
SALAZAR RESOURCES LIMITED

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED
MARCH 31, 2020

(Unaudited - Expressed in Canadian Dollars)

**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

In accordance with National Instrument 51-102 Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of these condensed consolidated interim financial statements they must be accompanied by a notice indicating that the condensed consolidated interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's auditors have not performed a review of these condensed consolidated interim financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

SALAZAR RESOURCES LIMITED
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited - Expressed in Canadian Dollars)

	Notes	March 31, 2020 \$	December 31, 2019 \$
ASSETS			
Current assets			
Cash		3,610,006	4,079,065
Restricted cash	4(a)	182,537	397,896
Amounts receivable	4	158,402	123,390
GST receivable		-	17,806
Prepaid expenses and deposits		623,832	596,151
Due from joint-venture partner	4(a)	278,204	-
Total current assets		<u>4,852,981</u>	<u>5,214,308</u>
Non-current assets			
Property, plant and equipment	3	1,215,680	1,058,319
Exploration and evaluation assets	4	22,149,775	19,986,463
Total non-current assets		<u>23,365,455</u>	<u>21,044,782</u>
TOTAL ASSETS		<u>28,218,436</u>	<u>26,259,090</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		1,122,017	463,840
Advances from joint-venture partner	4(a)	-	288,182
TOTAL LIABILITIES		<u>1,122,017</u>	<u>752,022</u>
SHAREHOLDERS' EQUITY			
Share capital	5	39,185,461	39,138,461
Share-based payments reserve		5,803,385	5,823,385
Deficit		(26,084,756)	(25,534,954)
Accumulated other comprehensive income		8,192,329	6,080,176
TOTAL SHAREHOLDERS' EQUITY		<u>27,096,419</u>	<u>25,507,068</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>28,218,436</u>	<u>26,259,090</u>

Nature of Operations - see Note 1

Commitments - see Note 7

These condensed consolidated interim financial statements were approved for issue by the Board of Directors on May 29, 2020 and are signed on its behalf by:

/s/ Fredy Salazar
 Fredy Salazar
 Director

/s/ Pablo Acosta
 Pablo Acosta
 Director

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

SALAZAR RESOURCES LIMITED
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited - Expressed in Canadian Dollars)

	Note	Three Months Ended	
		March 31	
		2020	2019
		\$	\$
Expenses			
Accounting and administration	6(b)(ii)	14,184	14,009
Audit		55,661	56,501
Consulting	6(b)(i)	51,879	45,879
Corporate development		40,675	11,534
Depreciation		35,779	50,859
Drill rig standby costs		277,616	298,860
General exploration		17,345	287,308
Legal		-	2,154
Office		17,385	51,426
Regulatory		3,841	4,669
Salaries, compensation and benefits	6(a)	103,323	173,689
Share-based compensation	5(d)	-	478,715
Shareholder costs		1,910	2,300
Transfer agent		1,148	1,053
Travel		12,755	18,448
Cost recoveries	4(a)	<u>(96,862)</u>	<u>(282,494)</u>
		<u>536,639</u>	<u>1,214,910</u>
Loss before other items		<u>(536,639)</u>	<u>(1,214,910)</u>
Other items			
Interest income		18,470	22,094
Gain on sale of investments		-	367,316
Foreign exchange		<u>(31,633)</u>	<u>(23,432)</u>
		<u>(13,163)</u>	<u>365,978</u>
Net loss for the period		(549,802)	(848,932)
Other comprehensive income (loss)			
Change in currency translation of foreign subsidiaries		<u>2,112,153</u>	<u>(253,529)</u>
Comprehensive income (loss) for the period		<u>1,562,351</u>	<u>(1,102,461)</u>
Basic and diluted loss per common share		<u>\$(0.00)</u>	<u>\$(0.03)</u>
Weighted average number of common shares outstanding		<u>126,628,901</u>	<u>126,477,790</u>

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

SALAZAR RESOURCES LIMITED
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
(Unaudited - Expressed in Canadian Dollars)

Three Months Ended March 31, 2020						
	Share Capital		Share-Based Payments Reserve \$	Accumulated Other Comprehensive Income (Loss) \$	Deficit \$	Total Equity \$
	Number of Shares	Amount \$				
Balance at December 31, 2019	126,477,790	39,138,461	5,823,385	6,080,176	(25,534,954)	25,507,068
Common shares issued for:						
- options exercised	200,000	27,000	-	-	-	27,000
Transfer on exercise of share options	-	20,000	(20,000)	-	-	-
Currency translation adjustment	-	-	-	2,112,153	-	2,112,153
Net loss for the period	-	-	-	-	(549,802)	(549,802)
Balance at March 31, 2020	126,677,790	39,185,461	5,803,385	8,192,329	(26,084,756)	27,096,419
Three Months Ended March 31, 2019						
	Share Capital		Share-Based Payments Reserve \$	Accumulated Other Comprehensive Income (Loss) \$	Deficit \$	Total Equity \$
	Number of Shares	Amount \$				
Balance at December 31, 2018	126,477,790	39,138,461	5,187,221	5,454,698	(24,214,591)	25,565,789
Share-based compensation	-	-	478,715	-	-	478,715
Debt settlement:						
- warrants	-	-	120,000	-	-	120,000
Currency translation adjustment	-	-	-	(4,126,034)	-	(4,126,034)
Net loss for the period	-	-	-	-	(848,932)	(848,932)
Balance at March 31, 2019	126,477,790	39,138,461	5,785,936	1,328,664	(25,063,523)	21,189,538

