
SALAZAR RESOURCES LIMITED

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2014 AND 2013

(Expressed in Canadian Dollars)

Independent Auditor's Report

To the Shareholders of Salazar Resources Limited

We have audited the accompanying consolidated financial statements of Salazar Resources Limited, which comprise the consolidated statements of financial position as at December 31, 2014 and December 31, 2013, and the consolidated statements of comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2014 and December 31, 2013, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Salazar Resources Limited as at December 31, 2014 and December 31, 2013, and its financial performance and its cash flows for the years ended December 31, 2014 and December 31, 2013 in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about Salazar Resources Limited's ability to continue as a going concern.

Vancouver, B.C.
April 28, 2015

"D&H Group LLP"

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SALAZAR RESOURCES LIMITED
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	Note	December 31, 2014 \$	December 31, 2013 \$
ASSETS			
Current assets			
Cash		49,236	177,745
Amounts receivable		1,301	6,462
GST receivable		4,406	2,345
Prepaid expenses and deposits		<u>60,405</u>	<u>52,754</u>
Total current assets		<u>115,348</u>	<u>239,306</u>
Non-current assets			
Investment	4	3,915	5,437
Property, plant and equipment	5	437,403	546,278
Exploration and evaluation assets	6	<u>19,595,735</u>	<u>18,521,894</u>
Total non-current assets		<u>20,037,053</u>	<u>19,073,609</u>
TOTAL ASSETS		<u>20,152,401</u>	<u>19,312,915</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	8	867,846	560,746
Advances	9	<u>371,323</u>	<u>193,157</u>
TOTAL LIABILITIES		<u>1,239,169</u>	<u>753,903</u>
SHAREHOLDERS' EQUITY			
Share capital	7	34,652,301	33,069,377
Share-based payments reserve		4,242,240	4,242,240
Deficit		(19,922,074)	(18,694,892)
Accumulated other comprehensive loss		<u>(59,235)</u>	<u>(57,713)</u>
TOTAL SHAREHOLDERS' EQUITY		<u>18,913,232</u>	<u>18,559,012</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>20,152,401</u>	<u>19,312,915</u>

Nature of Operations and Going Concern - See Note 1

Event after the Reporting Period - See Note 14

These consolidated financial statements were approved for issue by the Board of Directors on April 28, 2015 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 consolidated financial statements.

SALAZAR RESOURCES LIMITED
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

	Note	Year Ended December 31	
		2014 \$	2013 \$
Expenses			
Accounting and administration	8(b)(ii)	31,200	31,800
Audit		47,825	52,245
Community relations		76,271	114,403
Consulting	8(b)(i)	195,966	300,570
Corporate development		12,840	15,114
Depreciation		71,459	97,534
General exploration		40,874	277,128
Interest expense	9	36,572	-
Investor relations		5,625	-
Legal		63,379	13,933
Office		93,189	112,745
Regulatory		13,668	12,202
Rent		22,857	6,990
Salaries and benefits	8(a)	445,562	428,818
Shareholder costs		5,378	3,575
Transfer agent		9,751	6,621
Travel		4,876	4,031
		<u>1,177,292</u>	<u>1,477,709</u>
Loss before other items		<u>(1,177,292)</u>	<u>(1,477,709)</u>
Other items			
Interest income		4,341	2,867
Foreign exchange		(54,231)	(18,770)
Loss on sale of investment	4	-	(22,139)
Gain on sale of property, plant and equipment		-	29,861
Impairment of property, plant and equipment	5	-	(172,735)
		<u>(49,890)</u>	<u>(180,916)</u>
Loss before deferred income tax		<u>(1,227,182)</u>	<u>(1,658,625)</u>
Deferred income tax	10	<u>-</u>	<u>(1,550)</u>
Net loss for the year		<u>(1,227,182)</u>	<u>(1,660,175)</u>
Other comprehensive loss, net of deferred income tax		<u>(1,522)</u>	<u>(10,913)</u>
Comprehensive loss for the year		<u>(1,228,704)</u>	<u>(1,671,088)</u>
Basic and diluted loss per common share		<u>\$(0.02)</u>	<u>\$(0.03)</u>
Weighted average number of common shares outstanding		<u>59,366,991</u>	<u>51,057,524</u>

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

SALAZAR RESOURCES LIMITED
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian Dollars)

	Year Ended December 31, 2014					
	Share Capital		Share-Based Payments Reserve	Deficit	Accumulated Other Comprehensive Loss	Total Equity
	Number of Shares	Amount \$				
Balance at December 31, 2013	56,122,573	33,069,377	4,242,240	(18,694,892)	(57,713)	18,559,012
Common shares issued for:						
Private placements	7,375,170	1,622,537	-	-	-	1,622,537
Share issue costs	-	(39,613)	-	-	-	(39,613)
Unrealized loss on investment	-	-	-	-	(1,522)	(1,522)
Net loss for the year	-	-	-	(1,227,182)	-	(1,227,182)
Balance at December 31, 2014	63,497,743	34,652,301	4,242,240	(19,922,074)	(59,235)	18,913,232

