

SALAZAR RESOURCES LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE MONTHS ENDED MARCH 31, 2021

This discussion and analysis of financial position and results of operation is prepared as at May 28, 2021 and should be read in conjunction with the unaudited condensed consolidated interim financial statements for the three months ended March 31, 2021 of Salazar Resources Limited (the "Company" or "Salazar"). The following disclosure and associated financial statements are presented in accordance with International Financial Reporting Standards ("IFRS"). Except as otherwise disclosed, all dollar figures included therein and in the following management discussion and analysis ("MD&A") are quoted in Canadian dollars.

Forward-Looking Statements

Certain information in this MD&A may constitute forward-looking statements or forward-looking information within the meaning of applicable securities laws (collectively, "Forward-Looking Statements"). All statements, other than statements of historical fact that address activities, events or developments that the Company believes, expects or anticipates will or may occur in the future are Forward-Looking Statements. Forward-Looking Statements are often, but not always, identified by the use of words such as "seek," "anticipate," "believe," "plan," "estimate," "expect," and "intend" and statements that an event or result "may," "will," "can," "should," "could," or "might" occur or be achieved and other similar expressions. Forward-Looking Statements are based upon the opinions and expectations of the Company based on information currently available to the Company. Forward-Looking Statements are subject to a number of factors, risks and uncertainties that may cause the actual results of the Company to differ materially from those discussed in the Forward-Looking Statements including, among other things, the Company has yet to generate a profit from its activities; there can be no guarantee that the estimates of quantities or qualities of minerals disclosed in Salazar's public record will be economically recoverable; uncertainties relating to the availability and costs of financing needed in the future; successful completion of planned drill program; competition with other companies within the mining industry; the success of the Company is largely dependent upon the performance of its directors and officers and Salazar's ability to attract and train key personnel; changes in world metal markets and equity markets beyond Salazar's control; mineral reserves are, in the large part, estimates and no assurance can be given that the anticipated tonnages and grades will be achieved or that the indicated level of recovery will be realized; production rates and capital and other costs may vary significantly from estimates; unexpected geological conditions; delays in obtaining or failure to obtain necessary permits and approvals from government authorities; community relations; all phases of a mining business present environmental and safety risks and hazards and are subject to environmental and safety regulation, and rehabilitation and restitution costs; and management of Salazar have experience in mineral exploration but may lack all or some of the necessary technical training and experience to successfully develop and operate a mine. Although Salazar believes that the expectations reflected in the Forward-Looking Statements, and the assumptions on which such Forward-Looking Statements are made, are reasonable, there can be no assurance that such expectations will prove to be correct. Readers are cautioned not to place undue reliance on Forward-Looking Statements, as there can be no assurance that the plans, intentions or expectations upon which the Forward-Looking Statements are based will occur. Forward-Looking Statements herein are made as at the date hereof, and unless otherwise required by law, Salazar does not intend, or assume any obligation, to update these Forward-Looking Statements.

Historical results of operations and trends that may be inferred from this MD&A may not necessarily indicate future results from operations. In particular, the current state of the global securities markets may cause significant reductions in the price of the Company's securities and render it difficult or impossible for the Company to raise the funds necessary to continue operations.

All of the Company's public disclosure filings, including its most recent management information circular, material change reports, press releases and other information, may be accessed via www.sedar.com and readers are urged to review these materials, including the technical reports filed with respect to the Company's mineral properties.

Company Overview

The Company's principal business activity is the acquisition, exploration and development of mineral properties in Ecuador. The Company presently has no proven reserves and, on the basis of information to date, it has not yet

determined whether these properties contain economically recoverable ore reserves. Consequently the Company considers itself to be an exploration stage company.

The Company is a reporting issuer in British Columbia, Alberta, Ontario and Nova Scotia. The Company's shares trade on the TSX Venture Exchange ("TSXV") under the symbol "SRL" as a Tier 1 mining issuer, on the OTCQB under the symbol "SRLZF", and on the Frankfurt Exchange under the symbol "CCG". The Company's executive head office is located in Quito, Ecuador.

The Company's main activities have been the ongoing exploration activities on its Curipamba Project in Ecuador. The Curipamba Project is subject to a 2% net smelter return royalty ("NSR"). In late fiscal 2017 the Company entered into an option agreement (the "Curipamba Option") with Adventus Mining Corporation ("Adventus") whereby Adventus may earn (the "Earn-In") a 75% interest in the Curipamba Project with Adventus funding costs of US \$25,000,000 over five years (now met), including the completion of a feasibility study on the El Domo deposit. Under the Curipamba Option Adventus has agreed to provide the Company with US \$250,000 per year advance payments until achievement of commercial production, to a maximum of US \$1,500,000. As at March 31, 2021 the Company has received total advance payments of US \$1,000,000. As operator, the Company also receives a 10% management fee on certain expenditures, with a prescribed minimum annual amount of US \$350,000.

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.

The Company and Adventus have also entered into an exploration alliance agreement (the "Alliance") to jointly explore Ecuador for zinc rich assets. The venture, Minera Dos Gemas M2G S.A. ("Dos Gemas"), was formed in 2017 and is currently owned 80% by Adventus and 20% by the Company with Adventus funding all activities incurred up to a construction decision. As operator the Company receives a 10% operator's fee on certain expenditures incurred, subject to an annual maximum fee of US \$200,000 on costs pertaining to surface rights acquisitions.

In March 2018 the Company and Adventus 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;
- (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 US \$100,000 was received by the Company as at December 31, 2018 and the remaining US \$50,000 was received in August 2019.

The official transfer of the Pijili Project to Dos Gemas was completed in May 2021.

In May 2018 the Company and Adventus agreed to the transfer of the Santiago Project to Dos Gemas under the Alliance upon completion by Adventus 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;
- (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 US \$50,000 was received during fiscal 2018 and the remaining US \$25,000 was received in July 2019.

During fiscal 2019 the Company completed the official transfer of the transfer of the Santiago Project to Dos Gemas.

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

During the second half of fiscal 2020 the Company initiated an exploration work program on its 100% owned properties at Los Osos, geophysics at Macara and sampling at Ruminahui. For 2021 the Company plans to continue its work programs on its 100% owned properties

During the three months ended March 31, 2021 the Company completed the following significant transactions:

1. On February 2, 2021 the Company completed a non-brokered private placement of 18,572,000 common shares for proceeds of \$6,500,200. The funds raised will be used to accelerate exploration of the Company's 100% owned portfolio.
2. In January 2021 the Company received TSXV approval to the Los Santos LOI and, at Mesoloma's election, the Company issued of 177,283 units comprising 177,283 common shares and 88,642 warrants.

COVID-19

In March 2020, the World Health Organization ("WHO") declared the outbreak of the novel coronavirus identified as, "COVID-19", a global pandemic. 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. In response to the resulting mobility restrictions imposed by various countries, the Company and its partner Adventus temporarily suspended site activities at the Curipamba, Pijilí and Santiago projects as well as at the Company's wholly-owned Rumiñahui, Los Osos and Macara projects. Site teams recommenced work during the second half of fiscal 2020, complying with guidance from the government of Ecuador and the development of detailed COVID-19 health and safety protocol for resumption of field activities, ensuring it is safe for the teams and the community to do so, with a focus on exploration drilling at the three projects, geotechnical drilling at the El Domo deposit and activities to support the submission of the draft environmental impact assessment for the El Domo deposit. The Company also re-started exploration work on its 100% wholly-owned projects. The Companies offices in Ecuador continued to work remotely.

On April 5, 2021, the World Bank announced that it has approved \$150,000,000 in additional financing to the COVID-19 Emergency Response Project for the procurement of COVID-19 vaccination in Ecuador which the Government of Ecuador expects to help cover the immunization needs for approximately 30% of the population.

