
SALAZAR RESOURCES LIMITED

INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED
JUNE 30, 2008

(Unaudited - Prepared by Management)

**MANAGEMENT'S COMMENTS ON
UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

The accompanying unaudited interim consolidated financial statements of Salazar Resources Limited for the six months ended June 30, 2008, have been prepared by and are the responsibility of the Company's management. These statements have not been reviewed by the Company's external auditors.

SALAZAR RESOURCES LIMITED
INTERIM CONSOLIDATED BALANCE SHEETS

(Unaudited - Prepared by Management)

	June 30, 2008	December 31, 2007
	\$	\$
A S S E T S		
CURRENT ASSETS		
Cash and cash equivalents	7,320,455	10,622,621
Amounts receivable	224,797	18,911
Prepaid expenses and deposits	<u>117,914</u>	<u>125,711</u>
	7,663,166	10,767,243
CAPITAL ASSETS (Note 4)	193,767	197,472
MINERAL RESOURCE INTERESTS (Note 5)	<u>6,754,305</u>	<u>4,528,203</u>
	<u><u>14,611,238</u></u>	<u><u>15,492,918</u></u>

LIABILITIES

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	<u>221,915</u>	<u>469,817</u>

SHAREHOLDERS' EQUITY

SHARE CAPITAL (Note 6)	17,029,253	16,931,138
CONTRIBUTED SURPLUS (Note 8)	2,015,230	1,807,543
DEFICIT	<u>(4,655,160)</u>	<u>(3,715,580)</u>
	<u>14,389,323</u>	<u>15,023,101</u>
	<u><u>14,611,238</u></u>	<u><u>15,492,918</u></u>

NATURE OF OPERATIONS (Note 1)

APPROVED BY THE DIRECTORS

"Fredy Salazar" , Director

"Pablo Acosta" , Director

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

SALAZAR RESOURCES LIMITED
INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Unaudited - Prepared by Management)

	<u>Three Months Ended</u> <u>June 30,</u>		<u>Six Months Ended</u> <u>June 30,</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	\$	\$	\$	\$
EXPENSES				
Accounting and administration	23,550	20,443	37,806	25,948
Amortization	15,281	2,775	27,535	5,550
Audit	11,498	17,458	39,875	17,458
Consulting	17,086	72,006	38,236	82,458
Corporate development	27,144	56,339	50,101	87,005
Corporate sponsorship (Note 3)	-	-	-	123,000
General exploration	245,941	-	245,941	13,144
Investor relations	30,000	25,500	57,000	34,000
Legal	21,072	17,987	27,144	43,348
Office	55,610	50,353	112,207	89,272
Regulatory	8,595	17,989	10,995	21,306
Rent	1,002	3,413	2,004	5,247
Salaries and benefits	84,057	40,645	159,103	123,006
Shareholder costs	8,747	8,954	11,311	10,884
Stock-based compensation (Note 7)	187,500	290,500	220,702	964,700
Transfer agent	1,868	21,458	3,511	23,753
Travel	23,271	26,258	79,343	38,240
	<u>762,222</u>	<u>672,078</u>	<u>1,122,814</u>	<u>1,708,319</u>
LOSS BEFORE OTHER ITEMS	<u>(762,222)</u>	<u>(672,078)</u>	<u>(1,122,814)</u>	<u>(1,708,319)</u>
OTHER ITEMS				
Interest and other income	50,031	53,265	132,093	60,399
Foreign exchange	<u>(5,205)</u>	<u>(162,775)</u>	<u>51,141</u>	<u>(198,094)</u>
	<u>44,826</u>	<u>(109,510)</u>	<u>183,234</u>	<u>(137,695)</u>
LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	<u><u>(717,396)</u></u>	<u><u>(781,588)</u></u>	<u><u>(939,580)</u></u>	<u><u>(1,846,014)</u></u>
BASIC AND DILUTED LOSS PER SHARE	<u><u>\$(0.02)</u></u>	<u><u>\$(0.03)</u></u>	<u><u>\$(0.03)</u></u>	<u><u>\$(0.11)</u></u>
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	<u><u>28,891,445</u></u>	<u><u>25,116,866</u></u>	<u><u>28,884,398</u></u>	<u><u>16,528,912</u></u>