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

SALAZAR RESOURCES LIMITED
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited - Expressed in Canadian Dollars)

	Three Months Ended March 31,	
	2020 \$	2019 \$
Operating activities		
Net loss for the period	(549,802)	(848,932)
Adjustments for:		
Depreciation	37,293	64,700
Gain on sale of investments	-	(367,315)
Share-based compensation	-	478,715
Changes in non-cash working capital items:		
Restricted cash	(125,683)	37,989
Amounts receivable	(16,584)	65,698
Prepaid expenses and deposits	21,553	(54,908)
Accounts payable and accrued liabilities	599,977	(572,839)
Due from joint-venture partner	(560,229)	247,009
Net cash used in operating activities	<u>(593,475)</u>	<u>(949,883)</u>
Investing activities		
Exploration and evaluation assets expenditures, net of recoveries	(90,833)	(3,114)
Additions to property plant and equipment, net of recoveries	(102,069)	(658)
Proceeds from sale of investments	-	3,223,404
Net cash (used in) provided by investing activities	<u>(192,902)</u>	<u>3,219,632</u>
Financing activity		
Issuance of common shares	27,000	-
Net cash provided by financing activity	<u>27,000</u>	<u>-</u>
Effect of exchange rate changes on cash	<u>290,318</u>	<u>126,389</u>
Net change in cash	(469,059)	2,396,138
Cash at beginning of period	<u>4,079,065</u>	<u>2,784,301</u>
Cash at end of period	<u>3,610,006</u>	<u>5,180,439</u>

Supplemental Cash Flow Information - see Note 9

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

SALAZAR RESOURCES LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2020
(Unaudited - Expressed in Canadian Dollars)

1. Nature of Operations

Salazar Resources Limited (the “Company”) was incorporated on July 23, 1987 under the provisions of the Company Act (British Columbia). The Company’s common shares are listed and trade on the TSX Venture Exchange (“TSXV”) under the symbol “SRL” and on the Frankfurt Exchange under the symbol “CCG”. 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 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.

The Company has negotiated a number of agreements to provide continued funding for exploration of its exploration and evaluation assets, as described in Note 5. As at March 31, 2020 the Company had working capital of \$3,730,964 and an accumulated deficit of \$26,084,756. As at March 31, 2020 management considered that the Company had adequate resources to maintain its core operations and, with the financial support of its partner, conduct ongoing exploration programs on its existing exploration and evaluation assets for the next twelve months.

These condensed consolidated interim financial statements do not include adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

On March 11, 2020 the World Health Organization (“WHO”) declared a global pandemic of a novel coronavirus identified as “COVID-19”. In order to combat the spread of COVID-19 governments worldwide, including Ecuador and Canada, have enacted emergency measures including travel bans, legally enforced or self-imposed quarantine periods, social distancing and business and organization closures. These measures have caused material disruptions to businesses, governments and other organizations resulting in an economic slowdown and increased volatility in national and global equity and commodity markets. The Company and its strategic partner have temporarily suspended site activities at the Curipamba, Pijili and Santiago projects. Work at these sites will only restart once the COVID-19 situation has stabilized and it is deemed safe to do so by the national and regional authorities of Ecuador who are working closely with the WHO. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of any intervention.

2. Basis of Preparation

Statement of Compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting* (“IAS 34”), as issued by the International Accounting Standards Board (“IASB”), and its interpretations, using accounting policies consistent with International Financial Reporting Standards (“IFRS”). The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2019, which have been prepared in accordance with IFRS as issued by the IASB and interpretations of the IFRS Interpretations Committee (“IFRIC”). The accounting policies followed in these condensed consolidated interim financial statements are consistent with those applied in the Company’s consolidated financial statements for the year ended December 31, 2019.

