
SALAZAR RESOURCES LIMITED

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED
JUNE 30, 2025

(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, 2025 \$	March 31, 2025 \$
ASSETS			
Current assets			
Cash and cash equivalents		1,209,634	1,611,845
Amounts receivable	8(b)	148,573	97,955
GST / IVA tax receivables		88,197	85,081
Materials and supplies		447,569	471,685
Prepaid expenses		99,632	118,433
Total current assets		1,993,605	2,384,999
Non-current assets			
Property, plant and equipment	4	722,770	800,134
Exploration and evaluation assets	5	5,934,825	6,143,669
Investment in associated companies	6	13,947,112	14,053,843
Total non-current assets		20,604,707	20,997,646
TOTAL ASSETS		22,598,312	23,382,645
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		398,558	235,217
TOTAL LIABILITIES		398,558	235,217
SHAREHOLDERS' EQUITY			
Share capital	7	53,946,813	53,946,813
Share-based payments reserve		6,863,480	6,863,480
Accumulated other comprehensive income		924,474	1,254,654
Deficit		(39,535,013)	(38,917,519)
TOTAL SHAREHOLDERS' EQUITY		22,199,754	23,147,428
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		22,598,312	23,382,645

Nature of Operations and Going Concern - see Note 1

Commitments - see Note 9

Event after the Reporting Period - see Note 13

These condensed consolidated interim financial statements were approved for issue by the Board of Directors on August 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 June 30,	
		2025	2024
		\$	\$
Expenses			
Accounting and administration services	8(b)(ii)	19,937	14,360
Audit		75,000	17,705
Consulting and professional fees		13,047	5,498
Corporate development		4,574	-
Community relations		29,758	-
Depreciation		20,311	23,870
Director and officer compensation	8	64,790	33,142
Drill and other services expenses		117,316	140,716
General exploration and maintenance		93,096	139,392
Legal		13,982	2,027
Office		54,800	20,939
Regulatory		7,400	8,805
Salaries		13,277	63,294
Share-based compensation	7(d)	-	636,155
Shareholder costs		1,495	3,178
Transfer agent		1,395	5,842
		<u>530,178</u>	<u>1,114,923</u>
Loss before other items		<u>(530,178)</u>	<u>(1,114,923)</u>
Other items			
Drill and other services income		-	70,061
Interest income		12,320	16,855
Other income		5,953	-
Gain on sale of property, plant and equipment		8,661	-
Foreign exchange		(7,519)	2,654
Equity loss in associated company	6(a)	<u>(106,731)</u>	<u>(118,627)</u>
		<u>(87,316)</u>	<u>(29,057)</u>
Net loss for the period		<u>(617,494)</u>	<u>(1,143,980)</u>
Other comprehensive (loss) income			
Change in currency translation of foreign subsidiaries		<u>(330,180)</u>	<u>82,491</u>
Comprehensive loss for the period		<u>(947,674)</u>	<u>(1,061,489)</u>
Basic and diluted loss per common share		<u>\$(0.00)</u>	<u>\$(0.01)</u>
Weighted average number of common shares outstanding		<u>217,224,025</u>	<u>212,596,631</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)

Three Months Ended June 30, 2025						
	Share Capital					
	Number of Shares	Amount \$	Share-Based Payments Reserve \$	Accumulated Other Comprehensive Income (Loss) \$	Deficit \$	Total Shareholders' Equity \$
Balance at March 31, 2025	248,859,254	53,946,813	6,863,480	1,254,654	(38,917,519)	23,147,428
Currency translation adjustment	-	-	-	(330,180)	-	(330,180)
Net loss for the period	-	-	-	-	(617,494)	(617,494)
Balance at June 30, 2025	248,859,254	53,946,813	6,863,480	924,474	(39,535,013)	22,199,754

