and, accordingly the option agreement was terminated and, during the twelve months ended December 31, 2024, the Company recorded an impairment charge of \$2,143,748 for all costs capitalized.

(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 the twelve months ended December 31, 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 TWELVE MONTHS ENDED DECEMBER 31, 2024**  
*(Unaudited - Expressed in Canadian Dollars)*

**6. Investment in Associated Companies**

The Company holds ownership interests in the following associates:

Associate	Ownership Interest	December 31, 2024 \$	December 31, 2023 \$
Salazar Holdings Ltd. ("Salazar Holdings")	25%	14,279,479	14,422,911
Minera Dos Gemas M2G S.A. ("Dos Gemas")	20%	-	-
Santos Resources Ltd. ("Santos Resources")	26%	-	-
		<u>14,279,479</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 was required to fund 100% of the development and construction expenditures to commercial production. Upon achievement of commercial production, Adventus would 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.

On July 31, 2024 Adventus and Silvercorp completed the plan of arrangement by which Silvercorp acquired a 100% interest in Adventus.

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>(143,432)</u>
Balance, December 31, 2024	<u>14,279,479</u>

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**6. Investment in Associated Companies (continued)**

**(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.

The principal properties held in the Alliance are the Pijili Project and the Santiago Concession.

*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.

On December 20, 2024 the Company entered into a binding letter agreement (the “Dos Gemas Agreement”) for the purchase, from Silvercorp, of certain exploration assets in Ecuador (the “Transactions”). The parties will now work diligently to complete the necessary documentation to finalize the sale.

Under the terms of the Dos Gemas Agreement, the key terms of which are outlined below, Silvercorp will transfer the shares of two of its Ecuadorian subsidiaries to the Company, which companies hold the following mineral exploration properties in exchange for net smelter return (“NSR”) royalties in such properties:

- (i) the portion of the Santiago Project Silvercorp owns to the Company in exchange for a 1.5% NSR royalty on the entire project, subject to a \$3 million repurchase option;
- (ii) the portion of the Pijili Project Silvercorp owns to the Company in exchange for a 1.5% NSR royalty on the entire project, subject to an option to repurchase 1% NSR royalty on the project in exchange for \$1 million;

The Company currently owns 20% of Santiago and Pijili and this transaction provides the Company with full ownership. These properties were previously held under the Exploration Alliance agreement which will be terminated on closing.

The Transactions are subject to the finalization of definitive agreements and customary closing conditions.

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**6. Investment in Associated Companies (continued)**

(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%);
- (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>

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**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***

*Twelve Months Ended December 31, 2024*

The Company completed non-brokered private placement financings as follows:

- (i) in April 2024 the Company 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; and
- (ii) in August 2024 the Company issued a total of 7,140,000 common shares at \$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.

The Company incurred \$12,149 for filing fees associated with these private placements. See also Note 12(a).

*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.

(c) ***Warrants***

A summary of the number of common shares reserved pursuant to the Company's outstanding warrants at December 31, 2024 and 2023 and the changes for the twelve 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	(1,000,000)	0.12	-	-
Balance, end of period	1,114,320	0.35	2,114,320	0.24

As at December 31, 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.

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**7. Share Capital (continued)**

During the twelve months ended December 31, 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 - \$60,468) 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:

	<u>2024</u>	<u>2023</u>
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 twelve months ended December 31, 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.

A summary of the Company's share options at December 31, 2024 and 2023 and the changes for the twelve months ended on those dates, is as follows:

	<u>2024</u>		<u>2023</u>	
	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	<u>-</u>	-
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 December 31, 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>		

See also Note 12(b).



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**7. Share Capital** (continued)

(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 December 31, 2024 and 2023 and the changes for the twelve 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>763,000</u>

During the twelve months ended December 31, 2023 the Company recorded share-based compensation of \$37,462 relating to the RSUs.

**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 twelve months ended December 31, 2024 and 2023 the following amounts were incurred with respect to the President & Chief Executive Officer (“CEO”), the Chief Financial Officer (“CFO”), and the former Executive Vice-President of the Company:

	2024 \$	2023 \$
Salaries and fees	106,151	134,657
Health benefits	-	6,988
Share-based compensation - share options	184,174	97,235
Share-based compensation - RSUs	<u>-</u>	<u>14,951</u>
	<u>290,325</u>	<u>253,831</u>

As at December 31, 2024 \$4,500 (2023 - \$13,250) remained unpaid and has been included in accounts payable and accrued liabilities.