SALAZAR RESOURCES LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2020
(Unaudited - Expressed in Canadian Dollars)

2. Basis of Preparation (continued)

Basis of Measurement

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

3. Property, Plant and Equipment

	Land	Drill Rigs and Equipment	Total
	\$	\$	\$
Cost:			
Balance at December 31, 2018	149,300	1,602,498	1,751,798
Additions	2,842,082	596,987	3,439,069
Disposal	-	(29,190)	(29,190)
Cost recoveries (Note 4(a))	(2,718,288)	(543,672)	(3,261,960)
Foreign exchange movement	(8,331)	623,116	614,785
	<u>264,763</u>	<u>2,249,739</u>	<u>2,514,502</u>
Balance at December 31, 2019	264,763	2,249,739	2,514,502
Additions	1,586,156	172,240	1,758,396
Cost recoveries (Note 4(a))	(1,586,156)	(70,171)	(1,656,327)
Foreign exchange movement	22,869	192,862	215,731
	<u>287,632</u>	<u>2,544,670</u>	<u>2,832,302</u>
Balance at March 31, 2020	<u>287,632</u>	<u>2,544,670</u>	<u>2,832,302</u>
Accumulated Depreciation:			
Balance at December 31, 2018	-	(930,273)	(930,273)
Depreciation	-	(146,721)	(146,721)
Disposal	-	17,887	17,887
Foreign exchange movement	-	(397,076)	(397,076)
	<u>-</u>	<u>(1,456,183)</u>	<u>(1,456,183)</u>
Balance at December 31, 2019	-	(1,456,183)	(1,456,183)
Depreciation	-	(37,293)	(37,293)
Foreign exchange movement	-	(123,146)	(123,146)
	<u>-</u>	<u>(1,616,622)</u>	<u>(1,616,622)</u>
Balance at March 31, 2020	<u>-</u>	<u>(1,616,622)</u>	<u>(1,616,622)</u>
Carrying Value:			
Balance at December 31, 2019	<u>264,763</u>	<u>793,556</u>	<u>1,058,319</u>
Balance at March 31, 2020	<u>287,632</u>	<u>928,048</u>	<u>1,215,680</u>

SALAZAR RESOURCES LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2020
(Unaudited - Expressed in Canadian Dollars)

4. Exploration and Evaluation Assets

As at March 31, 2020				
	Acquisition Costs \$	Deferred Exploration Costs \$	Foreign Exchange Movement \$	Total \$
Ecuador				
Curipamba	-	12,511,691	8,093,103	20,604,794
Other	<u>554,016</u>	<u>883,632</u>	<u>107,333</u>	<u>1,544,981</u>
	<u>554,016</u>	<u>13,395,323</u>	<u>8,200,436</u>	<u>22,149,775</u>
As at December 31, 2019				
	Acquisition Costs \$	Deferred Exploration Costs \$	Foreign Exchange Movement \$	Total \$
Ecuador				
Curipamba	-	12,654,628	6,139,015	18,793,643
Other	<u>506,969</u>	<u>696,909</u>	<u>(11,058)</u>	<u>1,192,820</u>
	<u>506,969</u>	<u>13,351,537</u>	<u>6,127,957</u>	<u>19,986,463</u>

SALAZAR RESOURCES LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2020
(Unaudited - Expressed in Canadian Dollars)

4. Exploration and Evaluation Assets (continued)

	Curipamba \$	Exploration Alliance \$	Other \$	Total \$
Balance at December 31, 2018	<u>18,823,922</u>	<u>92,526</u>	<u>268,901</u>	<u>19,185,349</u>
Exploration costs				
Assay analysis	251,626	123,336	67,916	442,878
Camp supervision and personnel	319,051	44,371	369,243	732,665
Camp supplies	308,021	25,712	44,718	378,451
Community relations	829,094	-	8,125	837,219
Environmental studies	61,424	12,792	19,531	93,747
Equipment maintenance	386,092	11,293	20,727	418,112
Exploration site	642,557	76,359	80,864	799,780
Geological	617,882	43,388	1,189	662,459
Geophysics	-	1,143,935	-	1,143,935
Legal	69,683	-	11,227	80,910
Permits	160,595	-	-	160,595
Salaries	2,016,387	265,980	584	2,282,951
Supplies	200,689	-	23,550	224,239
Travel	418,757	83,155	36,839	538,751
	<u>6,281,858</u>	<u>1,830,321</u>	<u>684,513</u>	<u>8,796,692</u>
Acquisition costs				
Property / concession payments	<u>191,761</u>	<u>104,000</u>	<u>277,171</u>	<u>572,932</u>
Other				
Cost recoveries	(6,489,350)	(2,024,310)	-	(8,513,660)
Management fees	(464,380)	-	-	(464,380)
Advance payment	(331,700)	-	-	(331,700)
Foreign exchange movement	781,532	(2,537)	(37,765)	741,230
	<u>(6,503,898)</u>	<u>(2,026,847)</u>	<u>(37,765)</u>	<u>(8,568,510)</u>
Balance at December 31, 2019	<u>18,793,643</u>	<u>-</u>	<u>1,192,820</u>	<u>19,986,463</u>
Exploration costs				
Assay analysis	120,708	-	12,073	132,781
Camp supervision and personnel	11,458	-	104,534	115,992
Camp supplies	39,587	-	16,487	56,074
Community relations	12,589	-	1,830	14,419
Depreciation	-	-	1,514	1,514
Drilling	437,343	-	-	437,343
Environmental studies	37,235	-	1,586	38,821
Equipment maintenance	17,850	-	6,796	24,646
Exploration site	449,963	-	4,678	454,641
Geological	6,927	-	9,259	16,186
Legal	60,131	-	11,018	71,149
Salaries	550,907	-	-	550,907
Supplies	9,074	-	5,163	14,237
Travel	15,869	-	11,785	27,654
	<u>1,769,641</u>	<u>-</u>	<u>186,723</u>	<u>1,956,364</u>
Acquisition costs				
Property / concession payments	<u>231,605</u>	<u>-</u>	<u>47,047</u>	<u>278,652</u>
Other				
Cost recoveries	(2,001,246)	-	-	(2,001,246)
Management fees	(117,618)	-	-	(117,618)
Drilling services	(25,319)	-	-	(25,319)
Foreign exchange movement	1,954,088	-	118,391	2,072,479
	<u>(190,095)</u>	<u>-</u>	<u>118,391</u>	<u>(71,704)</u>
Balance at March 31, 2020	<u>20,604,794</u>	<u>-</u>	<u>1,544,981</u>	<u>22,149,775</u>