Three Months Ended June 30, 2024							
	Share Capital						
	Number of Shares	Amount \$	Share Subscriptions Received \$	Share-Based Payments Reserve \$	Accumulated Other Comprehensive Income \$	Deficit \$	Total Shareholders' Equity \$
Balance at March 31, 2024	184,212,079	49,898,110	189,382	6,275,586	793,310	(34,012,473)	23,143,915
Common shares issued for:							
- private placement	30,600,000	1,530,000	(189,382)	-	-	-	1,340,618
- 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	-	-	-	636,155	-	-	636,155
Currency translation adjustment	-	-	-	-	82,491	-	82,491
Net loss for the period	-	-	-	-	-	(1,143,980)	(1,143,980)
Balance at June 30, 2024	216,719,254	51,716,036	-	6,785,239	875,801	(35,156,453)	24,220,623

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)

	Three Months Ended June 30,	
	2025	2024
	\$	\$
Operating activities		
Net loss for the period	(617,494)	(1,143,980)
Adjustments for:		
Depreciation	20,311	23,870
Share-based compensation	-	636,155
Gain on sale of property, plant and equipment	(8,661)	-
Equity loss in associated company	106,731	118,627
Changes in non-cash working capital items:		
Amounts receivable	(56,420)	42,580
GST/VAT receivable	(7,224)	(3,303)
Prepaid expenses and deposits	16,452	5,024
Materials and supplies	66	332
Accounts payable and accrued liabilities	173,653	(246,441)
Net cash used in operating activities	(372,586)	(567,136)
Investing activities		
Expenditures on exploration and evaluation assets, net of recoveries	(67,976)	(246,181)
Proceeds on sale of property, plant and equipment	23,511	-
Net cash used in investing activities	(44,465)	(246,181)
Financing activities		
Issuance of common shares	-	1,530,000
Share issue costs	-	(8,650)
Net cash provided by financing activities	-	1,521,350
Effect of exchange rate changes on cash	14,840	(185,341)
Net change in cash	(402,211)	522,692
Cash at beginning of period	1,611,845	609,303
Cash at end of period	1,209,634	1,131,995

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 THREE MONTHS ENDED JUNE 30, 2025
(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. In November 2024 the Company changed its fiscal year-end from December 31st to March 31st.

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, 2025 the Company had working capital of \$1,595,047. 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 condensed consolidated interim 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.

See also Note 13.

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 THREE MONTHS ENDED JUNE 30, 2025
(Unaudited - Expressed in Canadian Dollars)

2. Basis of Preparation (continued)

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.

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 fiscal year ended March 31, 2025. Accordingly, they should be read in conjunction with the consolidated financial statements for the fiscal year ended March 31, 2025.

Accounting Standards Issued but Not Yet Effective

IFRS 18, *Presentation and Disclosure in Financial Statements*, which will replace IAS 1, *Presentation of Financial Statements* aims to improve how companies communicate in their financial statements, with a focus on information about financial performance in the statement of profit or loss, in particular additional defined subtotals, disclosures about management-defined performance measures and new principles for aggregation and disaggregation of information. IFRS 18 is accompanied by limited amendments to the requirements in IAS 7 *Statement of Cash Flows*. IFRS 18 is effective from January 1, 2027. Companies are permitted to apply IFRS 18 before that date.

The Company is assessing the impact of adoption of IFRS 18 and is working to identify all impacts the changes will have on the consolidated financial statements and notes to the consolidated financial statements.

SALAZAR RESOURCES LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED JUNE 30, 2025
(Unaudited - Expressed in Canadian Dollars)

4. Property, Plant and Equipment

	Land \$	Drill Rigs and Equipment \$	Total \$
Cost:			
Balance at December 31, 2023	258,307	2,935,554	3,193,861
Additions	6,258	-	6,258
Write-off	-	(34,727)	(34,727)
Foreign exchange movement	22,690	(321,653)	(298,963)
Balance at March 31, 2025	287,255	2,579,174	2,866,429
Disposals	-	(64,003)	(64,003)
Foreign exchange movement	(14,647)	(126,387)	(141,034)
Balance at June 30, 2025	272,608	2,388,784	2,661,392
Accumulated Depreciation:			
Balance at December 31, 2023	-	(2,301,808)	(2,301,808)
Depreciation	-	(134,348)	(134,348)
Foreign exchange movement	-	369,861	369,861
Balance at March 31, 2025	-	(2,066,295)	(2,066,295)
Depreciation	-	(22,247)	(22,247)
Disposals	-	49,153	49,153
Foreign exchange movement	-	100,767	100,767
Balance at June 30, 2025	-	(1,938,622)	(1,938,622)
Carrying Value:			
Balance at March 31, 2025	287,255	512,879	800,134
Balance at June 30, 2025	272,608	450,162	722,770