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

(b) *Other Related Party Transactions*

- (i) During the twelve months ended December 31, 2024 and 2023 the following amounts were incurred with respect to non-executive directors of the Company:

	2024 \$	2023 \$
Consulting	42,030	49,429
Share-based compensation - share options	66,645	69,521
Share-based compensation - RSUs	-	12,556
	<u>108,675</u>	<u>131,506</u>

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

- (ii) During the twelve months ended December 31, 2024 the Company incurred a total of \$57,673 (2023 - \$56,604) 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 December 31, 2024 \$nil (2023 - \$4,629) remained unpaid and has been included in accounts payable and accrued liabilities.

During the twelve months ended December 31, 2024 the Company also recorded \$15,000 (2023 - \$6,300) share-based compensation for share options granted to Chase.

- (iii) During the twelve months ended December 31, 2024 the Company incurred \$nil (2023 - \$32,386) for equipment rental services and \$76,720 (2023 - \$175,422) for professional services provided by a private corporation controlled by the President of the Company. As at December 31, 2024 \$nil (2023 - \$106,854) remained unpaid and has been included in accounts payable and accrued liabilities.

During the twelve months ended December 31, 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.

- (iv) During the twelve months ended December 31, 2024 the Company incurred \$29,592 (2023 - \$29,147) for storage rental provided by a private corporation controlled by the son of the President of the Company.

- (v) See also Note 5(a).

**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:

Financial Instrument	Category	December 31, 2024 \$	December 31, 2023 \$
Cash and cash equivalents	FVTPL	636,654	609,303
Amounts receivable	Amortized cost	89,626	549,644
Accounts payable and accrued liabilities	Amortized cost	(270,423)	(459,257)

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

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.

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 December 31, 2024</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 and cash equivalents	636,654	-	-	-	636,654
Amounts receivable	89,626	-	-	-	89,626
Accounts payable and accrued liabilities	(270,423)	-	-	-	(270,423)

*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.

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

(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 December 31, 2024, 1 Canadian Dollar was equal to 0.69 US Dollar.

Balances are as follows:

	US \$	CDN \$ Equivalent
Cash and cash equivalents	76,829	111,347
Amounts receivable	62,281	89,616
VAT receivable	55,063	79,801
Accounts payable and accrued liabilities	<u>(177,022)</u>	<u>(256,554)</u>
	<u>17,151</u>	<u>24,210</u>

Based on the net exposures as of December 31, 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 \$3,000 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.

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**10. Supplemental Cash Flow Information**

During the twelve months ended December 31, 2024 and 2023 non-cash activities were conducted by the Company as follows:

	2024 \$	2023 \$
Operating activities		
Depreciation	4,890	37,009
Accounts payable and accrued liabilities	-	-
	<u>4,890</u>	<u>37,009</u>
Investing activity		
Exploration and evaluation assets	(4,890)	(37,009)
Financing activities		
Issuance of common shares	126,502	49,000
Share-based payments reserve	(126,502)	(49,000)
	<u>-</u>	<u>-</u>

**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.

	December 31, 2024		
	Corporate Canada \$	Mineral Operations Ecuador \$	Total \$
Current assets	576,527	852,132	1,428,659
Property, plant and equipment	-	857,176	857,176
Exploration and evaluation assets	-	5,818,987	5,818,987
Investment in associated companies	14,279,479	-	14,279,479
	<u>14,856,006</u>	<u>7,528,295</u>	<u>22,384,301</u>
	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	14,422,911	-	14,422,911
	<u>14,913,076</u>	<u>8,919,321</u>	<u>23,832,397</u>

**12. Events after the Reporting Period**

- (a) In January 2025 the Company completed a non-brokered private placement and issued 25,000,000 common shares for gross proceeds of \$1,750,000. Certain officers and directors of the Company participated in the private placement by purchasing an aggregate of 3,084,000 shares.

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**12. Events after the Reporting Period** (continued)

- (b) On January 10, 2025 the Company granted stock options to the Company's corporate secretary to purchase 1,889,000 common shares at an exercise price of \$0.07 expiring January 10, 2026.