SALAZAR RESOURCES LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2020
(Unaudited - Expressed in Canadian Dollars)

4. Exploration and Evaluation Assets (continued)

The Company holds interests in the following properties in Ecuador:

(a) ***Curipamba Project***

The Company owns a 100% interest in seven concessions (the “Curipamba Project”) located in the provinces of Bolivar and Los Rios, Ecuador. The Curipamba Project is subject to a 2% net smelter return royalty (“NSR”).

On September 14, 2017, as amended September 19, 2019, the Company entered into a definitive option agreement (the “Curipamba Option”) whereby Adventus Mining Corporation (“Adventus”) may earn (the “Earn-In”) a 75% interest in the Company’s Curipamba Project by funding costs on the Curipamba Project of US \$25,000,000 over the next five years, including the completion of a feasibility study on the El Domo deposit, subject to certain exceptions. A feasibility study was required to be completed no later than October 5, 2021, after which Adventus is required to fund 100% of the development and construction expenditures to commercial production. Due to the COVID-19 outbreak, as described in Note 1, the feasibility study earn-in requirement of October 5, 2021 will be delayed by the number of days that site activities have been shutdown, starting from March 17, 2020.

Adventus will provide the Company with non-refundable advance payments of US \$250,000 per year until achievement of commercial production, to a maximum cumulative total of US \$1,500,000. As at March 31, 2020 the Company has received total advance payments of US \$750,000.

Upon achievement of commercial production, Adventus will receive 95% of the dividends from the Curipamba Project until its aggregate investment, including the US \$25,000,000, has been recouped minus the approximate Company carrying value of US \$18,200,000 when the Curipamba Option was signed, after which dividends will be shared on a pro-rata basis according to their respective ownership. In certain circumstances where project development is delayed post earn-in, Adventus’ ownership position could be diluted.

Adventus has also agreed to pay the Company a 10% management fee on certain expenditures for the duration of the Curipamba Option, with a prescribed minimum annual amount of US \$350,000 by each anniversary date. During the three months ended March 31, 2020 the Company earned \$117,618 (December 31, 2019 - \$464,380) in management fees and as at March 31, 2020, \$124,136 (December 31, 2019 - \$119,980) remained outstanding and was included in amounts receivable.

During the three months ended March 31, 2020 Adventus funded a total of \$3,754,435 for costs incurred by the Company, of which \$1,656,327 was applied against property, plant and equipment, \$2,001,246 against exploration and evaluation assets and \$96,862 as an expense recovery. As at March 31, 2020, a balance of \$278,204 is due from the joint-venture partner and \$182,537 remains in restricted cash.

During fiscal 2019 Adventus funded a total of \$10,214,730 for costs incurred by the Company, of which \$3,261,960 was applied against property, plant and equipment, \$6,489,350 against exploration and evaluation assets and \$463,420 as an expense recovery. As at December 31, 2019 a balance of \$288,182 remained as advances from the joint-venture partner and \$397,896 remained in restricted cash.

Adventus has notified the Company that in addition to costs incurred by the Company and funded by Adventus that a total of US \$352,319 (December 31, 2019 - \$2,135,363) of project related costs have been incurred directly by Adventus. As at March 31, 2020 a total of US \$22,139,156 (December 31, 2019 - US \$18,951,173) had been incurred towards the Earn In.

Funding by Adventus is segregated in separate bank accounts and payments are disbursed as approved by Adventus.