SALAZAR RESOURCES LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED JUNE 30, 2025
(Unaudited - Expressed in Canadian Dollars)

5. Exploration and Evaluation Assets

		As at June 30, 2025				
		Acquisition Costs \$	Deferred Exploration Costs \$	Foreign Exchange Movement \$	Recovery \$	Total \$
Ecuador						
	Macara	732,534	5,044,458	157,833	-	5,934,825
	Other	<u>264,011</u>	<u>-</u>	<u>12,809</u>	<u>(276,820)</u>	<u>-</u>
		<u>996,545</u>	<u>5,044,458</u>	<u>170,642</u>	<u>(276,820)</u>	<u>5,934,825</u>
		As at March 31, 2025				
		Acquisition Costs \$	Deferred Exploration Costs \$	Foreign Exchange Movement \$	Impairment \$	Total \$
Ecuador						
	Macara	656,408	4,822,520	467,360	-	5,946,288
	El Potro	319,977	1,763,868	59,903	(2,143,748)	-
	Other	<u>197,381</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>197,381</u>
		<u>1,173,766</u>	<u>6,586,388</u>	<u>527,263</u>	<u>(2,143,748)</u>	<u>6,143,669</u>

SALAZAR RESOURCES LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED JUNE 30, 2025
(Unaudited - Expressed in Canadian Dollars)

5. Exploration and Evaluation Assets (continued)

	Macara \$	El Potro \$	Other \$	Total \$
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	53,671	161	-	53,832
Camp supervision and personnel	-	14,967	-	14,967
Camp supplies	-	3,314	-	3,314
Community relations	-	3,314	-	3,314
Depreciation	17,449	227	-	17,676
Environmental studies	11,094	-	-	11,094
Exploration site	205,437	60,865	-	266,302
Legal	-	9,327	-	9,327
Salaries	<u>368,759</u>	<u>98,556</u>	<u>-</u>	<u>467,315</u>
	<u>656,410</u>	<u>190,731</u>	<u>-</u>	<u>847,141</u>
Acquisition costs				
Property / concession / option payments	56,402	14,686	-	71,088
Deposits	<u>-</u>	<u>-</u>	<u>197,381</u>	<u>197,381</u>
	<u>56,402</u>	<u>14,686</u>	<u>197,381</u>	<u>268,469</u>
Other				
Foreign exchange movement	<u>397,099</u>	<u>52,280</u>	<u>-</u>	<u>449,379</u>
Impairment provision	<u>-</u>	<u>(2,143,748)</u>	<u>-</u>	<u>(2,143,748)</u>
Balance at March 31, 2025	<u>5,946,288</u>	<u>-</u>	<u>197,381</u>	<u>6,143,669</u>
Exploration costs				
Assay analysis	9,160	-	-	9,160
Camp supervision and personnel	28,477	-	-	28,477
Community relations	2,388	-	-	2,388
Depreciation	1,936	-	-	1,936
Exploration site	85,547	-	-	85,547
Salaries	<u>94,430</u>	<u>-</u>	<u>-</u>	<u>94,430</u>
	<u>221,938</u>	<u>-</u>	<u>-</u>	<u>221,938</u>
Acquisition costs				
Property / concession / option payments	76,126	-	66,630	142,756
Recovery of costs	<u>-</u>	<u>-</u>	<u>(276,820)</u>	<u>(276,820)</u>
	<u>76,126</u>	<u>-</u>	<u>(210,190)</u>	<u>(134,064)</u>
Other				
Foreign exchange movement	<u>(309,527)</u>	<u>-</u>	<u>12,809</u>	<u>(296,718)</u>
Balance at June 30, 2025	<u>5,934,825</u>	<u>-</u>	<u>-</u>	<u>5,934,825</u>

