SALAZAR RESOURCES LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017

This discussion and analysis of financial position and results of operation is prepared as at April 28, 2018 and should be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2017 and 2016 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

This MD&A contains certain statements that may constitute "forward-looking statements". Forward-looking statements include but are not limited to, statements regarding future anticipated exploration programs and the timing thereof, and business and financing plans. Although the Company believes that such statements are reasonable, it can give no assurance that such expectations will prove to be correct. Forward-looking statements are typically identified by words such as: believe, expect, anticipate, intend, estimate, postulate and similar expressions, or which by their nature refer to future events. The Company cautions investors that any forward-looking statements by the Company are not guarantees of future performance, and that actual results may differ materially from those in forward looking statements as a result of various factors, including, but not limited to, the Company's ability to identify one or more economic deposits on its properties, to produce minerals from its properties successfully or profitably, to continue its projected growth, to raise the necessary capital or to be fully able to implement its business strategies.

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 currently 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 and on the Frankfurt Exchange under the symbol "CCG". The Company's corporate head office is located at #1305 - 1090 West Georgia Street, Vancouver, British Columbia.

The Company's main activities have been the continued raising of funds and ongoing exploration activities on its Curipamba Project in Ecuador. In fiscal 2016 the Company entered into a royalty agreement and sold a 1% net smelter royalty ("NSR") for US $2,375,000. A further 1% NSR was sold for US $2,375,000 in fiscal 2017. The Company also entered into an option agreement with Adventus Zinc Corporation ("Adventus") to option a 75% interest in the Curipamba Project with Adventus funding costs of US $25,000,000 over five years. Under the option agreement 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 operator, the Company will also receive a 10% management fee on certain expenditures, with a prescribed minimum annual amount of US $350,000.

The Company and Adventus have also entered into an operation alliance agreement (the "Alliance") to jointly explore Ecuador. The venture (Minera Dos Gemas M2G S.A.) 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 will receive 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 January 2018 the Company and Adventus agreed to transfer the Pijili Project to the Alliance upon completion by Adventus of the following consideration:

(i) cash payments totalling US $150,000 (US $100,000 paid as of the date of this MD&A);
(ii) issuance of a minimum of 2,333,333 common shares of Adventus; and
(iii) funding by Adventus of a US $1,000,000 exploration budget on the Pijili Project by September 18, 2020.

Officer and Director Update

On December 19, 2017, at the Company's annual general meeting ("AGM") and immediately following at the Board of Directors meeting, directors were elected and officers were appointed as follows:

Mr. Fredy Salazar	- President and Chief Executive Officer (CEO) and director
Mr. Pablo Acosta	- Chief Financial Officer and director
Nick DeMare	- Corporate Secretary and director
Mr. Etienne Walter	- Director
Mr. Juan Ortiz and	- Director
Ms. Jennifer Wu	- Director
Mr. Harvey Lim	- Assistant Corporate Secretary

The Board also appointed Mr. Nick DeMare, Mr. Etienne Walter and Ms. Jennifer Wu to the audit committee.

Properties Update

Curipamba Project

Agreements

On April 5, 2016 the Company entered into a letter agreement to sell a 2% net smelter royalty ("NSR") in its Curipamba Project for US $4,750,000. On July 18, 2016 the Company and RCF VI SRL LLC ("RCF SRL"), an affiliate of Resources Capital Fund VI L.P., entered into a royalty agreement whereby the Company sold to RCF SRL a 1% NSR for US $2,375,000. On April 19, 2017 the Company closed on the sale of the remaining 1% NSR for a further US $2,375,000.

On September 12, 2017 the Company entered into a definitive option agreement (the "Option") whereby Adventus Zinc Corporation ("Adventus") may earn a 75% interest in the Company's Curipamba Project by funding exploration and development expenditures of US $25,000,000 over the next five years. A feasibility study is expected to be completed within three years, after which Adventus is required to fund 100% of the development and construction expenditures to commercial production.

During the Option period Adventus will pay the Company a 10% management fee, with a prescribed minimum annual amount of US $350,000. In addition, Adventus will provide the Company with a US $250,000 per year advance payment until achievement of commercial production, to a maximum cumulative total of US $1,500,000. The advance is to be paid preferentially to Adventus upon start of commercial production.

On September 29, 2017 the Company received TSXV approval and, on October 13, 2017, Adventus and the Company closed on the Option.

Adventus and Salazar plan to jointly explore for volcanic massive sulphides ("VMS") as well as hydrothermal gold-silver style deposits within the project's approximately 21,500 hectare concession area, alongside working on the completion of a feasibility study, which is on the path towards potential future production at the project. In addition to the project, both companies have also formed an exclusive exploration alliance to explore for additional zinc-related deposits in Ecuador outside of the project area. With funding from Adventus, a detailed airborne geophysical program on the full land package is expected to be completed for the first time, followed by regional exploration to discover new deposits.