SALAZAR RESOURCES LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2020
(Unaudited - Expressed in Canadian Dollars)

4. Exploration and Evaluation Assets (continued)

Drilling services required by Adventus's exploration program as part of Adventus's Earn-In are being provided by a subsidiary of the Company. As drilling services to third parties are not in the Company's ordinary activities and the drilling services have been contracted with Adventus in which both the Company and Adventus share in the risks and benefits that result from the drilling services Adventus is not considered a customer and the drilling services are not in the scope of IFRS 15 - *Revenue from Contracts with Customers*. In accordance with IFRS 6 - *Exploration for and Evaluation of Mineral Resources* the Company recognizes all amounts received from drilling services against the carrying amount of the Curipamba exploration and evaluation asset.

(b) ***Exploration Alliance***

On September 13, 2017, as amended December 21, 2017, the Company and Adventus signed an exploration alliance memorandum of understanding (the "MOU") to jointly explore in Ecuador (the "Alliance"). Under the MOU the venture would be owned 80% by Adventus and 20% by the Company, with the Company operating the Alliance and Adventus funding all activities incurred on behalf of the Alliance up to a construction decision.

Dos Gemas

On February 19, 2018 the Company, Adventus and Minera Dos Gemas M2G S.A. ("Dos Gemas") entered into the definitive exploration alliance agreement (the "Exploration Alliance Agreement") to formalize the terms of the MOU. Dos Gemas is owned 80% by Adventus and 20% by the Company. As operator of the Alliance the Company will be paid a 10% operator's fee on all expenditures incurred, subject to an annual maximum fee of US \$200,000 on costs pertaining to surface rights acquisitions. During the three months ended March 31, 2020 the Company earned \$nil (fiscal 2019 - \$8,740) in operator fees and as at March 31, 2020 \$nil (December 31, 2019 - \$1,050) remained outstanding and was included in amounts receivable.

During fiscal 2018 Adventus assumed control of Dos Gemas and, as such, the Company derecognized the assets and liabilities of Dos Gemas from the consolidated financial statements. The remaining 20% investment retained in Dos Gemas was recognized at fair value when control was assumed by Adventus and the Company subsequently accounted for its investment using the equity method. The Company's share of losses exceeds its interest in Dos Gemas and, as such, the Company has discontinued recognizing its share of any further losses as there are no legal or constructive obligations.

Pijili Project

In August 2017 the Company was awarded three concessions (the "Pijili Project"), located in the province of Azuay, Ecuador. On March 28, 2018 the Company, Adventus and Dos Gemas entered into a letter agreement whereby the Company agreed to transfer the Pijili Project to Dos Gemas under the Alliance upon completion by Adventus of the following considerations:

- (i) on July 17, 2018 the Company received 2,536,232 Adventus common shares at an ascribed value of \$2,028,986, of which \$426 was applied against evaluation and exploration assets on costs capitalized and the remaining \$2,028,560 as a gain on property disposition in fiscal 2018;
- (ii) Adventus was also required to fully fund a US \$1,000,000 exploration budget on the Pijili Project by September 28, 2020. Adventus fulfilled this funding commitment in fiscal 2018; and
- (iii) payment of US \$150,000 cash, of which \$129,320 (US \$100,000) was received by the Company as at December 31, 2018 and the remaining \$66,385 (US \$50,000) was received in August 2019. During fiscal 2018 the Company applied the \$129,320 received, as to \$60,168 against exploration and evaluation assets on costs capitalized and the remaining \$69,152 as a gain on property disposition. During fiscal 2019 the Company recorded the \$66,385 as gain on property disposition and an application to legally transfer the Pijili Project to Dos Gemas has been made.

During the three months ended March 31, 2020 the Company earned \$2,837 (fiscal 2019 -\$46,254) in operator fees and as at March 31, 2020, \$2,837 (December 31, 2019 - \$1,767) remained outstanding and was included in amounts receivable.

SALAZAR RESOURCES LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2020
(Unaudited - Expressed in Canadian Dollars)

4. Exploration and Evaluation Assets (continued)

Santiago Concession

The Company held a 100% interest in a concession (the “Santiago Concession”) located in the province of Loja, Ecuador. On May 22, 2018 the Company, Adventus and Dos Gemas entered into an agreement whereby the Company agreed to transfer the Santiago Project to Dos Gemas under the Alliance upon completion of the following considerations:

- (i) on July 17, 2018 the Company received 1,268,116 Adventus common shares at an ascribed value of \$1,014,492, of which \$585,734 was applied against exploration and evaluation assets on costs capitalized and the remaining \$428,758 as a gain on property disposition in fiscal 2018;
- (ii) Adventus was also required to fully fund a US \$500,000 exploration budget on the Santiago Project by May 22, 2020. Adventus fulfilled this funding commitment in March 2019; and
- (iii) payment of US \$75,000 in cash to the Company, of which \$64,365 (US \$50,000) was received during fiscal 2018 and the remaining \$32,753 (US \$25,000) was received in July 2019. During fiscal 2018 the Company applied the \$64,365 against exploration and evaluation assets on costs capitalized. During fiscal 2019 the Company recorded the \$32,753 received as gain on property disposition and completed the official transfer of the Santiago Project to Dos Gemas.