SALAZAR RESOURCES LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED JUNE 30, 2025
(Unaudited - Expressed in Canadian Dollars)

5. Exploration and Evaluation Assets (continued)

(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 \$400,000 and agreed to make an additional cash payment of US \$200,000 (the “Final Option Payment”) on completion of a preliminary economics assessment or November 6, 2024 (collectively the “Option Proceeds”). During the three months ended June 30, 2025 the Company paid US \$55,000 as a payment on account of the final option payment. As at June 30, 2025 no notice of default has been delivered by the Macara Vendor to the Company while the parties are re-negotiating the terms of payment.

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 a participation agreement with an employee of the Company and the son of the Company’s President to share the Option Proceeds equally.

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

(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 fifteen months ended March 31, 2025, 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 has been granted the option to acquire up to a 100% interest in one mineral concession (“Los Osos Concession”) located in the province of El Oro, Ecuador. As at December 31, 2023 the Company had paid option payments totalling US \$180,019 to earn a 75% interest in the Los Osos Concession and a final option payment of US \$69,981 (the “Final Payment”) to earn the remaining 25% interest was originally due on March 21, 2023. Although the option agreement was not terminated, due to the uncertainty of the fulfillment of the Final Payment the Company determined to record an impairment charge of \$1,605,532 in fiscal 2023 for all costs capitalized. In June 2024 the Los Osos Vendor agreed to settle the Final Payment through the issuance of 1,207,175 Company shares at \$0.08 per share, with the amount expensed to general exploration expense. The Company now owns 100% of the Los Osos Concession.

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

SALAZAR RESOURCES LIMITED
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(Unaudited - Expressed in Canadian Dollars)

5. Exploration and Evaluation Assets (continued)

(d) ***Other***

- (i) As at June 30, 2025 the Company has paid \$263,011 for tenure payments and a mining administrative fee for concessions to be acquired in Ecuador.

The Company also entered into a letter agreement to complete a joint venture agreement with a third-party to advance the Tarqui and Quimi Projects. During the three months ended June 30, 2025 the Company received 276,820 (US \$200,000) as an advance for an option on the Tarqui and Quimi Projects.

- (ii) The Company owns a 100% interest in two concessions (the “Ruminahui Project”) located in the province of Pichincha, Ecuador.

- (iii) The Company also has application for concessions in progress.

6. Investment in Associated Companies

The Company holds ownership interests in the following associates:

Associate	Ownership Interest	June 30, 2025 \$	March 31, 2025 \$
Salazar Holdings Ltd. (“Salazar Holdings”)	25%	13,947,112	14,053,843
Minera Dos Gemas M2G S.A. (“Dos Gemas”)	20%	-	-
		<u>13,947,112</u>	<u>14,053,843</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 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.

SALAZAR RESOURCES LIMITED
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(Unaudited - Expressed in Canadian Dollars)

6. Investment in Associated Companies (continued)

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. In December 2024 certain amendments were made to the Salazar Holdings Shareholders' Agreement to allow funding to be provided by Silvercorp with the terms of such funding to be in compliance with the Salazar Holdings Shareholders' Agreement.

On July 31, 2024 Adventus and Silvercorp completed a 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, 2023	14,422,911
Equity loss	<u>(369,068)</u>
Balance, March 31, 2025	14,053,843
Equity loss	<u>(106,731)</u>
Balance, June 30, 2025	<u>13,947,112</u>

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

	As at June 30, 2025 \$	As at March 31, 2025 \$
Current assets	25,325,500	39,559,234
Non-current assets	200,423,856	300,840,538
Current liabilities	(2,559,427)	(5,949,157)
Non-current liabilities	<u>(97,812,124)</u>	<u>(99,379,557)</u>
Net assets	<u>125,377,805</u>	<u>235,071,058</u>
	<u>Three Months Ended June 30,</u>	<u>2025</u>
	\$	2024 \$
Total comprehensive loss for the period	<u>784,785</u>	<u>894,623</u>

(b) Exploration Alliance

In fiscal 2017 and 2018 the Company entered into various agreements (the "Exploration Alliance Agreements") with Adventus to jointly explore in Ecuador (the "Exploration Alliance"). Pursuant to definitive agreements the Company holds a 20% interest in Dos Gemas and certain other companies which hold mineral concessions in Ecuador (collectively the "Exploration Alliance Concessions"). The principal concessions in the Exploration Alliance are Pijili and Santiago.