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

SALAZAR RESOURCES LIMITED
INTERIM CONSOLIDATED STATEMENTS OF DEFICIT
(Unaudited - Prepared by Management)

	Three Months Ended June 30.		Six Months Ended June 30.	
	2008 \$	2007 \$	2008 \$	2007 \$
DEFICIT - BEGINNING OF PERIOD	(3,937,764)	(1,278,061)	(3,715,580)	-
Net liabilities assumed at time of recapitalization (Note 3)	-	-	-	(213,635)
	(3,937,764)	(1,278,061)	(3,715,580)	(213,635)
NET LOSS FOR THE PERIOD	(717,396)	(781,588)	(939,580)	(1,846,014)
DEFICIT - END OF PERIOD	(4,655,160)	(2,059,649)	(4,655,160)	(2,059,649)

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

SALAZAR RESOURCES LIMITED
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited - Prepared by Management)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
	\$	\$	\$	\$
CASH PROVIDED FROM (USED FOR)				
OPERATING ACTIVITIES				
Net loss for the period	(717,396)	(781,588)	(939,580)	(1,846,014)
Adjustment for items not affecting cash				
Amortization	15,281	2,775	27,535	5,550
Stock-based compensation	187,500	290,500	220,702	964,700
Corporate sponsorship	-	-	-	98,000
	(514,615)	(488,313)	(691,343)	(777,764)
Decrease (increase) in amounts receivable	(187,239)	(30,739)	(205,886)	12,478
Decrease (increase) in prepaid expenses and deposits	203,016	14,921	7,797	(116,073)
Increase (decrease) in accounts payable and accrued liabilities	(64,965)	8,868	(36,259)	(88,418)
	(563,803)	(495,263)	(925,691)	(969,777)
INVESTING ACTIVITIES				
Additions to mineral property interests	(939,557)	(1,879,306)	(2,437,745)	(2,308,780)
Additions to capital assets	(5,231)	(64,675)	(23,830)	(125,357)
Cash assumed on recapitalization	-	-	-	1,777,003
	(944,788)	(1,943,981)	(2,461,575)	(657,134)
FINANCING ACTIVITIES				
Issuance of common shares	-	13,543,225	85,100	16,197,725
Share issue costs	-	(2,324,207)	-	(2,525,625)
Advances from legal parent, prior to recapitalization	-	-	-	638,333
Repayment of amount due	-	(426,573)	-	(1,128,993)
	-	10,792,445	85,100	13,181,440
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS FOR THE PERIOD	(1,508,591)	8,353,201	(3,302,166)	11,554,529
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	8,829,046	3,219,294	10,622,621	17,966
CASH AND CASH EQUIVALENTS - END OF PERIOD	7,320,455	11,572,495	7,320,455	11,572,495
CASH AND CASH EQUIVALENTS COMPRISES:				
Cash	1,109,059	3,978,625	1,109,059	3,978,625
Short-term investments	6,211,396	7,593,870	6,211,396	7,593,870
	7,320,455	11,572,495	7,320,455	11,572,495

SUPPLEMENTAL CASH FLOW INFORMATION (Note 12)

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

SALAZAR RESOURCES LIMITED
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2008
(Unaudited - Prepared by Management)

1. NATURE OF OPERATIONS

On March 7, 2007, Consolidated Kookaburra Resources Ltd. changed its name to Salazar Resources Limited (the "Company"). With the recapitalization with Curimining S.A. ("Curimining"), the Company's principal business activity is the acquisition, exploration and development of mineral properties in Ecuador. See also Note 3.