	Year Ended December 31, 2013					
	Share Capital		Share-Based Payments Reserve	Deficit	Accumulated Other Comprehensive Income (Loss)	Total Equity
	Number of Shares	Amount \$				
Balance at December 31, 2012	46,522,032	30,615,029	4,242,240	(17,034,717)	(46,800)	17,775,752
Common shares issued for:						
Private placement	9,600,541	2,562,119	-	-	-	2,562,119
Share issue costs	-	(107,771)	-	-	-	(107,771)
Unrealized loss on investment	-	-	-	-	(14,790)	(14,790)
Deferred income tax on unrealized loss on investment	-	-	-	-	1,550	1,550
Reclassification on sale of investment	-	-	-	-	2,327	2,327
Net loss for the year	-	-	-	(1,660,175)	-	(1,660,175)
Balance at December 31, 2013	56,122,573	33,069,377	4,242,240	(18,694,892)	(57,713)	18,559,012

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

SALAZAR RESOURCES LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	Year Ended December 31,	
	2014 \$	2013 \$
Operating activities		
Net loss for the year	(1,227,182)	(1,660,175)
Adjustments for:		
Depreciation	71,459	97,534
Interest	36,572	-
Loss on sale of investment	-	22,139
Gain on sale of property, plant and equipment	-	(29,861)
Impairment of property, plant and equipment	-	172,735
Foreign exchange	15,314	-
Deferred income tax	-	1,550
	<u>(1,103,837)</u>	<u>(1,396,078)</u>
Changes in non-cash working capital items:		
Decrease in amounts receivable	5,161	5,591
(Increase) decrease in GST receivable	(2,061)	375
(Increase) decrease in prepaid expenses and deposits	(7,651)	108,346
Increase in accounts payable and accrued liabilities	229,560	178,056
	<u>225,009</u>	<u>292,368</u>
Net cash used in operating activities	<u>(878,828)</u>	<u>(1,103,710)</u>
Investing activities		
Additions to property, plant and equipment	-	(72,010)
Expenditures on exploration and evaluation assets	(427,623)	(1,464,434)
Proceeds on sale of investment	-	11,111
Proceeds on sale of property, plant and equipment	-	45,954
Net cash used in investing activities	<u>(427,623)</u>	<u>(1,479,379)</u>
Financing activities		
Issuance of common shares	836,050	2,562,119
Share issue costs	(9,613)	(107,771)
Advances received	785,658	193,157
Advances repaid	(434,153)	(14,924)
Net cash provided by financing activities	<u>1,177,942</u>	<u>2,632,581</u>
Net change in cash	(128,509)	49,492
Cash at beginning of year	<u>177,745</u>	<u>128,253</u>
Cash at end of year	<u>49,236</u>	<u>177,745</u>

Supplemental Cash Flow Information - see Note 12

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

SALAZAR RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(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 is listed and traded on the TSX Venture Exchange (“TSXV”) under the symbol “SRL”. The Company’s principal office is located at #1305 - 1090 West Georgia Street, Vancouver, British Columbia V6E 3V7 Canada.

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 material 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.

These consolidated financial statements have been prepared on a going concern basis. As at December 31, 2014 the Company had a working capital deficit of \$1,123,821 and an accumulated deficit of \$19,922,074. The Company has not yet produced any revenues from its resource interests and further funds will be required to fund existing levels of overhead, planned exploration expenditures and property payments over the course of the next twelve months. In addition, exploration activities may change due to ongoing results and recommendations, or the Company may acquire additional properties, which may entail significant funding or exploration commitments. If the Company is unable to raise the necessary capital and generate sufficient cash flows to meet obligations as they come due, the Company may have to reduce or curtail its operations or obtain financing at unfavourable terms. The material uncertainty may cast significant doubt about the Company’s ability to continue as a going concern. Furthermore, failure to continue as a going concern would require the Company’s assets and liabilities be restated on a liquidation basis which would differ significantly from the going concern basis. These consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that may be necessary should the Company be unable to continue as a going concern.

See also Note 14.

2. Basis of Preparation

Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the IFRS Interpretations Committee (“IFRIC”).

Basis of Measurement

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

Details of the Group

In addition to the Company, the consolidated 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.

SALAZAR RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(Expressed in Canadian Dollars)

2. Basis of Preparation (continued)

As at December 31, 2014 and 2013 the subsidiaries of the Company are as follows:

<u>Company</u>	<u>Location</u>	<u>Ownership Interest</u>
Curimming S.A.	Ecuador	100%
Perforaciones Andesdrill S.A.	Ecuador	100%
Mariana S.A. Comador	Ecuador	100%
Salazar Resources (BVI) Limited	British Virgin Islands	100%
Mataje Colombia S.A.	Colombia	100%
Exploruminahui S.A.	Ecuador	100%

3. Significant Accounting Policies

Critical Judgments and Sources of Estimation Uncertainty

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical Judgments

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the financial statements:

- (i) The determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involves judgments or assessments made by management.
- (ii) Management is required to assess the functional currency of each entity of the Company. In concluding that the Canadian dollar is the functional currency of the parent and its subsidiary companies, management considered the currency that mainly influences the cost of providing goods and services in each jurisdiction in which the Company operates. As no single currency was clearly dominant the Company also considered secondary indicators including the currency in which funds from financing activities are denominated and the currency in which funds are retained.
- (iii) Management is required to assess impairment in respect of intangible exploration and evaluation assets. The triggering events are defined in IFRS 6. In making the assessment, management is required to make judgments on the status of each project and the future plans towards finding commercial reserves. The nature of exploration and evaluation activity is such that only a proportion of projects are ultimately successful and some assets are likely to become impaired in future periods.