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6. Investment in Associated Companies (continued)

In December 2024, with the takeover of Adventus by Silvercorp, the Company entered into a binding letter agreement (the "Silvercorp LOI") to acquire the Exploration Alliance Concessions. In addition to the Exploration Alliance Concessions, the Company has also agreed to purchase other exploration concessions wholly-owned by Silvercorp on similar acquisition terms to the Exploration Alliance Concessions. Under the terms of the Silvercorp LOI Silvercorp will transfer shares of various Ecuadorian subsidiaries to the Company in exchange for 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 US \$3,000,000 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 a 1% NSR royalty in exchange for US \$1,000,000;
- (iii) the Tarqui Project in exchange for a 1.5% NSR royalty on the entire project, subject to an option to repurchase a 1% NSR in exchange for US \$1,000,000; and
- (iv) the Quimi Project in exchange for a 1.5% NSR royalty on the project, subject to an option to repurchase a 1% NSR royalty in exchange for US \$1,000,000.

The Company currently owns 20% of Santiago and Pijili and this transaction will provide the Company with full ownership.

Completion of the transactions contemplated in the Silvercorp LOI are subject to the finalization of definitive agreements and customary closing conditions. See also Note 13.

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

Three Months Ended June 30, 2025

During the three months ended June 30, 2025 the Company did not complete any equity financings.

Fifteen Months Ended March 31, 2025

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, officers and a spouse of a director of the Company purchased a total of 2,650,000 common shares.
- (iii) In January 2025 the Company issued 25,000,000 common shares at \$0.07 per share, for gross proceeds of \$1,750,000. Directors, officers and a spouse of a director of the Company purchased a total of 5,484,000 common shares.

The Company incurred \$24,992 for filing fees associated with these private placements.

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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, 2025 and 2024 and the changes for the three months ended on those dates is as follows:

	2025		2024	
	Number	Weighted Average Exercise Price \$	Number	Weighted Average Exercise Price \$
Balance, beginning and end of period	<u>1,114,320</u>	0.35	<u>1,114,320</u>	0.35

As at June 30, 2025 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 three months ended June 30, 2025 the Company did not grant any share options.

During the three months ended June 30, 2024 the Company granted share options to purchase 9,751,588 common shares and recorded compensation expense of \$633,111 on the granting of share options. In addition the Company recorded share-based compensation of \$3,044 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: risk-free interest rate of 3.55%; estimated volatility of 69%; expected life of 5 years; expected dividend yield of 0%; and estimated forfeiture rate of 0%.

The weighted average measurement date fair value of all share options granted during the three months ended June 30, 2024 was \$0.06 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 June 30, 2025 and 2024 and the changes for the three months ended on those dates, is as follows:

	2025		2024	
	Number of Options Outstanding	Weighted Average Exercise Price \$	Number of Options Outstanding	Weighted Average Exercise Price \$
Balance, beginning of period	18,083,413	0.11	10,450,000	0.15
Granted	-	-	9,751,588	0.09
Exercised	<u>-</u>	-	<u>(1,907,175)</u>	0.09
Balance, end of period	<u>18,083,413</u>	0.11	<u>18,294,413</u>	0.12

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7. Share Capital (continued)

The following table summarizes information about the share options outstanding and exercisable at June 30, 2025:

Number	Exercise Price \$	Expiry Date
1,889,000	0.07	January 10, 2026
1,750,000	0.29	April 6, 2026
7,100,000	0.10	May 23, 2028
3,594,413	0.08	May 16, 2029
<u>3,750,000</u>	0.105	May 16, 2029
<u>18,083,413</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, 2025 and 2024 and the changes for the three months ended on those dates, is as follows:

	2025 Number of RSUs	2024 Number of RSUs
Balance, beginning and of period	<u>763,000</u>	<u>763,000</u>

During the three months ended June 30, 2024 the Company recorded share-based compensation of \$31,842 relating to the vesting of RSUs previously awarded.