The Company presently has no proven or probable reserves and, on the basis of information to date, it has not yet determined whether these properties contain economically recoverable ore reserves. Consequently the Company considers itself to be an exploration stage company. The amounts shown as mineral property interests represent costs incurred to date, less amounts amortized and/or written off, and do not necessarily represent present or future values. The underlying value of the mineral properties and related deferred costs is entirely dependent on the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain the necessary financing to complete development, and upon future profitable production.

These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") applicable to a going concern which assumes that the Company will be able to realize assets and discharge liabilities in the normal course of business. Accordingly, the financial statements do not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts which may differ from those shown in the financial statements.

On April 18, 2008, Ecuador's constitutional assembly passed a decree which will impact the tenureship of certain of the Company's mineral resource interests. See Note 13.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These interim consolidated financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the amounts reported in the interim financial statements and accompanying notes. Actual results could differ from those estimates. These interim consolidated financial statements have, in management's opinion, been properly prepared using careful judgement with reasonable limits of materiality. These interim consolidated financial statements should be read in conjunction with the most recent annual consolidated financial statements. The significant accounting policies follow that of the most recently reported annual financial statements.

SALAZAR RESOURCES LIMITED
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2008
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3. RECAPITALIZATION

On March 8, 2007 (the "Effective Date"), the Company, Curimining and Messrs. Fredy Salazar and Pablo Acosta (collectively the "Curimining Shareholders") completed an agreement (the "Curimining Agreement") whereby the Company purchased all of the issued shares of Curimining in exchange for the issuance of 15,000,000 common shares of the Company to the Curimining Shareholders and assumption of US \$970,000 owing to Mr. Salazar (collectively the "Acquisition"). In addition up to 7,000,000 additional common shares may be issued to the Curimining Shareholders on an earn-out basis. To fully earn these additional shares, a total of 11.2 million ounces of gold in an "indicated category" must be identified within a period of four years. The Company also issued 500,000 common shares, at an ascribed value of \$350,000, as a finder's fee in connection with the Acquisition. In addition the Company paid Canaccord Capital Corporation ("Canaccord") \$25,000 cash and issued 140,000 common shares, at an ascribed value of \$98,000, as a corporate sponsorship fee.

The completion of the Acquisition resulted in the Curimining Shareholders holding the majority of the Company's combined issued and outstanding common shares. Since the transaction resulted in the Curimining Shareholders acquiring control of the Company the Acquisition has been treated for accounting purposes as a recapitalization. In accounting for this transaction:

- (i) Curimining is deemed to be the purchaser and parent company for accounting purposes. Accordingly, its net assets are included in the consolidated balance sheets at their historical book value;
- (ii) control of the net assets and business of the Company was acquired on the Effective Date. The transaction has been accounted as a purchase of the assets and liabilities of the Company by Curimining. The assets and liabilities of the Company have been recorded at their fair values, as follows:

	\$
Cash	1,777,003
Amounts receivable and prepaids	8,939
Accounts payable and accrued liabilities	<u>(181,537)</u>
Net working capital	1,604,405
Advances to Curimining, eliminated on consolidation	807,560
Share subscriptions received	<u>(2,625,600)</u>
Net liabilities assumed	<u><u>(213,635)</u></u>

4. CAPITAL ASSETS

	June 30, 2008 \$	December 31, 2007 \$
Office and computer equipment and furniture	128,020	104,190
Vehicles	<u>133,301</u>	<u>133,301</u>
	261,321	237,491
Less accumulated amortization	<u>(67,554)</u>	<u>(40,019)</u>
	<u><u>193,767</u></u>	<u><u>197,472</u></u>

SALAZAR RESOURCES LIMITED
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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(Unaudited - Prepared by Management)