Management has determined that there were no triggering events present as defined in IFRS 6 for the exploration and evaluation assets and as such, no impairment test was performed.

- (iv) Although the Company takes steps to verify title to exploration and evaluation assets in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

SALAZAR RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(Expressed in Canadian Dollars)

3. Significant Accounting Policies (continued)

- (v) The assessment of the probability of future taxable income in which deferred tax assets can be utilized is based on the Company's estimate of future profits or losses adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. The tax rules in the jurisdictions in which the Company operates are also carefully taken into consideration. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilized without a time limit, that deferred tax asset is usually recognized in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances. Details of these can be found in Note 10.

Estimation Uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year:

- (i) Depreciation expense is allocated based on assumed useful life of property, plant and equipment. Should the useful life differ from the initial estimate, an adjustment would be made in the statement of operations.
- (ii) The cost estimates are updated periodically during the life of a mine to reflect known developments, (e.g. revisions to cost estimates and to the estimated lives of operations), and are subject to review at regular intervals. Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities. As at December 31, 2014 and 2013, there were no decommissioning liabilities.
- (iii) The drill rig and equipment included in property, plant and equipment was tested for impairment in fiscal 2014 and 2013. Details of this can be found in Note 5.

Cash and Cash Equivalents

Cash includes cash on hand and demand deposits. Cash equivalents include short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. The Company is not exposed to significant credit or interest rate risk although cash is held in excess of federally insured limits with a major financial institution. As at December 31, 2014 and 2013, the Company did not have any cash equivalents.

Amounts Receivable

Receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. Receivables are classified as loans and receivables. A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

Accounts Payable and Accrued Liabilities

Payables are obligations to pay for materials or services that have been acquired in the ordinary course of business from suppliers. Payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Payables are classified as other financial liabilities initially at fair value and subsequently measured at amortized cost using the effective interest method.

SALAZAR RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(Expressed in Canadian Dollars)

3. Significant Accounting Policies (continued)

Exploration and Evaluation Assets

The Company follows the practice of capitalizing all costs relating to the acquisition of, exploration for and development of mineral properties and crediting all proceeds received against the cost of the related properties. Such costs include, but are not exclusive to, geological, geophysical studies, exploratory drilling and sampling. At such time as commercial production commences, these costs will be charged to operations on a unit-of-production method based on proven and probable reserves. The aggregate costs related to abandoned mineral properties are charged to operations at the time of any abandonment, or when it has been determined that there is evidence of a permanent impairment. An impairment charge relating to a mineral property is subsequently reversed when new exploration results or actual or potential proceeds on sale or farm out of the property result in a revised estimate of the recoverable amount, but only to the extent that this does not exceed the original carrying value of the property that would have resulted if no impairment had been recognized.

The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development of the properties, and on future production or proceeds of disposition.

The Company recognizes in income costs recovered on mineral properties when amounts received or receivable are in excess of the carrying amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets. At such time as commercial production commences, these costs will be charged to operations on a unit-of-production method based on proven and probable reserves.

All capitalized exploration and evaluation expenditures are monitored for indications of impairment. Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that exploration expenditures are not expected to be recovered, they are charged to the results of operations.

Property, Plant and Equipment

Property, plant and equipment are carried at cost, less accumulated depreciation and accumulated impairment losses.

The cost of an item of property, plant and equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Property, plant and equipment are depreciated annually on a straight-line basis over the estimated useful lives of the assets, at a rate of between 10% and 33% commencing when the related asset is available for use.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss in the consolidated statement of comprehensive income or loss.

Where an item of plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of plant and equipment. Expenditures incurred to replace a component of an item of plant and equipment that is accounted for separately, including major inspection and overhaul expenditures are capitalized.

The Company compares the carrying value of property, plant and equipment to estimated net recoverable amounts, based on estimated future cash flows, to determine whether there is any indication of impairment whenever events or circumstances warrant.

SALAZAR RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(Expressed in Canadian Dollars)

3. Significant Accounting Policies (continued)

Impairment of Assets

At each financial position reporting date, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An asset's recoverable amount is the higher of fair value less costs of disposal and value in use. Fair value is determined as the price that would be received to sell an asset in an orderly transaction between market participants. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Decommissioning Provision

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral interest by or on behalf of the Company. Costs for restoration of site damage which is created on an ongoing basis during exploration and evaluation are provided for at their net present values and charged against profits in the period such exploration and evaluation occurs. Discount rates using a risk-free rate that reflects the time value of money are used to calculate the net present value. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. As at December 31, 2014 and 2013 the Company does not have any decommissioning obligations.