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 three months ended June 30, 2025 and 2024 the following amounts were incurred with respect to the President & Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"):

	2025 \$	2024 \$
Salaries and fees	52,163	19,585
Health benefits	1,550	-
Share-based compensation - share options	<u>-</u>	<u>152,628</u>
	<u>53,713</u>	<u>172,213</u>

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8. Related Party Disclosures (continued)

As at June 30, 2025 \$7,367 (March 31, 2025 - \$2,156) remained unpaid and has been included in accounts payable and accrued liabilities.

(b) *Other Related Party Transactions*

- (i) During the three months ended June 30, 2025 and 2024 the following amounts were incurred with respect to non-executive directors of the Company:

	2025 \$	2023 \$
Consulting	12,627	10,975
Share-based compensation - share options	-	92,952
	<u>12,627</u>	<u>103,927</u>

As at June 30, 2025 \$8,978 (March 31, 2025 - \$4,500) remained unpaid and has been included in accounts payable and accrued liabilities.

- (ii) During the three months ended June 30, 2025 the Company incurred a total of \$19,937 (2024 - \$14,360) 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.

During the three months ended June 30, 2024 the Company also recorded \$15,000 share-based compensation for share options granted to Chase.

- (iii) During the three months ended June 30, 2025 the Company incurred \$5,536 (2024 - \$21,815) for professional services provided by a private corporation controlled by the President of the Company.

During the three months ended June 30, 2024 the Company also recorded \$15,000 share-based compensation for share options granted to the private corporation controlled by the President of the Company.

- (iv) During the three months ended June 30, 2025 the Company incurred \$7,474 (2024 - \$7,389) for a storage facility provided by a private corporation controlled by family members of the President of the Company. As at June 30, 2025 \$nil (March 31, 2025 - \$4,891) remained unpaid and has been included in accounts payable and accrued liabilities.

- (v) During the three months ended June 30, 2025 the Company incurred \$13,149 (2024 - \$nil) for consulting services provided by a private corporation controlled by the CFO of the Company.

- (vi) During the three months ended June 30, 2025 the Company paid \$6,228 (2024 - \$nil) to an unregistered foundation of which a director of the foundation is a family member of the President of the Company, to fund ongoing community costs in Ecuador. During the three months ended June 30, 2024 the Company also recorded \$19,477 share-based compensation for share options granted to the foundation.

- (vii) During the three months ended June 30, 2025 the Company advanced \$80,278 (2024 - \$nil) to a private corporation controlled by family members of the President of the Company and received a repayment of \$3,076 on the advance. The advance is non-interest bearing and without fixed terms of repayment. As at June 30, 2025 \$76,098 remained unpaid and has been included in amounts receivable.

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8. Related Party Disclosures (continued)

- (viii) Previously the Company had advanced \$35,846 to a private corporation controlled by the President of the Company. During the three months ended June 30, 2025 the Company received a total of \$20,761 repayment on this advance. The advance is non-interest bearing and without fixed terms of repayment. As at June 30, 2025 \$15,085 remained unpaid and has been included in amounts receivable.
- (ix) See also Notes 5(a) and 7(b).

9. Commitments

- (a) The Company is obligated to fulfill certain investment obligations on its mineral concessions in Ecuador pursuant to the following rules:
 - (i) 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, 2025, the Company's commitment for fiscal 2026 is approximately US \$21,000 (March 31, 2025 - US \$21,000).
 - (ii) 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 2026 is approximately US \$55,000 (March 31, 2025 - US \$55,000).
- (b) In June 2025 the Ecuadorian Control and Regulation Agency ("ARCOM") put forth a resolution related to a new administrative fee on the mining sector. The stated objective of this fee is to strengthen oversight and combat illegal mining activities. This fee is to be applied to all mining operations, except for artisanal mining, with the aim of generating funds to support enforcement efforts. The proposed fee would require the Company to pay approximately US \$332,000 for its current concessions, of which US \$47,000 is due in June 2025 and US \$285,000 is due in January 2026. A significantly higher fee will be incurred on the completion of the purchase of the concessions from Silvercorp (see Note 6(b)) or on any new licences granted to the Company. As the Company has planned to farm out substantially all of the concessions acquired from Silvercorp (see Note 6(b)) the fee will be payable by a third party.