Property Highlights for the Three Months Ended March 31, 2021

Feasibility Study - El Domo

Adventus and the Company continued to make progress in the drilling program at the El Domo ("El Domo") volcanogenic massive sulphide deposit in Curipamba in the first quarter of the year and completed the infill drill program. (See "Curipamba - El Domo Feasibility Study" below for more details).

Exploration

1. Curipamba regional exploration - drilling continued on the targets defined for Curipamba, most of which are new areas that have not undergone systematic exploration or drilling. (See "Curipamba Project - Regional Exploration" below for details).
2. Pijilí exploration - drilling program on the Mercy concession at Pijilí was completed in March 2021 with a total of twelve drill holes totalling 7,031 metres on the first of multiple porphyry targets identified. (See "Exploration Alliance - Pijilí" below for more details).
3. Santiago exploration - community support work, including public health initiatives and socialization of the exploration plans continued at site. A 2,500-metre drilling program is being planned for mobilization in the third quarter of 2021.

4. On the Company's 100% owned properties:
- (i) drilling resumed at Los Osos. OSO-03 started and assays from OSO-01 and OSO-02 were announced;
 - (ii) field geophysics at Macara Mina was completed and has highlighted feeder structures and possibly an intrusion at depth, both of which are associated with previously reported geological and geochemical anomalies with interpretation continuing. Drilling is planned to start as soon as relevant permits are received;
 - (iii) fieldwork at Los Santos has already started to generate targets for a 3,000 m drill program in the second half of fiscal 2021; and
 - (iv) at Ruminahui, preparations for a preliminary drill program of 3,000 m to test gold-copper targets are well advanced. The core shed was completed and the team is ready to start drilling as soon as the requisite water permits are received.

Property Update - Joint Venture Projects

Curipamba - El Domo Feasibility Study

The Feasibility Study, commenced in July 2020 by DRA Americas Inc., is on track to be completed by the last quarter of 2021, with a construction decision to be made in early 2022. Work programs to date have been focused on enhancements to the project through additional metallurgical test work, trade-off studies, and advancement of various engineering designs. The results will serve as a solid baseline from which the rest of the study will be built on. Other regulatory and project risk mitigation activities in 2021 is expected to include submission of the draft environmental and social impact assessment ("ESIA") to authorities in Ecuador, negotiation of a formal investment agreement with the government of Ecuador, upgrade the existing Curipamba mining permits from small to medium scale categories, additional surface rights acquisition, and project financing discussions.

Metallurgical Test Work Update

In February 2020, the Adventus and the Company provided an update to the ongoing metallurgical test work and reported improved quality and marketability of copper concentrates, potential to significantly increase precious metal recovery, reduction in acid-generating waste and the possibility of a lead concentrate. The test work was led by and conducted at Base Metallurgical Laboratories ("BML") in Kamloops, British Columbia, Canada.

Process optimization work undertaken since February 2020 as part of the current test work program has focused primarily on primary grind size and reagent use. Two positive results have been realized, which may serve to further bolster the project's economics and reliability by means of reduced capital and operating costs:

- (i) primary grind size (bulk flotation feed) can be increased to a P₈₀ of 125 microns which is beneficial in reducing ball milling circuit power requirements, and has the potential to improve settling of the bulk cleaner tailings; and
- (ii) collector (SIPX) consumption in the bulk rougher flotation circuit can be reduced by 10% without compromising of the bulk concentrate grades and metal recoveries.

The positive results from the recent metallurgical test work are a significant advancement for the future engineering development of the El Domo deposit within the Curipamba project, including direction for additional metallurgical test work.

Geochemical Characterization of Potential Waste Rock

pHase Geochemistry Inc. ("pHase") was engaged to conduct geochemical characterization of the rock units that comprise the host strata for El Domo. This work program has been running in parallel with the metallurgical program at BML. Work has focused on the potential waste materials from the open pit and underground mining environments and the level of acid rock drainage ("ARD") and metal leaching potential as a key consideration in future engineering studies and waste management plans.

Tables showing the locked cycle test results for zinc, mixed and copper composites as well as leach test results on cleaner tails for three composites can be found in the February 20, 2020 news release which can be located on the Company's website: www.salazarresources.com.

Qualified Persons:

Tom Shouldice, P.Eng., President and Principal Metallurgist for Base Metallurgical Laboratories Ltd. is the Independent Qualified Person for the metallurgical information. Mr. Shouldice, P.Eng., has been directly involved in the planning, implementation, laboratory work, and reporting of all results.

Shannon Shaw, P.Geo., President and Principal Geochemist for pHase Geochemistry Inc. is the Independent Qualified Person for the geochemical characterization and acid-rock drainage information. Ms. Shaw, P.Geo., has been directly involved in the planning, implementation, interpretation of laboratory work, and reporting of all results.

Water Management Strategy

A positive water balance has been confirmed for the project site. Rainfall exceeds evaporation by a ratio of approximately 3:1 before considering subsurface water contributions. Once in operation, 100% of the project's process water requirements will be met through a combination of reclaimed tailings facility water and rainfall within the project boundaries. Potable and emergency water supply will be from a suitably located borehole within the project site. As a result, a decision was made to eliminate the previously planned make-up water pump station on the nearby Runayacu river to minimize the potential impact to the nearby environment and communities as well as to realize cost savings.

Construction water and initial process start-up water requirements will be satisfied by means of a temporary water control and storage ponds constructed on the plant site as part of the early site-works program. The El Domo project is expected to be 100% self-sufficient from a process water perspective during construction, start-up, and operations.

Trade-off Study Results

As of the date of this MD&A, a total of 18 trade-off studies were conducted or are currently in progress as part of the Feasibility Study with the objective of providing a clear and optimized definition of the project scope and baseline. The scope of these trade-offs were related to various aspects of the mine, process plant, project execution strategy, and infrastructure. The results of these studies have been reviewed and decisions made based on these results which are expected to lower cost, reduce risks, and/or improve the overall project economics.

Qualified Persons:

Volodymyr Liskovych, PhD, P.Eng., Principal Process Engineer for DRA Americas Inc. is the Independent Qualified Person for the process optimization and metallurgical information. Mr. Liskovych, PhD, P.Eng., has been directly involved in the planning, implementation, laboratory work, and reporting of all results.

Philip De Weerd, Pr.Eng., MBA, Project Manager for DRA Americas Inc. is the Independent Qualified Person for the water management, trade-off study, and mine optimization information. Mr. De Weerd, Pr.Eng., MBA, has been directly involved in the planning, implementation, and reporting of all results.

Shannon Shaw, P.Geo., President and Principal Geochemist for pHase Geochemistry Inc. is the Independent Qualified Person for the geochemical characterization and acid-rock drainage information. Ms. Shaw, P.Geo., has been directly involved in the planning, implementation, interpretation of laboratory work, and reporting of all results.

Trade-off study results are highlighted as follows:

1. **Modular vs. Traditional Crushing Facility:** The El Domo crushing circuit consists of 2-stage crushing with primary and secondary crushing operations. This study traded-off the merits of a traditional facility with crushers and ancillary equipment installed in a permanent structural steel and concrete structure vs. a modular crushing plant that would be pre-fabricated at a vendor facility and be skid or trailer-mounted. Estimated net present cost ("NPC") at an 8% discount rate was \$8,700,000 for the traditional facility vs. \$3,600,000 for the modular facility, resulting in a net benefit of approximately \$5,100,000 (prior to indirect costs and contingency) in favour of the modular approach. It was decided to proceed with a modular crushing plant design. The equipment will be ordered in advance of the construction period, which will allow for its use to provide a reliable source of aggregate for construction.