5. MINERAL RESOURCE INTERESTS

	June 30, 2008			December 31, 2007		
	Acquisition Costs \$	Deferred Exploration Costs \$	Total \$	Acquisition Costs \$	Deferred Exploration Costs \$	Total \$
Curipamba	1,256,906	4,350,254	5,607,160	1,147,805	2,439,737	3,587,542
Ruminahui	586,421	218,600	805,021	511,443	168,413	679,856
Other	<u>162,625</u>	<u>179,499</u>	<u>342,124</u>	<u>101,758</u>	<u>159,047</u>	<u>260,805</u>
	<u>2,005,952</u>	<u>4,748,353</u>	<u>6,754,305</u>	<u>1,761,006</u>	<u>2,767,197</u>	<u>4,528,203</u>

(a) Curipamba Project

The Company owns or has a right to acquire a 100% interest in 16 concessions covering approximately 71,297 hectares located in the provinces of Bolivar and Cotopaxi, Ecuador.

A portion of these concessions were acquired pursuant to an option agreement which requires three additional option payments of US \$25,000 on June 30, 2007(paid), US \$30,000 on June 30, 2008 (paid) and US \$500,000 on June 30, 2009.

(b) Ruminahui Project

The Company owns or has a right to acquire a 100% interest in nine concessions covering approximately 32,676 hectares located in the province of Pichincha, Ecuador.

One concession, the Moncayo concession, was acquired pursuant to an option agreement which requires four additional option payments of US \$42,000 payable on September 1, 2007 (paid), March 1, 2008 (paid), September 1, 2008 and March 1, 2009. A further payment of US \$110,000 is payable if the Company wishes to sell its interest in this concession.

On April 18, 2008, Ecuador's constitutional assembly passed a decree which has created confusion over the status of the Company's tenure over its mining concessions in Ecuador. At this time a full and complete assessment of this new law has not been completed by the Company's Ecuadorian counsel and it is also uncertain if any amendments will be made to the law. As currently drafted, the Company's interpretation of how it will be impacted by the new law is that it will only retain tenure to three mining concessions with the balance to be cancelled. In addition no exploration can be conducted for a period of 180 days. It is not clear what happens once this 180 day period is up. To date, the Company has not received any formal order to cease or suspend any of its operations nor has it received any formal notification regarding title to its approximately 25 mineral concessions. The Company, together with other exploration companies, plans to meet with government officials to seek clarification of this law and amendments to ensure that tenure to existing concessions is assured. Pending clarification of the decree, the Company has suspended exploration activities and reduced its workforce in Ecuador.

See also Note 13.

SALAZAR RESOURCES LIMITED
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2008
(Unaudited - Prepared by Management)

6. SHARE CAPITAL

Authorized: unlimited number of common shares without par value

	<u>Six Months Ended</u> <u>June 30, 2008</u>		<u>Year Ended</u> <u>December 31, 2007</u>	
	Number of Shares	Amount \$	Number of Shares	Amount \$
Issued:				
Balance, beginning of period	<u>28,825,945</u>	<u>16,931,138</u>	<u>800</u>	<u>933</u>
Adjustment of shares to reflect shares of the legal parent at time of recapitalization	-	-	16,694,982	-
Issued for cash				
Private placements	-	-	9,458,000	15,720,600
Exercise of stock options	19,000	19,000	303,000	368,180
Exercise of warrants	46,500	66,100	1,094,163	1,577,155
Exercise of agent's options	-	-	90,000	63,000
Reallocation from contributed surplus on exercise of agent's warrants	-	6,935	-	3,967
Reallocation from contributed surplus on exercise of stock options	-	6,080	-	179,640
Reallocation from contributed surplus on exercise of agent's options	-	-	-	28,800
Issued for commissions and fees on private placements	-	-	545,000	569,675
Issued for fees incurred on recapitalization (Note 3)	<u>-</u>	<u>-</u>	<u>640,000</u>	<u>448,000</u>
	65,500	98,115	28,825,145	18,959,017
Less: share issue costs	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,028,812)</u>
	<u>65,500</u>	<u>98,115</u>	<u>28,825,145</u>	<u>16,930,205</u>
Balance, end of period	<u><u>28,891,445</u></u>	<u><u>17,029,253</u></u>	<u><u>28,825,945</u></u>	<u><u>16,931,138</u></u>