Financial Instruments

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held-to-maturity, available-for-sale, loans and receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through comprehensive loss. Cash is classified as FVTPL.

Financial assets classified as loans and receivables and held to maturity are measured at amortized cost. Amounts receivable are classified as loans and receivables.

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary. Investment is classified as available-for-sale.

Transaction costs associated with FVTPL are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are measured at amortized cost. Accounts payable and accrued liabilities and advances are classified as other financial liabilities.

SALAZAR RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(Expressed in Canadian Dollars)

3. Significant Accounting Policies (continued)

Financial liabilities classified as FVTPL are measured at fair value with unrealized gains and losses recognized through comprehensive loss. At December 31, 2014 and 2013 the Company has not classified any financial liabilities as FVTPL.

Share Capital

Common shares issued by the Company are classified as equity. Costs directly attributable to the issue of common shares, share purchase warrants and share options are recognized as a deduction from equity, net of any related income tax effects.

Equity Financing

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate mineral properties. These equity financing transactions may involve issuance of common shares or units. Units typically comprise a certain number of common shares and share purchase warrants. Depending on the terms and conditions of each equity financing transaction, the warrants are exercisable into additional common shares at a price prior to expiry as stipulated by the terms of the transaction. The Company has adopted the residual value method with respect to the allocation of proceeds received on sale of units to the underlying common shares and share purchase warrants issued as private placement units. The fair value of the common shares issued in private placements is determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to the attached share purchase warrants.

Share-Based Payment Transactions

The share option plan allows Company employees and consultants to acquire shares of the Company. The fair value of share options granted is recognized as a share-based compensation expense with a corresponding increase in the equity settled share-based payments reserve in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

For employees the fair value is measured at grant date and each tranche is recognized separately on a straight line basis over the period during which the share options vest. The fair value of the share options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the share options were granted. At the end of each reporting period, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Equity-settled share-based payment transactions with non-employees are measured at the fair value of the goods or services received. However, if the fair value cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the Company receives the goods or the services.

Current and Deferred Income Taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in the statement of comprehensive loss, except to the extent that it relates to items recognized in other comprehensive loss or directly in equity. In this case the income tax is also recognized in other comprehensive loss or directly in equity, respectively.

Current Income Tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

SALAZAR RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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3. Significant Accounting Policies (continued)

Deferred Income Tax

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Loss Per Share

Basic loss per share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted loss per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on loss per share. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the "if converted" method. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted earnings per share by application of the treasury stock method.

Foreign Currency Translation

Functional and Presentation Currency

The financial statements of each of the Company's subsidiaries are prepared in the local currency of their home jurisdictions. Consolidation of each subsidiary includes re-measurement from the local currency to the subsidiary's functional currency. Each subsidiary's functional currency, being the currency of the primary economic environment in which the subsidiary operates, is the Canadian dollar. The consolidated financial statements are presented in Canadian dollars.

Exchange rates published by the Bank of Canada were used to translate subsidiary financial statements into the consolidated financial statements. Income and expenses for each statement of comprehensive loss presented are translated using the rates prevailing on the transaction dates. All resulting foreign exchange differences are recognized in comprehensive loss.

Foreign Currency Transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in comprehensive loss.

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3. Significant Accounting Policies (continued)

Accounting Standards and Interpretations Issued but Not Yet Adopted

As at the date of these financial statements, the following standards have not been applied in these financial statements:

- (i) IFRS 9 Financial Instruments; tentatively effective for annual periods beginning on or after January 1, 2018. IFRS 9 replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortized cost and fair value. IFRS 9 prohibits reclassifications except in rare circumstances when the entity's business model changes. The new standard removes the requirement to separate embedded derivatives from financial asset hosts. It requires a hybrid contract to be classified in its entirety at either amortized cost or fair value.
- (ii) IFRS 15 Revenue from Contracts with Customers; is effective for annual periods beginning on or after January 1, 2017. IFRS 15 specifies how and when to recognize revenue as well as requires entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18, Revenue, IAS 11, Construction Contracts, and a number of revenue-related interpretations. The new standard will apply to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts.

Management is currently assessing the impact of these new standards on the Company's accounting policies and financial statement presentation.

4. Investment

	December 31, 2014			
	Number of Shares	Cost \$	Accumulated Unrealized Loss on Available-for- Sale Investment \$	Carrying Value \$
Batero Gold Corp. ("Batero")	43,500	<u>21,750</u>	<u>(17,835)</u>	<u>3,915</u>
	December 31, 2013			
	Number of Shares	Cost \$	Accumulated Unrealized Loss on Available-for- Sale Investment \$	Carrying Value \$
Batero	43,500	<u>21,750</u>	<u>(16,313)</u>	<u>5,437</u>

As at December 31, 2014 the quoted market value of the Batero common shares was \$3,915 (2013 - \$5,437).

During fiscal 2013 the Company sold 66,500 shares of Batero for proceeds of \$11,111, recognizing a realized loss of \$22,139.