2. **Mill Feed:** The throughput and El Domo process plant characteristics make it amenable to alternate mill feed strategies. Considered in this study was a traditional stockpile and underground reclaim tunnel design, vs. mill feed via a front-end loader (“FEL”) to a small feed hopper. The minimal infrastructure required for the FEL approach results in an expected reduced initial capital cost of approximately \$2,000,000 (prior to indirect costs and contingency) when compared to a traditional reclaim tunnel feed. Operating cost for the FEL is higher due to the requirement for a continuous operator, diesel fuel, and higher maintenance. Over the life of mine the estimated NPC of both options is very similar, but the reduced initial capital of the FEL option reduces risk, and this approach has been selected.
3. **Process Plant Location:** A total of seven potential process plant locations were considered from a safety, cost, and impact on the community perspective. Of key interest was the selection of an appropriate site that would allow for a low initial cost of construction, low operating cost by means of short haul routes from the pit to the crusher installation and waste rock facilities, low tailings and reclaim water pumping costs, and a site which would minimize the effect on communities near the El Domo deposit. The ultimate site selected was not the lowest cost, but had the lowest potential effect on nearby communities, as this site is completely surrounded by higher-elevation hills and vegetation in all directions which will serve to minimize noise and dust transmission as well as other forms of disturbance. The overall project impact area is also minimized by maintaining a compact footprint near the mine pit.
4. **Electric Power:** While the project has access to a nearby 69 kV national power grid, it was decided to minimize schedule and start-up risks by leasing and operating a small-scale on-site diesel power generation plant. On-site self-generated power also offers improved control over power availability and reliability.
5. **Accommodation Strategy:** Several different options were looked at for future personnel accommodations during both construction and operations phases, on-site, and off-site. The Corporation is committed to maximizing economic benefits to local communities from El Domo development. As such, the accommodations strategy will promote local spending and commerce to the maximum extent possible. The current strategy encourages the hiring of permanent employees from local communities as top priority and will provide relocation assistance where suitable candidates are only available elsewhere to encourage those individuals to relocate to the area with their families. The construction period will follow a similar approach with most personnel sourced from and housed in local communities. The size of the temporary on-site camp will be minimized to the extent possible to house remotely based skilled workers.
6. **Access Road:** Six potential access road options are currently under consideration, which include the upgrades of three existing road routes to the El Domo deposit. The Company and Adventus are working to select an optimal route that provides safe, reliable access to the project site that is cost-effective, while minimizing the effect on nearby communities. The options being considered include new routes, upgrades to existing roads, and combinations thereof. Some of the options are much shorter than the 10 km route used as the basis for site access in the PEA.

Infill Drilling

On May 2, 2019 the Company announced results of a preliminary economic assessment (“PEA”) for El Domo in which the Mineral Resource estimate for El Domo has been updated. The National Instrument 43-101 (“NI 43-101”) Technical Report dated June 14, 2019 was prepared by Rostle Postle Associates (“RPA”) and may be found under the Company’s profile on SEDAR as well as the Company’s website at www.salazarresources.com.

The updated Mineral Resource estimate is summarized as follows:

Total Mineral Resource for El Domo

Resource Category	Tonnes (Mt)	Grade					Contained Metal				
		Cu (%)	Pb (%)	Zn (%)	Au (g/t)	Ag (g/t)	Cu (kt)	Pb (kt)	Zn (kt)	Au (koz)	Ag (koz)
Measured	1.4	1.92	0.37	3.52	3.75	58	27.8	5.3	50.9	174	2,704
Indicated	7.5	2.02	0.26	2.81	2.33	49	150.9	19.7	210.3	559	11,884
M+I	8.9	2.00	0.28	2.93	2.56	51	178.7	25.0	261.3	733	14,588
Inferred	1.3	1.52	0.20	2.25	1.83	42	20.1	2.7	29.7	78	1,783

Pit Constrained Mineral Resource for El Domo

Resource Category	Tonnes (Mt)	Grade					Contained Metal				
		Cu (%)	Pb (%)	Zn (%)	Au (g/t)	Ag (g/t)	Cu (kt)	Pb (kt)	Zn (kt)	Au (koz)	Ag (koz)
Measured	1.4	1.92	0.37	3.52	3.75	58	27.8	5.3	50.9	174	2,704
Indicated	5.7	1.74	0.28	2.60	2.47	51	99.0	16.1	147.8	452	9,417
M+I	7.1	1.78	0.30	2.78	2.73	53	126.8	21.4	198.7	627	12,121
Inferred	0.7	0.67	0.21	1.72	1.60	46	4.6	1.5	11.9	36	1,032

Underground Mineral Resource for El Domo

Resource Category	Tonnes (Mt)	Grade					Contained Metal				
		Cu (%)	Pb (%)	Zn (%)	Au (g/t)	Ag (g/t)	Cu (kt)	Pb (kt)	Zn (kt)	Au (koz)	Ag (koz)
Indicated	1.8	2.91	0.20	3.51	1.85	43	51.9	3.6	62.5	106	2,467
Inferred	0.6	2.46	0.19	2.82	2.09	37	15.5	1.2	17.8	42	751

Notes for the above Mineral Resource Tables:

1. Mineral Resources in these tables are effective as of May 2, 2019
2. CIM (2014) definitions were followed for Mineral Resources
3. A nominal minimum thickness of two metres was applied to the Mineral Resource wireframes
4. Bulk density assigned on a block per block basis using the correlation between measured density values and base metal grade
5. Mineral Resources are reported above a cut-off net smelter return ("NSR") value of US \$25 per tonne for potential open-pit Mineral Resources and US \$100 per tonne for potential underground Mineral Resources
6. NSR value is based on estimated metallurgical recoveries, assumed metal prices and smelter terms; which include payable factors treatment charges, penalties, and refining charges
7. Metal price assumptions were: US \$3.15/lb Cu, US \$1.00/lb Pb, US \$1.15/lb Zn, US \$1,350/oz Au and US \$18/oz Ag
8. Metallurgical recoveries assumptions were based on three mineral types defined by the metal ratio Cu/(Pb+Zn):
 - Zinc Mineral (Cu/(Pb+Zn)<0.33): 84% Cu, 84% Pb, 95% Zn, 51% Au and 71% Ag
 - Mixed Cu/Zn Mineral (0.33≤Cu/(Pb+Zn)≤3.0): 88% Cu, 85% Pb, 96% Zn, 66% Au and 69% Ag
 - Copper Mineral (Cu/(Pb+Zn)>3.0): 88% Cu, 69% Pb, 73% Zn, 27% Au and 50% Ag
9. NSR factors were also based on the metal ratio Cu/(Zn+Pb):
 - Zinc Mineral (Cu/(Pb+Zn)<0.33): 29.94 US\$/% Cu, 9.17 US\$/% Pb, 11.52 US\$/% Zn, 14.17 US\$/g Au and 0.27 US\$/g Ag
 - Mixed Cu/Zn Mineral (0.33≤Cu/(Pb+Zn)≤3.0): 44.20 US\$/% Cu, 11.34 US\$/% Zn, 22.90 US\$/g Au and 0.27 US\$/g Ag
 - Copper Mineral (Cu/(Pb+Zn)>3.0): 46.27 US\$/% Cu, 6.86 US\$/g Au and 0.19 US\$/g Ag
10. Numbers may not add due to rounding

The 2020/21 drilling program for the El Domo volcanogenic massive sulphide deposit was designed for infill, geomechanical, geotechnical and hydrogeological drilling required to support the completion of the El Domo feasibility study and the submission of the environmental and social impact assessment. Two diamond rig drills were deployed, completing 53 drill holes totalling 6,555 metres. Details of the drilling results can be found in news releases dated December 21, 2020, December 30, 2020, January 13, 2021, February 8, 2021, February 24, 2021, March 16, 2021, and April 6, 2021) as well as on the Company's website www.salazarresources.com.