(a) A summary of the number of common shares reserved pursuant to the Company's outstanding warrants at June 30, 2008 and 2007, and the changes for the six months ending on those dates is as follows:

	<u>2008</u>		<u>2007</u>	
	Number	Weighted Average Exercise Price \$	Number	Weighted Average Exercise Price \$
Balance, beginning of period	6,813,027	2.84	152,500	1.40
Issued	-	-	7,746,690	2.68
Exercised	<u>(46,500)</u>	1.42	<u>(309,250)</u>	1.41
Balance, end of period	<u><u>6,766,527</u></u>	2.85	<u><u>7,589,940</u></u>	2.70

SALAZAR RESOURCES LIMITED
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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(Unaudited - Prepared by Management)

6. SHARE CAPITAL (continued)

The following table summarizes information about the number of common shares reserved pursuant to the Company's warrants outstanding and exercisable at June 30, 2008:

Number	Exercise Price \$	Expiry Date
822,100	1.40	December 22, 2008
1,195,000	1.50	March 8, 2009
1,004,237	1.50	March 19, 2009
3,500,000	4.00	May 31, 2009
<u>245,190</u>	3.50	May 31, 2009
<u><u>6,766,527</u></u>		

- (b) As at June 30, 2008, 13,500,000 common shares are held in escrow.
- (c) Pursuant to the Curimining Agreement the Company may be required to issue up to 7,000,000 additional common shares. See Note 3.

7. STOCK OPTIONS AND STOCK-BASED COMPENSATION

The Company has established a rolling stock 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 exercise price of the stock 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 TSX Venture Exchange. The stock options have a maximum term of five years.

During the six months ended June 30, 2008, the Company recorded compensation expense of \$33,202 (2007 - \$153,000) on the vesting of stock options.

During the six months ended June 30, 2007, the Company granted 250,000 (2007 - 2,110,000) stock options to its directors, employees and consultants and recorded compensation expense of \$132,500 (2007 - \$811,700).

The fair value of stock options is estimated using the Black-Scholes option pricing model with the following assumptions used for the granting or vesting during the six months ended June 30, 2008 and 2007:

	June 30, 2008	June 30, 2007
Risk-free interest rate	2.89% - 3.19%	3.92%
Estimated volatility	88% - 95%	85 - 123%
Expected life	2 years - 3 years	3 years
Expected dividend yield	0%	0%

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 stock options.

SALAZAR RESOURCES LIMITED
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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(Unaudited - Prepared by Management)

7. STOCK OPTIONS AND STOCK-BASED COMPENSATION (continued)

A summary of the Company's stock options at June 30, 2008 and 2007, and the changes for the six months ending on those dates, is as follows:

	<u>June 30, 2008</u>		<u>June 30, 2007</u>	
	Number of Options Outstanding	Weighted Average Exercise Price \$	Number of Options Outstanding	Weighted Average Exercise Price \$
Balance, beginning of period	2,490,100	1.65	-	-
Granted	250,000	1.00	2,110,000	1.22
Exercised	<u>(19,000)</u>	1.00	<u>-</u>	-
Balance, end of period	<u>2,721,100</u>	1.50	<u>2,110,000</u>	1.22

The following table summarizes information about the stock options outstanding and exercisable at June 30, 2008:

Number Outstanding	Number Exercisable	Exercise Price \$	Expiry Date
1,496,000	1,496,000	1.00	February 26, 2010
160,000	160,000	1.00	February 28, 2010
32,000	32,000	1.00	March 12, 2010
100,000	100,000	1.00	May 2, 2010
683,100	410,000	3.00	September 6, 2010
<u>250,000</u>	<u>250,000</u>	1.00	April 11, 2011
<u>2,721,100</u>	<u>2,448,000</u>		

During the period ended June 30, 2008, the Company amended the exercise prices of 292,000 existing stock options, with original exercise prices ranging from \$1.95 to \$2.90 per share, to an amended price of \$1.00 per share. The fair value of the amendments to the stock options have been estimated using the Black-Scholes option pricing model. The assumptions used were: dividend yield - 0%; expected volatility - 95%; a risk-free rate of 2.76%; and an expected life ranging from 1.8 years to 2 years. The value assigned to the extension and amendments of the stock options was \$55,000.