During the three months ended March 31, 2020 the Company earned \$nil (fiscal 2019 - \$68,480) in operator fees and other services. As at March 31, 2020 \$nil (December 31, 2019 - \$543) remained outstanding and was included in amounts receivable.

The Santiago Project is subject to a 1.5% net smelter royalty that can be bought out for US \$1,000,000, as well as a 4% net profits interest royalty that is in favour of INV Metals Inc.

(c) **Other**

Macara Project

The Macara Project comprises two concessions as follows:

- (i) On November 6, 2017 the Company entered into an option agreement with an Ecuadorian individual (the “Macara Vendor”) whereby the Company was granted an option (the “Macara Option”) to acquire a 100% interest in one concession (the “Macara Concession”) located in the province of Loja, Ecuador. The Macara Vendor is currently an employee of the Company however, at the time the Macara Vendor acquired the Macara concessions they were at arm’s length to the Company. Pursuant to the terms of the Macara Option the Company has agreed to make cash payments totalling US \$600,000 (the “Option Proceeds”), as follows:
 - US \$100,000 on signing (paid);
 - US \$50,000 on November 6, 2018 (paid);
 - US \$50,000 on November 6, 2019 (paid);
 - US \$200,000 on the earlier of a NI43-101 resource calculation or November 6, 2021; and
 - US \$200,000 on the earlier of a preliminary economics assessment of November 21, 2024.

The Company is also required to incur US \$142,000 minimum exploration expenditures on the Macara concession over two years.

The Macara Vendor also retains a 0.5% NSR, which may be purchased by the Company for US \$1,000,000 at any time.

The Macara Vendor has entered into a participation agreement with an employee of the Company and the son of the Company’s President to share the Option Proceeds equally.

SALAZAR RESOURCES LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2020
(Unaudited - Expressed in Canadian Dollars)

4. Exploration and Evaluation Assets (continued)

As at March 31, 2020 the Company has paid a total of US \$200,000 for the option payments on the Macara Concession.

- (ii) In July 2017 the Company was awarded a concession (the “Bonanza Concession”) located in the provinces of Loja and Tacamoros, Ecuador. As at March 31, 2020 the Company has incurred \$831,854 (December 31, 2019 - \$703,088) of costs on the Bonanza Concession.

Ruminahui Project

The Company owns a 100% interest in two concessions (the “Ruminahui Project”) located in the province of Pichincha, Ecuador. As at March 31, 2010 the Company has incurred \$199,980 (December 31, 2019 - \$139,748) of costs on the Ruminahui Project.

Los Osos Concession

On March 21, 2019 the Company entered into an option agreement with an Ecuadorian individual (the “Los Osos Vendor”), whereby the Company has been granted the option to acquire up to a 100% interest in one mineral concession (“Los Osos Concession”) located in the Province of El Oro, Ecuador. The Los Osos Vendor is currently an employee of the Company however, at the time the Los Osos Vendor acquired the Los Osos concession they were at arm’s length to the Company. Pursuant to the terms of the agreement the Company may earn the following interests by payments of:

Interest	Amount US \$
15%, on March 21, 2019	35,000 (paid)
15%, on March 21, 2020	35,000 (paid)
20%, on March 21, 2021	50,000
25%, on March 21, 2022	65,000
25%, on March 21, 2023	<u>65,000</u>
	<u>250,000</u>

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

As at March 31, 2020 the Company has paid a total of US \$70,000 for option payments on the Los Osos Concession.

5. Share Capital

- (a) *Authorized Share Capital*

The Company’s authorized share capital consisted of an unlimited number of common shares without par value. All issued common shares are fully paid.

- (b) *Equity Financings*

No financings were conducted during the three months ended March 31, 2020 or fiscal 2019.

SALAZAR RESOURCES LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2020
(Unaudited - Expressed in Canadian Dollars)

5. Share Capital (continued)

(c) *Warrants*

On February 16, 2019 the Company issued share purchase warrants to Arlington Group Asset Management Limited to purchase 1,000,000 common shares at an exercise price of \$0.12 per share, expiring February 16, 2024, for settlement of debt of \$120,000 for services previously provided.

A summary of the number of common shares reserved pursuant to the Company's outstanding warrants at March 31, 2020 and 2019 and the changes for the three months ended on those dates is as follows:

	2020		2019	
	Number	Weighted Average Exercise Price \$	Number	Weighted Average Exercise Price \$
Balance, beginning of period	1,000,000	0.12	-	-
Issued	-	-	1,000,000	0.12
Balance, end of period	1,000,000	0.12	1,000,000	0.12

As at March 31, 2020 warrants to purchase 1,000,000 common shares at an exercise price of \$0.12 per share, expiring February 16, 2024, were outstanding.