Curipamba Project - Regional Exploration

The Curipamba project is comprised of seven concessions representing about 21,500 ha and includes the El Domo deposit. No systematic exploration work has been conducted on the greater Curipamba project area since the discovery of the El Domo deposit in 2008 by Salazar. Since completion of the MobileMT geophysical survey in 2019, the Corporation has made significant progress generating targets through the processing and integration of all geoscience data collected from surficial geochemistry, geological mapping, prospecting, drilling, and ground geophysical surveys. The various data sets were compiled in order to produce a matrix that will drive exploration logistics and planning through 2020 on priority ranked targets. Targets were classified as either VMS-related, such as the El Domo deposit, or porphyry-related. In total, 15 targets had been defined and ranked in priority during the TGI process. Drilling commenced on the highest-ranking La Vaquera target approximately 8 km southwest of the El Domo deposit in March 2020 just before all field work was suspended due to COVID-19 health protocols. Work restarted in October 2020 and results from the regional exploration work program will aid in further pipeline development of drill ready locations in the favourable strata that hosts the El Domo deposit.

Technical Information Quality Control & Quality Assurance

The Curipamba Project work program is being managed and reviewed by Adventus' Vice President Exploration, Mr. Jason Dunning, M.Sc., P.Geo., a Qualified Person within the meaning of NI 43-101. Staff collect and process samples that are securely sealed and shipped to Bureau Veritas ("BV") in Quito for sample preparation that includes crushing and milling to prepare pulps that are then split for shipment to their facility in Lima, Peru for analysis. All assay data have undergone internal validation of QAQC; noting there is an established sampling control program with blind insertion of assay blanks, certified industry standards and sample duplicates for the Curipamba project. A QAQC program is also in place at BV and includes insertion of blanks, standards and duplicate reanalysis of selected samples. BV's quality system complies with the requirements for the International Standards ISO 9001:2000 and ISO 17025:1999. At BV, gold is analyzed by classical fire assay techniques with an ICP-AES finish, and both silver and base metals are analyzed by a 44-element aqua regia ICP-AES technique. Overlimit protocols are in place for gold, silver, copper, lead, and zinc.

Exploration Alliance - Pijilí Project

The Pijilí Project consists of three concessions totalling 3,246 hectares that is subject to a \$5,000,000 spending commitment over four years. Pijilí is located in the province of Azuay, approximately 150 km from the major port city of Guayaquil. The Pijilí Project is an untested epithermal gold-silver target, although there are opinions that there is a broader, larger scale porphyry target present.

A MobileMT geophysical survey was conducted on concessions for Pijilí Project. Field crews successfully completed 91.4% line-kilometres at Pijilí Project in 2019 and drilling targets were identified through a regional surficial geochemistry sampling program coupled with detailed property mapping for geology and hydrothermal alteration. The main targets at the Pijilí project are Cu-Au-Mo porphyry and orogenic gold deposits.

Between July 2020 and March 2021, a total of twelve drill holes has been completed on the Mercy concession totalling 7,031 metres, all of which hit porphyry-style copper-gold-molybdenum mineralization. Ten of the twelve drill holes intersected greater than 100 metres of porphyry mineralization ranging between 100 to 424 metres. One of the drill holes also intersected a high-grade, near-surface silver-tungsten zone. The wide-spaced exploration drilling has traced porphyry-style mineralization approximately 2 km from the artisanal mine site (see June 8, 2020 and October 26, 2020 news releases) northwest to the northern Mercy concession boundary. (See April 20, 2021 news release for maps and detailed drilling results.)

In the Rosa de Oro and Carmen de Pijilí concessions, regional prospecting and geological mapping resulted in the total collection of 286 grab and float samples have been collected from the Rosa de Oro concession and 312 grab and float samples have been collected from the Carmen de Pijilí concession. The samples were principally from creeks and river exposures over both concessions that identified four high-priority areas for follow-up called El Pato, Rosa de Oro, Naranjos, and Papagayo. An optimized 200 metre by 200 metre spacing was established for collection of surficial geochemistry samples over both concessions. To date, a total of 562 soil samples have been collected from Rosa de Oro concession and 441 soil samples from the Carmen de Pijilí concession. The initial review of geochemical supported the prospecting results and the delineation of four high priority targets that the technical teams have laid out additional soil sampling at 100 metres by 100 metres spacing for the high priority areas to delineate the targets more accurately. (See April 8, 2021 news release for maps and detailed results.)

Future Steps

Given the positive results from the drilling program on the Mercy concession intersecting porphyry mineralization in all twelve drill holes, opportunities are being assessed for a second phase of exploration drilling for later in 2021 or early 2022 to focus on expanding the areas of higher-grade mineralization. Future drilling would continue developing the geological understanding of the new Ensillada porphyry system discovery. In the interim, fieldwork will continue advancing the manual test pit program to further trace porphyry mineralization and aid with the definition of drilling targets. The work on Mercy concession will run in parallel with the continued exploration on the Rosa de Oro and Carmen de Pijilí concessions 8.0 km to the west where targets are being developed for possible drill-ready status (see April 8, 2021 news release).

Exploration Alliance - Santiago Project

The Santiago Project consists of a single concession that encompasses 2,350 hectares. It is located in a geological setting similar to the nearby Loma Larga deposit owned by INV Metals Inc. and is considered prospective for epithermal gold and silver and porphyry copper gold deposits. It features three large, surficial geochemistry anomalies for gold, copper, and zinc. Numerous vein occurrences have been identified on the property thus far, which have yielded good chip sampling results for both gold and silver, including the following highlights (see Salazar news release for technical summary on February 23, 2012):

Española Vein: (up to 3 metres width)

- 2.0 m @ 28.10 g/t gold and 231.0 g/t silver
- 1.0 m @ 26.00 g/t gold and 242.0 g/t silver
- 1.0 m @ 18.20 g/t gold and 252.0 g/t silver
- 1.0 m @ 4.80 g/t gold and 442.0 g/t silver

Structure Quartz-Tourmaline: (3 metres width)

- 1.9 m @ 1.19 g/t gold, 14.3 g/t silver and 296 ppm molybdenum
- 3.3 m @ 0.59 g/t gold, 36.6 g/t silver and 390 ppm molybdenum

Ribs Zone and Ancha Vein: (up to 5 metres width)

- 1.0 m @ 1.29 g/t gold and >100 g/t silver
- 1.0 m @ 1.65 g/t gold and >100 g/t silver

Structure F.U.: (1.5 metres width)

- 1.4 m @ 4.80 g/t gold and 378.0 g/t silver
- 1.2 m @ 6.40 g/t gold and 136.0 g/t silver
- 1.2 m @ 4.20 g/t gold and 183.0 g/t silver

There have also been historically modest drilling campaigns by two operators on the property, including Newmont Mining Corporation in the mid-1990s that reported wide drill intercepts for copper-gold from surface. Unfortunately, these historic drill results cannot be verified, as the drill core is unavailable. Additional work, including drilling, will be required to validate these reported historical drill results.

The initial 24-month program will entail detailed prospecting, surficial sampling, geological and structural mapping, implementation of a PIMA/TerraSpec for detailed hydrothermal alteration mineral studies, and geophysics. An airborne geophysical survey (MobileMT) was flown in a systematic grid pattern to ensure full coverage and depth penetration. Field crews successfully completed 94.2% line-kilometres at the Santiago Project. Evaluation and construction planning work has begun on the potential upgrade of local roads and support infrastructure ahead of a planned drilling program. The proposed drill program will utilize results from the 2019 MobileMT geophysical survey, and all compiled historical exploration results.

Qualified Person

Vice President Exploration for Adventus, Mr. Jason Dunning, M.Sc., P.Geo., a Qualified Person (“QP”) as defined by National Instrument 43-101, is the QP for the Exploration Alliance Projects in Ecuador and has reviewed and verified the technical information provided.

Wholly-Owned Portfolio

The Company continues to work on its strategy to discover, de-risk and define deposits within its wholly-owned portfolio. Salazar Resources intends to retain 100% exposure to its top future discovery and to find mid-tier or major mining company partners for the more advanced work on its non-core discoveries.