8. CONTRIBUTED SURPLUS

The Company's contributed surplus for the six months ended June 30, 2008 and 2007 is comprised of the following:

	<u>June 30, 2008</u> \$	<u>June 30, 2007</u> \$
Balance, beginning of period	1,807,543	-
Stock-based compensation (Note 7)	220,702	964,700
Stock-based compensation on agent's options and warrants	-	409,419
Stock options exercised	(6,080)	-
Agent's warrants exercised	<u>(6,935)</u>	<u>(19,200)</u>
Balance, end of period	<u>2,015,230</u>	<u>1,354,919</u>

SALAZAR RESOURCES LIMITED
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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9. RELATED PARTY TRANSACTIONS

The Company was billed by certain directors and private corporations owned by directors of the Company, as follows:

	June 30, 2008	June 30, 2007
	\$	\$
Accounting, administration and management	37,806	12,860
Management fees	-	13,087
Professional fees	18,104	13,559
Rent	<u>2,004</u>	<u>1,336</u>
	<u>57,914</u>	<u>40,842</u>
Mineral resource expenditures	<u>447,961</u>	<u>-</u>

The above transactions have been recorded at the exchange amounts agreed to by the related parties and the Company. As at June 30, 2008, accounts payable and accrued liabilities include \$7,083 (2007 - \$28,071) due to the related parties.

10. SEGMENTED INFORMATION

The Company operates in one industry segment, the exploration and development of unproven mineral property interests. The Company's mineral resource interests are located in Ecuador and its corporate assets, comprising mainly of cash, are located in Canada.

	June 30, 2008		
	Corporate	Mineral	Total
	\$	Operations	\$
		\$	
Current assets	7,543,142	120,024	7,663,166
Capital assets	-	193,767	193,767
Unproven mineral resource interests	<u>-</u>	<u>6,754,305</u>	<u>6,754,305</u>
	<u>7,543,142</u>	<u>7,068,096</u>	<u>14,611,238</u>
	December 31, 2007		
	Corporate	Mineral	Total
	\$	Operations	\$
		\$	
Current assets	10,610,106	157,137	10,767,243
Capital assets	-	197,472	197,472
Unproven mineral resource interests	<u>-</u>	<u>4,528,203</u>	<u>4,528,203</u>
	<u>10,610,106</u>	<u>4,882,812</u>	<u>15,492,918</u>

SALAZAR RESOURCES LIMITED
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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(Unaudited - Prepared by Management)

11. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values of financial instruments at June 30, 2008, were estimated based on relevant market information and the nature and terms of financial instruments. Management is not aware of any factors which would significantly affect the estimated fair market amounts, however, such amounts have not been comprehensively revalued for purposes of these financial statements. Disclosure subsequent to the balance sheet dates and estimates of fair value at dates subsequent to June 30, 2008, may differ significantly from that presented.

Fair value approximates the amounts reflected in the financial statements for cash and cash equivalents, amounts receivable and accounts payable and accrued liabilities.

The Company is subject to foreign exchange risk as certain of the Company's subsidiary and operations incur transactions and have assets and liabilities denominated in currencies other than the Company's functional currency, which is Canadian dollars.