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5. Property, Plant and Equipment

	Land \$	Drill Rig and Equipment \$	Other \$	Total \$
Cost:				
Balance at December 31, 2012	21,289	861,004	345,241	1,227,534
Additions	72,010	-	-	72,010
Disposal	-	-	(16,093)	(16,093)
Balance at December 31, 2013 and 2014	<u>93,299</u>	<u>861,004</u>	<u>329,148</u>	<u>1,283,451</u>
Accumulated Depreciation and Impairment:				
Balance at December 31, 2012	-	(169,781)	(259,707)	(429,488)
Depreciation	-	(88,488)	(46,462)	(134,950)
Impairment	-	(172,735)	-	(172,735)
Balance at December 31, 2013	-	(431,004)	(306,169)	(737,173)
Depreciation	-	(106,342)	(2,533)	(108,875)
Balance at December 31, 2014	<u>-</u>	<u>(537,346)</u>	<u>(308,702)</u>	<u>(846,048)</u>
Carrying Value:				
Balance at December 31, 2013	<u>93,299</u>	<u>430,000</u>	<u>22,979</u>	<u>546,278</u>
Balance at December 31, 2014	<u>93,299</u>	<u>323,658</u>	<u>20,446</u>	<u>437,403</u>

During fiscal 2013 management determined that there were impairment indicators present with the drill rig and equipment and, as a result, carried out an impairment test. This test compared the carrying value of the drill rig and equipment at the reporting date with the estimated fair value less costs of disposal. The estimated fair value less costs of disposal was based on Level 2 inputs which uses quoted prices for similar assets in markets that are not active. As a result of the test an impairment of \$172,735 was recognized in fiscal 2013 on the drill rig and equipment.

During fiscal 2014 management determined that there were no impairment indicators present.

6. Exploration and Evaluation Assets

	As at December 31, 2014			As at December 31, 2013		
	Acquisition Costs \$	Deferred Exploration Costs \$	Total \$	Acquisition Costs \$	Deferred Exploration Costs \$	Total \$
Ecuador						
Curipamba	3,718,949	13,927,808	17,646,757	3,179,431	13,484,502	16,663,933
Ruminahui	505,309	99,706	605,015	492,389	99,706	592,095
Santiago	296,950	93,550	390,500	274,908	93,550	368,458
Mendez	540,758	178,953	719,711	484,703	178,953	663,656
	<u>5,061,966</u>	<u>14,300,017</u>	<u>19,361,983</u>	<u>4,431,431</u>	<u>13,856,711</u>	<u>18,288,142</u>
Colombia						
Other	233,752	-	233,752	233,752	-	233,752
	<u>5,295,718</u>	<u>14,300,017</u>	<u>19,595,735</u>	<u>4,665,183</u>	<u>13,856,711</u>	<u>18,521,894</u>

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6. Exploration and Evaluation Assets (continued)

	<u>Ecuador</u>				<u>Colombia</u>	<u>Total</u> \$
	<u>Curipamba</u> \$	<u>Ruminahui</u> \$	<u>Santiago</u> \$	<u>Mendez</u> \$	<u>Other</u> \$	
Balance at December 31, 2012	<u>15,348,344</u>	<u>563,081</u>	<u>336,946</u>	<u>583,147</u>	<u>233,752</u>	<u>17,065,270</u>
Exploration costs						
Assays	662	-	-	-	-	662
Camp supervision and personnel	263,102	-	-	-	-	263,102
Camp supplies	28,225	-	-	-	-	28,225
Depreciation	37,416	-	-	-	-	37,416
Drilling related costs	93,584	-	-	-	-	93,584
Environmental studies	7,401	-	-	-	-	7,401
Exploration site	54,921	384	12,501	3,881	-	71,687
Fuel	5,187	-	-	-	-	5,187
Preliminary economic assessment	385,819	-	-	-	-	385,819
Supplies	15,345	-	-	-	-	15,345
Travel and mobilization	9,441	-	-	-	-	9,441
Vehicles repairs and maintenance	6,606	-	-	-	-	6,606
	<u>907,709</u>	<u>384</u>	<u>12,501</u>	<u>3,881</u>	<u>-</u>	<u>924,475</u>
Acquisition costs						
Property / concession payments	<u>407,880</u>	<u>28,630</u>	<u>19,011</u>	<u>76,628</u>	<u>-</u>	<u>532,149</u>
Balance at December 31, 2013	<u>16,663,933</u>	<u>592,095</u>	<u>368,458</u>	<u>663,656</u>	<u>233,752</u>	<u>18,521,894</u>
Exploration costs						
Camp supervision and personnel	189,716	-	-	-	-	189,716
Camp supplies	19,714	-	-	-	-	19,714
Depreciation	37,416	-	-	-	-	37,416
Environmental studies	16,596	-	-	-	-	16,596
Exploration site	34,596	-	-	-	-	34,596
Fuel	829	-	-	-	-	829
Preliminary economic assessment	118,763	-	-	-	-	118,763
Supplies	6,123	-	-	-	-	6,123
Travel and mobilization	8,067	-	-	-	-	8,067
Vehicles repairs and maintenance	7,262	-	-	-	-	7,262
Water and soil sampling	4,224	-	-	-	-	4,224
	<u>443,306</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>443,306</u>
Acquisition costs						
Property / concession payments	<u>539,518</u>	<u>12,920</u>	<u>22,042</u>	<u>56,055</u>	<u>-</u>	<u>630,535</u>
Balance at December 31, 2014	<u>17,646,757</u>	<u>605,015</u>	<u>390,500</u>	<u>719,711</u>	<u>233,752</u>	<u>19,595,735</u>

(a) Curipamba Project, Ecuador

The Company owns a 100% interest in seven concessions located in the provinces of Bolivar and Los Rios, Ecuador.