The Company is working closely with regulators in Ecuador and has established detailed health & safety protocols to enable field work on its 100%-owned licences. The non-renewable resources sector has been designated as strategic and vital to the economy by the government. As such, field work is actively encouraged, while keeping the safeguarding of local communities, employees, and contractors as a priority. Key aspects include strict hygiene, physical distancing and appropriate quarantining.

Macara Project

The Macara Project currently comprises concessions: (i) Macara Mina concession (288 hectares) leased from a third-party; and (ii) Bonanza mining concession (1,519 hectares) granted by the Ecuadorian government 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 Mina Concession”) located in the province of Loja, Ecuador. The Macara Vendor is currently an employee of the Company however, at the time the Macara Vendor acquired the Macara concessions they were at arm’s length to the Company. Pursuant to the terms of the Macara Option the Company has paid US \$200,000 and agreed to make additional cash payments totalling US \$400,000 (collectively the “Option Proceeds”), as follows:

- US \$200,000 on the earlier of a NI43-101 resource calculation or November 6, 2021; and
- US \$200,000 on the earlier of a preliminary economics assessment of November 21, 2024.

The Macara Vendor 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.

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

The Macara Project lies within Cética volcano-sedimentary Formation (known as the Lancones Formation in neighboring Peru), which is intruded by the Cretaceous-age Tangula granodiorite batholith. This project is highly prospective for epithermal gold-silver, gold-copper porphyry and volcanogenic massive sulfide (VMS) deposits with gold caps at surface. The Macara Project is located 100km to the north of the Tambogrande VMS deposit in the Cretaceous Lancones basin of northwestern Perú, which hosts some of the largest Cu-Zn-Au-Ag-bearing massive sulfide deposits in the world.

Phase 1 exploration at the Macara Project, in 2019, consisting of mapping and sampling (soils and rocks), has been completed. 240 soil samples, on a 100m x 100m grid were taken, with results as high as 9.94 g/t Au helping to define a 600m x 300m anomaly. 152 rock samples (outcrop and float) were taken, with the highest grade chip sample returning 29.6 g/t Au over 1.0 metre. Applications for appropriate drill, water-use and environmental permits have been submitted. The Company had anticipated executing a first pass drill program of up to 3,000m during fiscal 2020 prior to the disruption caused by COVID-19.

Ahead of drilling to target gold resources and VMS accumulations, the Macara Mina licence has been digitally mapped to provide a topographic model accurate to 5 cm. On November 12, 2020, the Company announced that it has commenced a ground-based gravity and magnetic geophysical survey comprising seventeen lines, spaced 100 m apart, for 31 line-kms in total. Magnetic and gravity measurements will be taken approximately every 100 m. Deep Sounding, High Resolution Geophysics, Peru, has been contracted to carry out the work. Ground gravity geophysics is a proven tool in VMS exploration, especially for pin-pointing deposits that are not exposed at surface. Several blind massive sulphide deposits have been discovered using joint interpretation of geological and geophysical models, including Neves-Corvo and Lagoa Salgada in Portugal, Valverde and Las Cruces in Spain, and the Tambo Grande deposits in Peru, just 90 km to the southwest of Macara. The Company anticipates drilling the Macara targets during 2021.

On January 14, 2021 the Company reported that the geophysical survey was completed in December 2020, the raw data had been received, that interpretation of the gravity and magnetic data was ongoing, and that a final report was being prepared. The Company also reported that it was advancing a 3,000m scout drilling application with plans to drill as soon as relevant permits are granted.

On April 13, 2021, the Company announced the results of an interpretation of the geophysical surveys conducted by Brian Williams, Consultant Geophysicist at Williams Geophysics Ltd (UK). A portion of the area in the southwest could not be surveyed due to prohibitively steep terrain. Due to the rugged topography the Magnetic Vector Inversion (“MVI”) and gravity interpretations were presented at -200m and -500m respectively below surface. MVI was used

as that was found to best accommodate the remnant magnetic fields in the magnetic sources. The MVI anomaly is clear from -50m to -200m. The main magnetic body lies beneath the valley in the northern part of the grid, near the center of the large gold-bearing geochemical anomaly. This suggests that the gold is associated with the magnetic body, and the survey showed that the anomaly persists at depth. The magnetic sources appear to lie in an arc trending SSW from north to south across the grid. The gravity survey did not identify a large dense body that would have potentially indicated a massive sulphide occurrence but it did highlight an area of low density in the northern part of the license area. The gravity low coincides well with the hydrothermal breccias and gold anomalies shown in the rock samples. The anomaly improves in resolution with depth. At a depth of 500 m it shows a potential correlation between the gravity signal and the geochemical signal more clearly than shallower slices. The combined gravity and magnetic anomalies, coupled with the geology, indicate that the features may well be part of a feeder system or the host of the mineralization seen at surface. Thick units of pillow lavas are evident in the area, and the low density zone under the geochemical anomaly could be generated by an intrusion.

Rumiñahui Project

The Rumiñahui Project comprises two concessions located in the province of Pichincha, Ecuador.

In the first half of fiscal 2019, the Company continued community liaison at Rumiñahui, supporting the Community Association with projects such as road repairs and agri-initiatives. A scout drilling plan and associated environmental impact assessment have been approved. The application for a water-use permit is underway. The Company has scheduled a Phase 1 drill programme of approximately 3,000m to start dependent on when 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.

With partial lifting of COVID-related restrictions in Ecuador, fieldwork at the Rumiñahui Project commenced in early July 2020 and started with stream sediment sampling, mapping and rock chip sampling. It is the first time that geologists have carried out systematic technical work at Rumiñahui since 2007 given the complexity of community relations initially encountered by the Company in the area. After lengthy community engagement and dialogue, the Company has now signed an access agreement allowing field work to progress. The sampling and mapping work will help to delineate targets that are planned to be drilled in 2021.

On January 14, 2021 the Company reported that preparations for a preliminary drill program of 3,000m to test gold-copper targets during Q2/2021 were underway. The drill program is designed to test historic adits, old workings, near surface veins and stockworks that may be linked to an underlying porphyry. Drilling will be the culmination of years of positive and constructive dialogue with the local community.

On April 13, 2021 the Company reported that preparations for a preliminary drill program of 3,000 m to test gold-copper targets are complete, bar the water use permit. The drill program is being designed to test historic adits, old workings, near surface veins and stockworks that Salazar believes may be linked to an underlying porphyry. The core shed and logging areas are ready, as are all the support and logistics systems. The Company has complied with the regulatory requirements to qualify for drilling and is now awaiting final sign-off from the local authorities. Drilling will be the culmination of years of positive and constructive dialogue with the local community.

Los Osos Project

The Los Osos Concession is a 229 hectare, single concession, exploration licence located in the Cerro Pelado-Cangrejos mineral district within the Province of El Oro in southwest Ecuador. The licence area hosts a system of veins rich in gold and silver, combined with hydrothermal breccias and mineralised gold-copper porphyries. Several quartz-tourmaline breccias mineralised with chalcopyrite and pyrrhotite are present on the property.

Under previous tenure, the area has been mapped, sampled, and subject to airborne geophysical surveys (magnetic and radiometric). Artisanal miners have historically worked some of the veins, and small scale mining has been active on the Los Osos Concession and the adjacent properties for over fifteen years.