12. SUPPLEMENTAL CASH FLOW INFORMATION

During the six months ended June 30, 2008 and 2007 non-cash activities were conducted by the Company as follows:

	June 30, 2008 \$	June 30, 2007 \$
Operating activity		
Increase in accounts payable and accrued liabilities	<u>180,704</u>	<u> </u>
Investing activity		
Additions to mineral resource interests	<u>(180,704)</u>	<u>(1,128,993)</u>
Financing activities		
Share issue costs	-	(968,000)
Common shares issued on share issue costs	-	840,550
Contributed surplus	(13,015)	127,450
Common shares issued for non-cash consideration	13,015	-
Amount due on acquisition	<u>-</u>	<u>1,128,993</u>
	<u>-</u>	<u>1,128,993</u>

SALAZAR RESOURCES LIMITED
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2008
(Unaudited - Prepared by Management)

13. ECUADOR MINING MANDATE

On April 18, 2008, Ecuador's Constituent Assembly adopted a Mining Mandate. The full impact and implications of the Mining Mandate on the Company's exploration and development activities in Ecuador is not entirely known at this time. The Mining Mandate limits mining companies to holding a maximum of three concessions. The Company holds significantly more than these concessions. The Company will seek to protect all assets and investments made to date.

The Mining Mandate invoked an immediate 180-day suspension of activities on virtually all mining concessions in Ecuador while a new Mining Law is drafted and adopted. The Company is awaiting formal notification from the Ministry of Mines and Petroleum of how the mining mandate will be implemented and the full effects of the Mining Mandate will have on the Company's operations. As required in the mandate, the Company suspended drilling operations in Ecuador.

The Company may be further adversely affected by the Mining Mandate or changes to mining laws, regulations and requirements planned by the Government of Ecuador including the possibility of increased government participation in the mining sector and possible expropriation or changes in the way concessions are held. These may adversely affect the investment and may result in the impairment or loss of all or part of the Company's investment in mineral properties and deferred exploration. Management has assessed the impact of these developments and does not consider any impairment has resulted at this time.

SALAZAR RESOURCES LIMITED
INTERIM CONSOLIDATED SCHEDULE OF MINERAL RESOURCE INTERESTS

	<u>Six Months Ended June 31, 2008</u>				<u>Year Ended December 31, 2007</u>
	<u>Curipamba \$</u>	<u>Ruminahui \$</u>	<u>Other \$</u>	<u>Total \$</u>	<u>Total \$</u>
BALANCE -					
BEGINNING OF PERIOD	<u>3,587,542</u>	<u>679,856</u>	<u>260,805</u>	<u>4,528,203</u>	<u>163,454</u>
EXPENDITURES DURING THE PERIOD					
EXPLORATION COSTS					
Assays	258,411	-	-	258,411	108,835
Camp costs	93,227	4,892	4,856	102,975	128,010
Camp supervision and personnel	477,656	34,465	10,681	522,802	929,868
Drilling	632,922	-	-	632,922	715,634
Environmental studies	17,942	-	-	17,942	60,470
Exploration site	146,165	3,522	-	149,687	216,053
Geological	94,172	-	-	94,172	259,608
Geophysics	39,322	-	-	39,322	-
Supplies	46,460	361	1,047	47,868	139,155
Travel and mobilization	104,240	6,947	3,868	115,055	127,757
	<u>1,910,517</u>	<u>50,187</u>	<u>20,452</u>	<u>1,981,156</u>	<u>2,685,390</u>
ACQUISITION COSTS					
Acquisition	-	-	-	-	1,128,993
Concession payments	30,501	42,239	-	72,740	111,310
Legal and land purchase	-	-	-	-	260,301
Patents	78,600	32,739	60,867	172,206	178,755
	<u>109,101</u>	<u>74,978</u>	<u>60,867</u>	<u>244,946</u>	<u>1,679,359</u>
	<u>2,019,618</u>	<u>125,165</u>	<u>81,319</u>	<u>2,226,102</u>	<u>4,364,749</u>
BALANCE - END OF PERIOD	<u>5,607,160</u>	<u>805,021</u>	<u>342,124</u>	<u>6,754,305</u>	<u>4,528,203</u>