During August 2014 the Company entered into a letter of intent (“LOI”) with Guangshou Group Co. Ltd. (“Guangshou”), a privately owned mining company based in China, to develop the Curipamba Project.

On September 9, 2014 the Company received an initial funding of \$500,000 from Guangshou for participation in a private placement. See also Note 7(b)(ii). Guangshou was subsequently unable to advance negotiations to finalize a definitive agreement and, on December 16, 2014, the Company announced that it had terminated the LOI.

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6. Exploration and Evaluation Assets (continued)

(b) Ruminahui Project, Ecuador

The Company owns a 100% interest in two concessions located in the province of Pichincha, Ecuador. One concession, the Moncayo concession, is being acquired pursuant to an option agreement. As at December 31, 2014 there remains US \$50,000 of option payments outstanding.

(c) Santiago Concession, Ecuador

The Company holds a 100% interest in a concession (the "Santiago Concession") located in the province of Loja, Ecuador. The Santiago Concession is subject to a 1.5% net smelter return royalty ("NSR"). The Company may purchase a 0.75% NSR upon payment of US \$850,000.

(d) Mendez Project, Ecuador

The Company owns a 100% interest in two concessions in the province of Morona Santiago, Ecuador.

(e) Other, Colombia

The Company holds mineral concessions and has applied for additional concessions located in the department of Narino, Colombia. The Company is awaiting government approval.

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) *Reconciliation of Changes in Share Capital*

During fiscal 2014 the Company completed private placement financings as follows:

- (i) On June 5, 2014 the Company completed a first-tranche closing of a non-brokered private placement financing of 4,247,943 units of the Company at \$0.22 per unit for \$934,547. On July 18, 2014 the Company completed a final closing of the private placement and issued 854,500 units for \$187,990. Each unit consisted of one common share and one-half share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share at a price of \$0.35 per share for a period of eighteen months from the dates of closing.

Officers and a private corporation controlled by family members of the President of the Company purchased a total of 1,995,670 units of this private placement.

The Company incurred \$6,362 for filing fees associated with this private placement.

- (ii) On October 24, 2014 the Company completed a private placement financing with Guangshou for 2,272,727 units, at a price of \$0.22 per unit, for \$500,000. Each unit consisted of one common share of the Company and one-half of one share purchase warrant. Each whole warrant entitles Guangshou to purchase an additional common share of the Company at a price of \$0.35 per share expiring April 24, 2016. A finder's fee of \$30,000 is payable and has been included in accounts payable and accrued liabilities as at December 31, 2014.

The Company incurred \$3,251 for filing fees associated with this private placement.

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7. Share Capital (continued)

Effective March 12, 2013 the Company entered into an investment and participation agreement (the “Urion Agreement”) with Urion Mining International B.V., a wholly-owned subsidiary of Trafigura Beheer B.V. (together referred to as “Urion”), under which Urion agreed to provide funding to assist the Company with the advancement of the El Domo Property at the Curipamba Project to the production stage.

The Urion Agreement provided for a series of investments, with the first being completed in March 2013 in a private placement of 2,500,000 units of the Company at a price of \$0.40 per unit for total gross proceeds of \$1,000,000. Each unit consisted of one common share of the Company and one-half of a share purchase warrant. Each full warrant entitled Urion to purchase an additional common share of the Company at a price of \$0.50 per share expiring September 22, 2014.

In May 2013 the Company announced a further private placement of units of the Company at a price of \$0.22 per unit, each unit consisting of one common share of the Company and one-half of a share purchase warrant. Each full warrant entitles the holder to purchase an additional common share of the Company for a period of 18 months from closing at a price of \$0.35 per share. In June 2013 the Company completed the first tranche of this private placement with Urion purchasing 4,545,455 units for \$1,000,000, comprising of 4,545,455 common shares and 2,272,727 warrants, expiring December 6, 2014. In September 2013 the Company completed the final tranche of this private placement and issued 2,555,086 units for \$562,119, comprising of 2,555,086 common shares and 1,277,538 warrants, expiring March 16, 2015. Directors and officers of the Company purchased 1,905,400 units of this private placement.

The Company incurred \$107,771 for legal and filing costs associated with the private placements.

In April 2014 a mutual decision was made with Urion to terminate the Urion Agreement.