(d) *Share Option Plan*

The Company has established a rolling share option plan (the "Plan"), in which the maximum number of common shares which can be reserved for issuance under the Plan is 10% of the issued and outstanding shares of the Company. The minimum exercise price of the options is set at the Company's closing share price on the day before the grant date, less allowable discounts in accordance with the policies of the TSXV. Options granted may be subject to vesting provisions as determined by the Board of Directors and have a maximum term of five years.

During the three months ended March 31, 2020 the Company did not grant any options.

During the three months ended March 31, 2019 the Company granted share options to purchase 5,472,000 common shares and recorded compensation expense of \$478,715. The fair value of share options granted and vested is estimated using the Black-Scholes option pricing model using the following assumptions:

	<u>2019</u>
Risk-free interest rate	1.79% - 1.89%
Estimated volatility	100%
Expected life	5 years
Expected dividend yield	0%
Estimated forfeiture rate	0%

The weighted average measurement date fair value of all share options recognized during the three months ended March 31, 2019 was \$0.09 per share option.

Option-pricing models require the use of estimates and assumptions including the expected volatility. Changes in the underlying assumptions can materially affect the fair value estimates and, therefore, existing models do not necessarily provide reliable measure of the fair value of the Company's share options.

SALAZAR RESOURCES LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2020
(Unaudited - Expressed in Canadian Dollars)

5. Share Capital (continued)

A summary of the Company's share options at March 31, 2020 and 2019 and the changes for the three months ended on those dates, is as follows:

	<u>2020</u>		<u>2019</u>	
	Number of Options Outstanding	Weighted Average Exercise Price \$	Number of Options Outstanding	Weighted Average Exercise Price \$
Balance, beginning of period	11,972,000	0.14	7,175,000	0.14
Granted	-	-	5,472,000	0.13
Exercised	<u>(200,000)</u>	0.135	<u>-</u>	-
Balance, end of period	<u>11,772,000</u>	0.14	<u>12,647,000</u>	0.14

The following table summarizes information about the share options outstanding and exercisable at March 31, 2020:

Number Outstanding	Number Exercisable	Exercise Price \$	Expiry Date
5,925,000	5,925,000	0.14	December 1, 2021
600,000	600,000	0.14	January 15, 2022
1,000,000	625,000	0.12	January 25, 2024
<u>4,247,000</u>	<u>4,247,000</u>	0.135	February 14, 2024
<u>11,772,000</u>	<u>11,397,000</u>		

6. Related Party Disclosures

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. Certain of these entities transacted with the Company during the reporting period.

(a) *Compensation of Key Management Personnel*

During the three months ended March 31, 2020 and 2019 the following amounts were incurred with respect to the President and the Chief Financial Officer ("CFO") of the Company:

	<u>2020</u>	<u>2019</u>
	\$	\$
Salaries and fees	39,519	43,089
Health benefits	2,344	1,949
Share-based compensation	<u>-</u>	<u>150,000</u>
	<u>41,863</u>	<u>195,038</u>

SALAZAR RESOURCES LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2020
(Unaudited - Expressed in Canadian Dollars)

6. Related Party Disclosures (continued)

(b) *Other Related Party Transactions*

(i) During the three months ended March 31, 2020 and 2019 the following amounts were incurred with respect non-executive directors of the Company:

	2020 \$	2019 \$
Consulting	71,819	46,417
Share-based compensation	-	131,515
	<u>71,819</u>	<u>177,932</u>

As at March 31, 2020 \$19,405 (December 31, 2019 - \$18,918) remained unpaid and has been included in accounts payable and accrued liabilities.

(ii) During the three months ended March 31, 2020 the Company incurred a total of \$14,184 (2019 - \$14,009) to Chase Management Ltd. ("Chase"), a private corporation owned by a director of the Company, for accounting and administration services provided by Chase personnel, excluding the director.

During the three months ended March 31, 2019 the Company also recorded \$15,000 for share-based compensation for share options granted to Chase.

(iii) During the three months ended March 31, 2020 the Company incurred \$47,047 (2019 - \$39,073) for equipment rental services and \$33,269 (2019 - \$33,890) for professional services provided by a private corporation controlled by the President and the CFO of the Company. As at March 31, 2020 \$62,990 (December 31, 2019 - \$57,982) remained unpaid and has been included in accounts payable and accrued liabilities.

(iv) During the three months ended March 31, 2020 the Company incurred \$6,855 (2019 - \$1,994) for storage rental provided by a private corporation controlled by the son of the President of the Company.

(v) See also Note 4(c).

(c) Certain of the expenses incurred by the Company with related parties and remuneration paid to Company personnel have been recovered from Adventus. See Note 4.