The Company is aware that four constitutional challenges against the new administrative fees have been presented in Ecuador and are being analyzed by the Court to determine if the claims will be accepted. The decision whether or not to accept the claims may take several months and, if accepted, the constitutional challenges could take several years. In the meantime, if the claims are accepted, ARCOM may or may not be directed to halt the collection of the fees.

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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, 2025 \$	March 31, 2025 \$
Cash and cash equivalents	FVTPL	1,209,634	1,611,845
Amounts receivable	Amortized cost	148,573	97,955
Accounts payable and accrued liabilities	Amortized cost	(398,558)	(235,217)

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.

	Contractual Maturity Analysis at June 30, 2025				Total \$
	Less than 3 Months \$	3 - 12 Months \$	1 - 5 Years \$	Over 5 Years \$	
Cash and cash equivalents	1,209,634	-	-	-	1,209,634
Amounts receivable	148,573	-	-	-	148,573
Accounts payable and accrued liabilities	(398,558)	-	-	-	(398,558)

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10. Financial Instruments and Risk Management (continued)

Market Risk

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

(a) Interest Rate Risk

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

(b) Foreign Currency Risk

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

The Company also maintains cash deposits in US Dollars with its Canadian bank. As such, the fluctuation of the Canadian Dollar in relation to the US Dollar will have an impact upon the profitability of the Company and may also affect the value of the Company's assets and the amount of shareholders' equity. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks. At June 30, 2025, 1 Canadian Dollar was equal to 0.73 US Dollar.

Balances are as follows:

	US \$	CDN \$ Equivalent
Cash and cash equivalents	32,622	44,688
Amounts receivable	108,901	148,573
VAT receivable	58,628	80,312
Accounts payable and accrued liabilities	<u>(210,116)</u>	<u>(287,831)</u>
	<u>(9,965)</u>	<u>(14,258)</u>

Based on the net exposures as of June 30, 2025 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 \$1,000 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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11. Supplemental Cash Flow Information

During the three months ended June 30, 2025 and 2024 non-cash activities were conducted by the Company as follows:

	2025 \$	2024 \$
Operating activities		
Depreciation	1,936	2,768
General exploration	-	(96,574)
Accounts payable and accrued liabilities	-	(73,500)
	<u>1,936</u>	<u>(167,306)</u>
Investing activity		
Exploration and evaluation assets	<u>(1,936)</u>	<u>(2,768)</u>
Financing activities		
Issuance of common shares	-	296,576
Share-based payments reserve	-	(126,502)
	<u>-</u>	<u>170,074</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>As at June 30, 2025</u>		
	Corporate Canada \$	Mineral Operations Ecuador \$	Total \$
Current assets	1,247,487	746,118	1,993,605
Property, plant and equipment	-	722,770	722,770
Exploration and evaluation assets	-	5,934,825	5,934,825
Investment in associated companies	<u>13,947,112</u>	<u>-</u>	<u>13,947,112</u>
	<u>15,194,599</u>	<u>7,403,713</u>	<u>22,598,312</u>
	<u>As at March 31, 2025</u>		
	Corporate Canada \$	Mineral Operations Ecuador \$	Total \$
Current assets	1,448,773	936,226	2,384,999
Property, plant and equipment	-	800,134	800,134
Exploration and evaluation assets	-	6,143,669	6,143,669
Investment in associated companies	<u>14,053,843</u>	<u>-</u>	<u>14,053,843</u>
	<u>15,502,616</u>	<u>7,880,029</u>	<u>23,382,645</u>

13. Event after the Reporting Period

On July 23, 2025 the Company and Silvercorp finalized and signed the purchase and sale agreement formalizing the acquisitions under the Silvercorp LOI (see Note 6(b)). The Company and Silvercorp are now working on closing the acquisitions.

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