(c) *Warrants*

A summary of the number of common shares reserved pursuant to the Company’s outstanding warrants at December 31, 2014 and 2013 and the changes for the years ended on those dates is as follows:

	2014		2013	
	Number	Weighted Average Exercise Price \$	Number	Weighted Average Exercise Price \$
Balance, beginning of year	7,860,265	0.47	3,060,000	0.65
Issued	3,687,584	0.35	4,800,265	0.39
Expired	<u>(6,582,727)</u>	0.52	-	-
Balance, end of year	<u>4,965,122</u>	0.35	<u>7,860,265</u>	0.47

The following table summarizes information about the number of common shares reserved pursuant to the Company’s warrants outstanding and exercisable at December 31, 2014:

Number	Exercise Price \$	Expiry Date
1,277,538	0.35	March 16, 2015
2,123,971	0.35	November 6, 2015
427,250	0.35	January 18, 2016
<u>1,136,363</u>	0.35	April 24, 2016
<u>4,965,122</u>		

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7. Share Capital (continued)

(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.

No share options were granted during fiscal 2014 and 2013.

A summary of the Company’s share options at December 31, 2014 and 2013 and the changes for the years ended on those dates, is as follows:

	<u>2014</u>		<u>2013</u>	
	Number of Options Outstanding	Weighted Average Exercise Price \$	Number of Options Outstanding	Weighted Average Exercise Price \$
Balance, beginning of year	967,500	1.04	2,713,300	1.06
Expired	<u>(967,500)</u>	1.04	<u>(1,745,800)</u>	1.07
Balance, end of year	<u>-</u>	-	<u>967,500</u>	1.04

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) *Transactions with Key Management Personnel*

During fiscal 2014 and 2013 the following amounts were incurred with respect to the President and the Chief Financial Officer (“CFO”) of the Company:

	<u>2014</u>	<u>2013</u>
	\$	\$
Salaries	168,303	182,878
Bonus	-	90,000
Health benefits	<u>7,470</u>	<u>6,967</u>
	<u>175,773</u>	<u>279,845</u>

As at December 31, 2014, \$89,921 (2013 - \$140,558) remained unpaid and has been included in accounts payable and accrued liabilities.

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8. Related Party Disclosures (continued)

(b) *Transactions with Other Related Parties*

(i) During fiscal 2014 and 2013 the following amounts were incurred with respect non-executive directors of the Company:

	2014 \$	2013 \$
Consulting	<u>112,680</u>	<u>105,279</u>

As at December 31, 2014, \$172,275 (2013 - \$96,256) remained unpaid and has been included in accounts payable and accrued liabilities.

(ii) During fiscal 2014 the Company incurred a total of \$31,200 (2013 - \$31,800) 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, 2014, \$2,800 (2013 - \$3,300) remained unpaid and has been included in accounts payable and accrued liabilities.

(c) See also Notes 7(b) and 9.

9. Advances

	December 31, 2014 \$	December 31, 2013 \$
Advances (a)	85,128	-
Advances (b)	<u>286,195</u>	<u>193,157</u>
	<u>371,195</u>	<u>193,157</u>

(a) During fiscal 2014 the Company received ongoing advances of US \$221,600 and repaid advances of US \$148,220. The advances are non-interest bearing with no fixed terms of repayment.

The advances are due to a private corporation controlled by the President of the Company.

(b) The advances comprised of US and Canadian dollar amounts, bear interest at 10% per annum and have no fixed terms of repayment. During fiscal 2014 the Company received ongoing advances of \$540,856 (2013 - \$193,157) and repaid advances of \$459,067 (2013 - \$nil). In addition, effective January 1, 2014, the Company recorded interest expense of \$36,572 which was unpaid at December 31, 2014 and is included in accounts payable and accrued liabilities.

The advances are due to a private corporation controlled by family members of the President of the Company and private corporations controlled or affiliated with a director of the Company.

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10. Income Taxes

Deferred income tax assets and liabilities of the Company as at December 31, 2014 and 2013, are as follows:

	2014 \$	2013 \$
Deferred income tax assets (liabilities):		
Losses available for future periods	4,261,600	3,676,100
Financing costs	34,000	57,900
Difference between book value and income tax costs of exploration and evaluation assets	<u>294,300</u>	<u>(284,000)</u>
	4,589,900	3,450,000
Unrecognized deferred tax asset	<u>(4,589,900)</u>	<u>(3,450,000)</u>
Net deferred tax asset	<u>-</u>	<u>-</u>

The recovery of income taxes shown in the consolidated statements of operations differs from the amounts obtained by employing substantively enacted statutory rates to the loss before provision for income taxes for fiscal 2013 and 2012 as follows:

	2014 \$	2013 \$
Loss before income taxes	(1,227,182)	(1,658,625)
Statutory tax rate	<u>26.0%</u>	<u>25.75%</u>
	2014 \$	2013 \$
Expected income tax recovery	(319,100)	(427,100)
Effect of income tax rate changes	25,600	(70,900)
Foreign income tax rate differences	16,900	15,900
Other	(34,200)	(33,400)
Change in deductible temporary differences	<u>310,800</u>	<u>513,950</u>
Actual income tax recovery	<u>-</u>	<u>(1,550)</u>

As at December 31, 2014 the Company has approximately \$8,586,200 (2013 - \$7,934,400) of non-capital losses carried forward, and unclaimed deductions of \$2,198,550 (2013 - \$2,290,400) for Canadian tax purposes available to offset future income. The non-capital losses expire from 2015 to 2034. The Company also has non-capital losses of approximately \$8,161,900 (2013 - \$6,997,200) for Ecuadorian tax purposes and approximately \$707,700 (2013 - \$648,800) for Colombian tax purposes.