7. Commitments

The Company is obligated to fulfill certain investment obligations on its mineral concessions in Ecuador pursuant to the following rules:

(a) When applying for new concessions via the public tender process in Ecuador, the Company, either directly or under option agreement, presented its investment offers for each concession. The investment offer represents the total amount that is required to be spent in order to maintain possession of the concession area at the end of the four-year investment period required by the Government of Ecuador. Accordingly, should the Company wish to retain possession of all the concession areas it holds as at March 31, 2020, the Company's commitment is as follows:

	US \$
Fiscal 2020	32,149
Fiscal 2021	<u>2,670,384</u>
	<u>2,702,533</u>

SALAZAR RESOURCES LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2020
(Unaudited - Expressed in Canadian Dollars)

7. Commitments (continued)

- (b) Concessions in Ecuador that were not acquired via the public tender process require the Company to submit an annual expenditure plan to the Government of Ecuador outlining the minimum amount of committed expenditures for the upcoming year. The total obligation of the Company for these concession areas for the fiscal 2020 is approximately US \$1,500,000.

8. Financial Instruments and Risk Management

Categories of Financial Assets and Financial Liabilities

Financial instruments are classified into one of the following categories: FVTPL; FVOCI and amortized cost. The carrying values of the Company's financial instruments are classified into the following categories:

Financial Instrument	Category	March 31, 2020 \$	December 31, 2019 \$
Cash	FVTPL	3,610,006	4,079,065
Restricted cash	FVTPL	182,537	397,896
Amounts receivable	Amortized cost	158,402	123,390
Due from joint-venture partner	Amortized cost	278,204	-
Accounts payable and accrued liabilities	Amortized cost	(1,122,017)	(463,840)
Advances from joint-venture partner	Amortized cost	-	(288,182)

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 due from joint venture partner approximate their fair value due to their short-term nature. The Company's cash, restricted cash and investments 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.

SALAZAR RESOURCES LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2020
(Unaudited - Expressed in Canadian Dollars)

8. Financial Instruments and Risk Management (continued)

Liquidity Risk

Liquidity risk is the risk that the Company will not have the resources to meet its obligations as they fall due. The Company manages this risk by closely monitoring cash forecasts and managing resources to ensure that it will have sufficient liquidity to meet its obligations. All of the Company's financial liabilities are classified as current and are anticipated to mature within the next fiscal period. The following table is based on the contractual maturity dates of financial assets and the earliest date on which the Company can be required to settle financial liabilities.

	Contractual Maturity Analysis at March 31, 2020				Total \$
	Less than 3 Months \$	3 - 12 Months \$	1 - 5 Years \$	Over 5 Years \$	
Cash	3,610,006	-	-	-	3,610,006
Restricted cash	182,537	-	-	-	182,537
Amounts receivable	158,402	-	-	-	158,402
Due from joint-venture partner	278,204	-	-	-	278,204
Accounts payable and accrued liabilities	(1,122,017)	-	-	-	(1,122,017)

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 March 31, 2020, 1 Canadian Dollar was equal to 0.70 US Dollar.

Balances are as follows:

	US \$	CDN \$ Equivalent
Cash	269,422	384,889
Restricted cash	128,665	182,537
Amounts receivable	111,653	158,402
Due from joint-venture partner	196,098	278,204
Accounts payable and accrued liabilities	<u>(758,788)</u>	<u>(1,083,983)</u>
	<u>(52,950)</u>	<u>(79,951)</u>

Based on the net exposures as of March 31, 2020 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 \$3,000 higher (or lower).

SALAZAR RESOURCES LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2020
(Unaudited - Expressed in Canadian Dollars)

8. 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.

9. Supplemental Cash Flow Information

During the three months ended March 31, 2020 and 2019 non-cash activities were conducted by the Company as follows:

	2020 \$	2019 \$
Operating activity		
Accounts payable and accrued liabilities	-	120,000
Financing activities		
Issuance of common shares	20,000	-
Share-based payments reserve	(20,000)	(120,000)
	-	(120,000)

10. Segmented Information

The Company operates in one reportable segment, the exploration and development of unproven exploration and evaluation assets. The Company's exploration and evaluation assets are located in Ecuador and its corporate assets are located in Canada.

	March 31, 2020		
	Corporate Canada \$	Mineral Operations Ecuador \$	Total \$
Current assets	4,852,981	-	4,852,981
Property, plant and equipment	-	1,215,680	1,215,680
Exploration and evaluation assets	-	22,149,775	22,149,775
	<u>4,852,981</u>	<u>23,365,455</u>	<u>28,218,436</u>
	December 31, 2019		
	Corporate Canada \$	Mineral Operations Ecuador \$	Total \$
Current assets	5,214,308	-	5,214,308
Property, plant and equipment	-	1,058,319	1,058,319
Exploration and evaluation assets	-	19,986,463	19,986,463
	<u>5,214,308</u>	<u>21,044,782</u>	<u>26,259,090</u>