In January 2020 the Phase 1 geological exploration fieldwork at the Los Osos Project was completed and the Company identified extensive sulphide mineralization within porphyries, metamorphic rocks and hydrothermal breccias mapped and tested, peaking at 14.5 g/t gold over 0.6 m in a veined quartzite. An apparent correlation of gold and copper grades with sulphide intensity was noted, and numerous old workings for gold-silver in high-grade veins and in some hydrothermal breccia zones were mapped. One of the mineralized zones, Area A, was traced over approximately 50

m, despite limited exposure. Four samples were taken from a gully ranging from 0.4 g/t gold over a fault zone, to 14.5 g/t gold from a channel sample in veined quartzite. In a second mineralized area, Area B, a broadly continuous breccia body was identified in underground workings over approximately 100m, and mappable at surface approximately 600 m northeast of Area A. Thirty-three samples were taken from the underground workings, and range in grade from six separate samples that returned 0.1 g/t gold in channel samples, to a panel sample in breccia that returned 4.5 g/t gold.

In the northeast of the licence area there are several NE-SW trending quartz-breccia veins that are up to one meter in thickness and can be traced over several hundred meters. These arsenopyrite-pyrite-chalcopyrite veins contain significant gold and silver values and have been extensively worked by artisanal miners. Intense propylitic-argillic alteration and silicification can be observed across the property.

The Company believes that the distribution of gold mineralization visible to date at Los Osos is highly encouraging. The high-grade veins in the northeast of the concession area illustrate that the mineralizing systems at Los Osos are metal rich but are not a priority exploration target for the Company due to their small tonnage potential.

On September 23, 2020 the Company announced a 5,000m diamond drill program to test mineralized porphyry and associated veins and hydrothermal breccias identified in mapping and sampling. The plan is to drill up to 5,000m starting in October 2020 to test the depth-extent of gold-copper mineralization that is visible at the surface in porphyries and hydrothermal breccias. Drilling at Los Osos is ongoing.

On December 10, 2020 the Company reported the completion of hole OSO-01 at a depth of 647m with favourable visible geology, alteration and sulphides. On January 14, 2021 Salazar reported that hole OSO-02 had been completed at a depth of 576m prior to the cessation of drilling for the Christmas holiday period. Drilling resumed in January with hole OSO-03 (500m planned depth) targeting mineralization in the northwest of the concession area. Assays for holes OSO-01 and OSO-02 were pending.

On February 12, 2021 the Company reported assays for holes OSO-01 and OSO-02. The holes focused on hydrothermal breccias and intrusive diorites with porphyry copper-gold potential. Encouragingly, the drilling intercepted significant zones of mineralization that are consistent with a large-scale gold system with 244 m of broad mineralization encountered in drill hole OSO-01.

Drill Results for OSO-01 and OSO-02					
Drill Hole	From (m)	To (m)	Width (m)¹	Au (g/t)	Cu (%)
OSO-01	0.0	243.7	243.7	0.31	0.06
<i>including</i>	0.0	69.0	69.0	0.58	0.02
<i>including</i>	25.0	28.0	3.0	4.59	0.03
	389.0	393.0	4.0	0.28	0.07
	493.0	529.0	36.0	0.20	0.07
	541.1	553.3	12.2	0.21	0.04
	563.4	574.8	11.4	0.60	0.03
	625.0	631.0	6.0	0.31	0.02
OSO-02	319.0	320.0	1.0	22.90	-
	337.9	339.1	1.2	2.51	-
	539.0	540.8	1.8	1.45	-

1 Reported intervals are down-hole lengths and not true thickness.

OSO-01 successfully intersected hydrothermal breccias, 0.1 to 3% chalcopyrite, pyrite, pyrrhotite and arsenopyrite, clay alteration (sericite + chlorite), quartz veining, veinlets, and stockworks, with elevated to anomalous gold mineralization. All of which indicates that the hole was drilled into the upper part of a mineralized porphyry system.

The best continuous run of gold grades was present in the metamorphic (quartzitic) host rocks in OSO-01 from surface to 63 m downhole, with an average of 0.58 g/t gold and 0.02% copper over 69 m. Within this run, an interval of 3 m returned 4.59 g/t gold and 0.03% copper from a depth of 25 m. Salazar interprets the higher gold grades in the top section to be a function of a weathering process that caused some enrichment in the oxidized zone. OSO-01 continued into breccias and intrusions that were mapped in old workings, and gold and copper were present throughout the entire

hole. The intersection of 244 m @ 0.31 g/t gold and 0.06% copper from surface is highly encouraging. It is also worth noting that not a single sample was below detection limits in the 644 m hole.

OSO-02 was collared in a >200 ppm copper-in-soil anomaly on a slope. It is possible the copper anomaly has been displaced down slope and the source of the anomaly is further up slope, near the overlapping copper and gold soil anomalies. In OSO-02, three veins returned grades above 1 g/t gold, with a maximum of 22.9 g/t gold within a 1 m sample at a down hole depth of 319 m, containing a 30 cm thick vein. In addition, a 1.2 m sample from 337.85 m to 339.05 m returned 2.5 g/t gold, and a 1.75 m sample from 539.00 m to 540.75 m returned 1.4 g/t gold. Furthermore, only seven samples of approximately 2 m each in the 576 m hole were below detection limits, suggesting that OSO-02 is on the margin of a mineralized system.

The multi-hole drill program targeting a large area of unexplored potential at Los Osos is continuing. OSO-03 will be drilled using a rig owned by Andes Drill, Salazar's wholly-owned drilling subsidiary, once it becomes available. The target for OSO-03 is a prospective area to the north of OSO-01 that has coincident copper and gold anomalies in soil.

On April 13, 2021 the Company reported that hole OSOS-03 (270°/-60°), a step-out to the north of hole OSOS-01, is currently drilling to test the continuity of the mineralization intersected in OSOS-01. At time of reporting the hole was at a depth of 508m. The core will be logged prior to despatch for assay. Following completion of OSOS-03 Salazar is planning to drill test the high-grade structures in the northeast of the property.

Los Santos Concession

On December 8, 2020 the Company entered into a binding letter of intent (the "Los Santos LOI") with Minera Mesaloma S.A. ("Mesaloma") whereby the Company may acquire a 100% interest in the 2,215 hectares Los Santos Concession, in southwest Ecuador located approximately 10 km northeast of Los Osos.

On January 14, 2021 the Company reported that mapping and sampling had already started with a view to generating drill targets that can be drilled later in the second half of 2021. Key areas of interest are situated where artisanal activity has been concentrated and also where areas of anomalous mineralization have been highlighted in previous exploration. The 2,215 hectare property is situated adjacent to the concessions hosting the 16.7 Moz Cangrejos deposits and it is approximately 10 km northeast of Los Osos project (Salazar 100%).

On April 13, 2021 the Company reported that field crews have mapped about 12% of the 2,215-hectare licence area so far, with a number of soil and rock chip samples collected and assayed. The geochemical plots show that the gold and the copper anomalies are coincident, with gold values high relative to copper. The presence of porphyritic intrusions and artisanal development on structures has been noted, but so far the intense brecciation seen at Los Osos has not been encountered. Fieldwork is continuing with the aim of having drill targets developed by mid-year.

Qualified Person

Kieran Downes, Ph.D., P.Geo., a Qualified Person ("QP") as defined by National Instrument 43-101, is the Company's QP for the Company's wholly-owned properties and has reviewed and verified the technical information provided.

Selected Financial Data

The following selected financial information is derived from the unaudited condensed consolidated interim financial statements of the Company.