Deferred income tax benefits which may arise as a result of these losses have not been recognized in the consolidated financial statements as their realization is unlikely.

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11. Financial Instruments and Risk Management

Categories of Financial Assets and Financial Liabilities

Financial instruments are classified into one of the following four categories: fair value through profit or loss (“FVTPL”); held-to-maturity investments; loans and receivables; and available-for-sale. The carrying values of the Company’s financial instruments are classified into the following categories:

Financial Instrument	Category	December 31, 2014 \$	December 31, 2013 \$
Cash	FVTPL	49,236	177,745
Amounts receivable	Loans and receivables	1,301	6,462
Investment	Available-for-sale	3,915	5,437
Accounts payable and accrued liabilities	Other liabilities	(867,846)	(560,746)
Advances	Other liabilities	(371,323)	(193,157)

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, accounts payable and accrued liabilities and advances approximate their fair value due to their short-term nature. The Company’s cash and investment under the fair value hierarchy are 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.

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11. Financial Instruments and Risk Management (continued)

	Contractual Maturity Analysis at December 31, 2014				
	Less than 3 Months \$	3 - 12 Months \$	1 - 5 Years \$	Over 5 Years \$	Total \$
Cash	49,236	-	-	-	49,236
Amounts receivable	1,301	-	-	-	1,301
Investment	-	-	3,915	-	3,915
Accounts payable and accrued liabilities	(876,846)	-	-	-	(876,846)
Advances	(371,323)	-	-	-	(371,323)

	Contractual Maturity Analysis at December 31, 2013				
	Less than 3 Months \$	3 - 12 Months \$	1 - 5 Years \$	Over 5 Years \$	Total \$
Cash	177,745	-	-	-	177,745
Amounts receivable	6,462	-	-	-	6,462
Investment	-	-	5,437	-	5,437
Accounts payable and accrued liabilities	(560,746)	-	-	-	(560,746)
Advances	(193,157)	-	-	-	(193,157)

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 December 31, 2014, 1 Canadian Dollar was equal to 0.86 US Dollar.

Balances are as follows:

	US \$	CDN \$ Equivalent
Cash	3,224	3,749
Amounts receivable	1,122	1,304
Accounts payable and accrued liabilities	(584,810)	(680,012)
Advances	(190,779)	(221,835)
	<u>(771,243)</u>	<u>(896,794)</u>

Based on the net exposures as of December 31, 2014 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 net loss being approximately \$81,500 higher (or lower).

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11. Financial Instruments and Risk Management (continued)

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.

12. Supplemental Cash Flow Information

During fiscal 2014 and 2013 non-cash activities were conducted by the Company as follows:

	2014 \$	2013 \$
Operating activities		
Depreciation	37,416	37,416
Increase in accounts payable and accrued liabilities	40,968	169,753
	<u>78,384</u>	<u>207,169</u>
Investing activity		
Additions to exploration and evaluation assets	(646,218)	(207,169)
Financing activities		
Issuance of common shares	786,487	-
Advances retired	(188,653)	-
Share issue costs	(30,000)	-
	<u>567,834</u>	<u>-</u>

13. Segmented Information

The Company operates in one reportable segment, the exploration and development of unproven exploration and evaluation assets. As at December 31, 2014 and 2013 the Company's exploration and evaluation assets are located in Ecuador and Colombia and its corporate assets are located in Canada.

	December 31, 2014			
	Corporate Canada \$	Mineral Operations Ecuador \$	Mineral Operations Colombia \$	Total \$
Current assets	67,434	47,914	-	115,348
Investment	3,915	-	-	3,915
Property, plant and equipment	-	437,403	-	437,403
Exploration and evaluation assets	-	19,361,983	233,752	19,595,735
	<u>71,349</u>	<u>19,847,300</u>	<u>233,752</u>	<u>20,152,401</u>

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13. Segmented Information (continued)

	December 31, 2013			
	Corporate Canada \$	Mineral Operations Ecuador \$	Mineral Operations Colombia \$	Total \$
Current assets	178,525	59,928	853	239,306
Investment	5,437	-	-	5,437
Property, plant and equipment	-	546,278	-	546,278
Exploration and evaluation assets	-	<u>18,288,142</u>	<u>233,752</u>	<u>18,521,894</u>
	<u>183,962</u>	<u>18,894,348</u>	<u>234,605</u>	<u>19,312,915</u>

14. Event after the Reporting Period

On March 31, 2015 the Company announced a proposed financing of up to US \$600,000 of Promissory Notes ("Notes") of which, as at April 28, 2015, the Company has received US \$350,000.

The key terms of the Notes to be issued are that they will be unsecured, bear interest at 12%, and will mature on March 31, 2016. The Company will also issue up to 6,923,000 non-transferable share purchase warrants. Each share purchase warrant will entitle the holder to purchase one common share at a price of \$0.11 per share for a period of 12 months from closing.

The financing is subject to acceptance of filings with the TSXV.