Three Months Ended	Fiscal 2021	Fiscal 2020				Fiscal 2019			
	Mar. 31 2021 \$	Dec. 31 2020 \$	Sep. 30 2020 \$	Jun. 30 2020 \$	Mar. 31 2020 \$	Dec. 31 2019 \$	Sep. 30 2019 \$	Jun. 30 2019 \$	
Operations:									
Revenues	Nil								
Expenses	(325,714)	192,752	(280,802)	(547,933)	(536,639)	(228,152)	(239,933)	(274,972)	
Other items	112,166	(2,008)	124,121	66,210	(13,163)	32,690	132,608	106,328	
Net income (loss)	(213,548)	190,744	(156,681)	(481,723)	(549,802)	(195,462)	(107,325)	(168,644)	
Other comprehensive income (loss)	(393,410)	(1,223,087)	(612,553)	(1,071,903)	2,112,153	1,964,476	(521,993)	(563,476)	
Comprehensive (loss) income	(606,958)	(1,032,343)	(769,234)	(1,553,626)	1,562,351	1,769,014	(629,318)	(732,120)	
Basic and diluted income (loss) per share	(0.00)	0.00	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	
Balance Sheet:									
Working capital	7,006,485	1,807,920	2,681,622	3,248,935	3,730,964	4,462,286	4,324,303	4,945,970	
Total assets	31,965,976	26,092,902	26,781,862	26,563,796	28,218,436	26,259,090	21,030,693	21,470,208	
Total long-term liabilities	Nil								

Results of Operations

Three Months Ended March 31, 2021 Compared to the Three Months Ended December 31, 2020

During the three months ended March 31, 2021 (“Q1/2021”) the Company recorded a net loss of \$213,548 compared to net income of \$190,744 for the three months ended December 31, 2020 (“Q4/2020”) an increase in loss of \$404,292. The fluctuation is primarily attributed to the reallocation of drill standby costs to drill income, net of costs, in Q4/2020.

Three Months ended December 31, 2020 Compared to the Three Months ended September 30, 2020

During the three months ended December 31, 2020 (“Q4/2020”) the Company recorded a net income of \$190,744 compared to a net loss of \$156,681 for the three months ended September 30, 2020 (“Q3/2020”), an increase in income of \$347,425. The increase is primarily attributed to the reallocation of drill standby costs to drill income, net of costs, as the majority of drilling activities occurred in Q4/2020.

Three Months ended September 30, 2020 Compared to the Three Months ended June 30, 2020

During the three months ended September 30, 2020 (“Q3/2020”) the Company recorded a net loss of \$156,681 compared to a net loss of \$481,723 for the three months ended June 30, 2020, a decrease in loss of \$325,042. The decrease is primarily attributed to \$120,526 drill income, net of costs, generated from drilling activities in Q3/2020 on the Pijili Project which is being funded by Adventus.

Three Months Ended June 30, 2020 Compared to the Three Months Ended March 31, 2020

During the three months ended June 30, 2020 (“Q2/2020”) the Company recorded a net loss of \$481,723 compared to net loss of \$549,802 for the three months ended March 31, 2020 (“Q1/2020”) a decrease in loss of \$68,079. The decrease is primarily attributed to a foreign exchange gain of \$18,600 during Q2/2020 compared to a foreign exchange loss of \$31,633 during Q1/2020.

Three Months Ended March 31, 2020 Compared to the Three Months Ended December 31, 2019

During the three months ended March 31, 2020 (“Q1/2020”) the Company recorded a net loss of \$549,802 compared to net loss of \$195,462 for the three months ended December 31, 2019 (“Q4/2019”) an increase in loss of \$354,340. The fluctuation is primarily attributed to the allocation of costs to exploration and evaluation assets.

Three Months Ended December 31, 2019 Compared to the Three Months Ended September 30, 2019

During the three months ended December 31, 2019 (“Q4/2019”) the Company reported a net loss of \$195,462 compared to net loss of \$107,325 for the three months ended September 30, 2019 (“Q3/2019”) an increase in loss of \$88,137. The fluctuation is primarily attributed to the recognition of a gain on property dispositions of \$99,138 in Q3/2019 compared to \$nil in Q4/2019.

Three Months Ended September 30, 2019 Compared to the Three Months Ended June 30, 2019

During the three months ended September 30, 2019 (“Q3/2019”) the Company reported a net loss of \$107,325 compared to net loss of \$168,644 for the three months ended June 30, 2019 (“Q2/2019”) a decrease in loss of \$61,319. The fluctuation is primarily attributed to the Company recognizing audit fees of \$60,596 in Q2/2019 compared to \$nil in Q3/2019 due to the timing of the billings.

Three Months ended March 31, 2021 Compared to the Three Months Ended March 31, 2020

During the three months ended March 31, 2021 (“Q1/2021”) the Company reported a net loss of \$213,548 compared to a net loss of \$549,802 for the three months ended March 31, 2020 (“Q1/2020”), a decrease in loss of \$336,254. The fluctuation is primarily attributed to a \$210,925 decrease in expenses from \$536,639 during Q1/2020 to \$325,714 during Q1/2021 plus \$108,217 of drill income (net of costs) during Q1/2021 compared to \$nil during Q1/2020.

Excluding cost recoveries, expenses decreased by \$210,641, from \$439,777 during Q1/2020 to \$229,136 during Q1/2021. Specific fluctuations in expenses are as follows:

- (i) incurred audit costs of \$132,777 during Q1/2021 compared to \$55,661 during Q1/2020 due to the timing of the audit billings;
- (ii) incurred drill rig standby costs of \$277,616 during Q1/2020 as the Company maintained the drill rigs in an operation ready status until it is needed. No standby costs were incurred during Q1/2021;
- (iii) incurred corporate development fees of \$20,365 during Q1/2021 compared to 40,675 during Q1/2020. During Q1/2020 the Company conducted several market awareness programs.

Exploration and Evaluations Assets

During Q1/2021 the Company incurred a total of \$5,951,329 (Q1/2020 - \$2,235,016) for exploration and evaluation assets comprising of \$5,112,524 (Q1/2020 - \$2,001,246) on the Curipamba Project and \$838,805 (Q1/2020 - \$233,770) on other projects. During Q1/2021 Adventus funded a total of 4,642,506 (Q1/2020 - \$3,754,435) for costs incurred by the Company, of which \$15,785 (Q1/2020 - \$1,656,327) was applied against property, plant and equipment, \$4,530,143 (Q1/2020 - \$2,001,246) against exploration and evaluation assets and \$96,578 (Q1/2020 - \$96,862) as an expense recovery. As at March 31, 2021, a balance of \$283,646 (2020 - \$278,204) as advances from the joint-venture partner and \$1,025,648 (2020 - \$182,537) of unspent funding remained in restricted cash. The balances are expected to vary due to timing of funding from Adventus and expenditures on the Curipamba Project.

Details of the exploration and acquisition expenditures are as follows:

	Curipamba	Other	Total
	\$	\$	\$
Balance at December 31, 2019	<u>18,793,643</u>	<u>1,192,820</u>	<u>19,986,463</u>
Exploration costs			
Assay analysis	323,038	71,050	394,088
Camp supervision and personnel	113,707	677,957	791,664
Camp supplies	-	113,969	113,969
Community relations	754,264	28,568	782,832
Construction	144,310	-	144,310
Consulting	159,388	-	159,388
Depreciation	-	14,902	14,902
Drilling	1,456,980	275,422	1,732,402
Environmental studies	222,408	28,913	251,321
Equipment maintenance	373,071	35,163	408,234
Exploration site	260,845	94,692	355,537
Geological	717,093	65,099	782,192

	Curipamba \$	Other \$	Total \$
Legal	137,328	32,556	169,884
Permits	33,085	-	33,085
Salaries	2,562,805	2,916	2,565,721
Supplies	22,819	96,148	118,967
Travel	215,414	51,024	266,438
VAT incurred	421,253	36,082	457,335
	<u>7,917,808</u>	<u>1,624,461</u>	<u>9,542,269</u>
Acquisition costs			
Property / concession / option payments	231,089	248,886	479,975
Other			
Cost recoveries	(7,897,627)	-	(7,897,627)
Management fees	(502,950)	-	(502,950)
Advance payment	(335,300)	-	(335,300)
Drilling services	(59,497)	-	(59,497)
Foreign exchange movement	(523,971)	(122,153)	(646,124)
	<u>(9,319,345)</u>	<u>(122,153)</u>	<u>(9,441,498)</u>
Balance at December 31, 2020	<u>17,623,195</u>	<u>2,944,014</u>	<u>20,567,209</u>
Exploration costs			
Assay analysis	232,602	35,311	267,913
Camp supervision and personnel	53,444	227,753	281,197
Camp supplies	-	25,629	25,629
Community relations	186,904	1,308	188,212
Depreciation	-	7,122	7,122
Drilling	1,641,982	-	1,641,982
Environmental studies	86,658	6,384	93,042
Equipment maintenance	67,115	31,227	98,342
Exploration site	977,873	72,585	1,050,458
Geological	-	35,594	35,594
Geophysics	430,407	-	430,407
Legal	20,238	17,656	37,894
Salaries	917,766	84,420	1,002,186
Supplies	84,456	45,284	139,740
Travel	117,736	19,628	137,364
VAT incurred	295,343	25,670	321,013
	<u>5,112,524</u>	<u>635,571</u>	<u>5,748,095</u>
Acquisition costs			
Property / concession / option payments	-	203,235	203,235
Other			
Cost recoveries	(4,530,143)	-	(4,530,143)
Management fees	(142,492)	-	(142,492)
Drilling services	(538,734)	-	(538,734)
Foreign exchange movement	(431,242)	(42,329)	(473,571)
	<u>(5,642,611)</u>	<u>(42,329)</u>	<u>(5,684,940)</u>
Balance at March 31, 2021	<u>17,093,108</u>	<u>3,740,491</u>	<u>20,833,599</u>

See also “Properties Update”.

Financing Activities

During Q1/2021 the Company completed a non-brokered private placement of 18,572,000 common shares for total proceeds of \$6,500,200. The funds will be used to accelerate exploration of the Company’s 100% owned properties.

No financings were conducted during Q1/2020.

Financial Condition / Capital Resources

The Company has negotiated a number of agreements to provide continued funding for exploration of its exploration and evaluation assets. As at March 31, 2021 the Company had working capital of \$7,006,485 and an accumulated

deficit of \$26,745,964. Management considers that the Company has 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. See also “COVID-19”.

Contractual Commitments

- (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, 2021, the Company’s commitment for fiscal 2021 is approximately \$2,300,000.
- (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 2021 is approximately US \$2,400,000.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Proposed Transactions

The Company has no proposed transactions.

Critical Accounting Estimates

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenditures during the reporting period. Examples of significant estimates made by management include the determination of mineralized reserves, plant and equipment lives, estimating the fair values of financial instruments, impairment of long-lived assets, reclamation and rehabilitation provisions, valuation allowances for future income tax assets and assumptions used for share-based compensation. Actual results may differ from those estimates

A detailed summary of the Company’s critical accounting estimates and sources of estimation is included in Note 3 to the December 31, 2020 audited annual consolidated financial statements.

Changes in Accounting Policies

There are no changes in accounting policies. A detailed summary of the Company’s accounting policies is included in Note 3 to the December 31, 2020 audited annual consolidated financial statements.

Transactions with Related Parties

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 Q1/2021 and Q1/2020 the following amounts were incurred with respect to the Company’s President and CEO, Fredy Salazar, the CFO, Pablo Acosta and the Executive Vice-President Merlin Marr-Johnson:

	Q1/2021 \$	Q1/2020 \$
Mr. Salazar		
- Salaries and compensation	17,099	12,098
- Health benefits	<u>1,173</u>	<u>1,522</u>
	<u>18,272</u>	<u>13,620</u>
Mr. Acosta		
- Salaries and compensation	27,359	27,421
- Health benefits	<u>472</u>	<u>822</u>
	<u>27,831</u>	<u>28,243</u>
Mr. Marr-Johnson		
- Consulting fees	33,000	29,500
- Share-based compensation	<u>1,618</u>	<u></u>
	<u>34,618</u>	<u>29,500</u>
	<u>80,721</u>	<u>71,363</u>

As at March 31, 2021 \$3,144 (December 31, 2020 - \$14,335) remained unpaid.

(b) *Transactions with Other Related Parties*

- (i) During Q1/2021 and Q1/2020 the following consulting expenses were incurred with respect to non-executive directors and a former corporate secretary (Freddy Salazar) of the Company:

	Q1/2021 \$	Q1/2020 \$
Consulting fees - Etienne Walter	5,658	6,149
Consulting fees - Nick DeMare	11,400	12,097
Consulting fees - Jennifer Wu	5,658	6,149
Consulting fees - Freddy Salazar ⁽¹⁾	<u>-</u>	<u>17,924</u>
	<u>22,716</u>	<u>42,319</u>

(1) Was appointed corporate secretary September 30, 2019 and subsequently resigned March 19, 2020.

As at March 31, 2021 \$5,658 (December 31, 2020 - \$nil) remained unpaid.

- (ii) During Q1/2021 the Company incurred a total of \$13,299 (Q1/2020 - \$14,184) to Chase Management Ltd. (“Chase”), a private corporation owned by Mr. DeMare, for accounting and administration services provided by Chase personnel, excluding Mr. DeMare. As at March 31, 2021 \$nil (December 31, 2020 - \$4,456) remained unpaid.
- (c) During Q1/2021 the Company incurred \$60,797 (Q1/2020 - \$47,047) for equipment rental services and \$38,948 (Q1/2020 - \$33,269) for professional services provided provided by Amlatminas S.A. (“Amlatminas”) a private corporation controlled by Mr. Salazar and Mr. Acosta. As at March 31, 2021 \$95,244 (December 31, 2020 - \$95,244) remained unpaid.
- (d) During Q1/2021 the Company incurred \$8,740 (Q1/2020 - \$6,855) for storage rental provided by Agrosamex S.A. (“Agrosamex”), a private corporation controlled by the son of the President of the Company.
- (e) During Q1/2021 the Company incurred \$55,919 (Q1/2020 - \$nil) for environmental studies provided by Cinge CIA LTDA (“Cinge”), a private corporation owned by the CFO of the Company.
- (f) The Company holds an interest in the Macara Project pursuant to an agreement dated November 6, 2017 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”). 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. See "Macara Project" for details of the agreement.

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.

(g) *Cost Recoveries from Adventus*

Certain of the expenses incurred by the Company with related parties and remuneration paid to Company personnel have been recovered from Adventus pursuant to the earn-in under the Curipamba Option and the Alliance. The table below reflects what occurred during Q1/2021 and Q1/2020.

	Q1/2021		Q1/2020	
	Total \$	Recovered from Adventus \$	Total \$	Recovered from Adventus \$
Salaries and Compensation				
Mr. Salazar	17,099	17,099	12,098	-
Mr. Acosta	27,359	27,359	27,421	14,511
Geological Services				
Amlatminas	38,948	38,948	33,269	33,269
Environmental Studies				
Cinge	55,917	55,917	-	-
Rentals				
Agrosamex (storage)	8,740	8,740	6,855	6,855
Amlatminas (equipment)	60,797	60,797	47,047	47,047

Risks and Uncertainties

The Company competes with other mining companies, some of which have greater financial resources and technical facilities, for the acquisition of mineral concessions, claims and other interests, as well as for the recruitment and retention of qualified employees.

The Company is in compliance in all material regulations applicable to its exploration activities. Existing and possible future environmental legislation, regulations and actions could cause additional expense, capital expenditures, restrictions and delays in the activities of the Company, the extent of which cannot be predicted. Before production can commence on any properties, the Company must obtain regulatory and environmental approvals. There is no assurance that such approvals can be obtained on a timely basis or at all. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations.

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.

Outstanding Share Data

The Company's authorized share capital is unlimited common shares with no par value. As at May 28, 2021, there were 146,360,587 issued and outstanding common shares, 12,888,486 share options outstanding at exercise prices ranging from \$0.12 to \$0.29 per share, 798,000 restricted share units and 2,202,962 share purchase warrants outstanding at exercise prices ranging from \$0.12 to \$0.385 per share.