Exploration Update

The Company's principal asset, which has been the focus of its work programs, is the Curipamba Project where the precious metals rich El Domo VMS deposit has been discovered. On January 22, 2015 the Company filed on SEDAR an amended and restated preliminary economic assessment, dated January 16, 2015, prepared by Buenaventura Ingenieros S.A. in respect of the Company's 100% owned El Domo project in Ecuador. The amended technical report was prepared to address certain deficiencies raised by the British Columbia Securities Commission in respect of the previously filed technical report dated March 21, 2014, and there have been no material changes to the previously disclosed results of the preliminary economic assessment or to the previously disclosed mineral resource estimate prepared in respect of El Domo.

During the last quarter of 2017, Adventus funded the initial US $250,000 advance payment, and the Company executed a geophysical contract with MPX Geophysics Ltd. to complete a 2,400 line-kilometre, helicopter-borne, time-domain electromagnetic ("TDEM") and magnetic survey over the Curipamba Project. From the results, a drill program was designed to begin in the first quarter of 2018, targeting new VMS mineralization and precious metals targets; as well as infill drilling at the El Domo VMS deposit that will also provide material for future metallurgical testing. Road upgrades, including a road expansion, to the El Domo VMS deposit, are underway.

Planning for a 2018 regional work program at the Curipamba Project also commenced in the fourth quarter of 2017 based upon a thorough target generation review of a large historical database that includes prospecting, geological mapping, surficial geochemistry, geophysics and drilling. The Company is confident the methodical approach will result in positive outcomes, and greatly improve knowledge and understanding of the mineralizing system surrounding the El Domo VMS deposit. Work in fiscal 2018 will primarily be targeting new VMS discoveries.

The Curipamba Project not only hosts El Domo, but also more than a dozen underexplored precious metal enriched targets; however, when the Company discovered El Domo in the first quarter of 2008, focus shifted away from the regional targets and towards Mineral Resource definition drilling. The Company's subsequent work programs have resulted in the current Mineral Resource estimate for El Domo that consists of 6.08 Mt grading 2.33% copper, 3.06% zinc, 0.28% lead, 2.99 g/t gold and 55.8 g/t silver in the Indicated category, and 3.88 Mt grading 1.56% copper, 2.19% zinc, 0.16% lead, 2.03 g/t gold and 42.9 g/t silver in the Inferred category.

Following completion of the Option, which included a significant work commitment by Adventus, the Company and Adventus will not only advance the evaluation of the development potential for El Domo, but more importantly, renew regional exploration, starting with the targets previously identified.

The Cade, Cade 1, and Cade Sur targets stretch along a northeast-southwest trend and are located 100 to 600 metres west of El Domo respectively. At the Cade 1 target, rock chip sampling yielded 7 metres grading 9.80 g/t gold, 409.0 g/t silver, and over 1% zinc. Mineralization is hosted in a hydrothermal breccia. At Cade Sur, mineralization is hosted in a volcanic breccia, possessing polymetallic clasts in an argillic altered matrix with disseminated pyrite. The most significant channel sample from Cade Sur was 7.63 g/t gold and 291.0 g/t silver over 10 metres; however, sampling also yielded a channel sample grading 5.03 g/t gold, 376.0 g/t silver, 2.74% copper, and 19.6% zinc over 1.30 metres.

The Roble and Roble 1 targets stretch along an east-west trend and are located 100 metres north of El Domo. Channel sampling of outcrops along a mineralized trend at Roble 1 yielded a 3.60 metre sample grading 15.12 g/t gold and 258.0 g/t silver; which also had 0.56% copper, 3.25% lead, and 5.25% zinc. This included a 0.93 metre subsection grading 35.29 g/t gold, 630.0 g/t silver, 1.36% copper, 7.98% lead, and 12.80% zinc. Mineralization at surface and appears open; however, it appears the massive sulphide mineralization has been structurally complicated by a fault structure. Semi-massive to massive sulphide clasts are present along the fault structure and range in size from 0.05 to 1.00 metres in diameter. Roble 1 was tested by five drill holes totaling 1,015 metres which confirmed the presence of fault-related semi-massive to massive sulphide mineralization, and the presence of hydrothermal breccia units with stockwork-like base metal mineralization. At Roble, two other channel samples yielded 1.00 g/t gold, 95.0 g/t silver, 4.40% copper, and 3.00% zinc over 4.0 metres; including 2.4 g/t gold, 295.0 g/t silver, 15.1% copper, and 6.9% zinc over 1.0 metres; and 1.1 g/t gold, 3.2 g/t silver, and 3.2% copper over 2.2 metres. Roble and Roble Este was tested by three drill holes totaling 731 metres that did confirm the presence of fault-related semi-massive to massive sulphide mineralization, and the presence of hydrothermal breccia units with stockwork-like base metal mineralization.

At Sesmo, work started with a review of any historical drill holes near the target; which is located 1,100 metres north of El Domo. This review will be followed by prospecting, soil sampling, and a 22 line-kilometre IP geophysical survey, noting that the geophysical survey is key to refining targets for drilling. Follow-up drilling to the channel samples has been done. The Company commenced geophysical work and drilling activities in the first quarter of 2018. The Sesmo target is characterized by outcropping high-grade gold and silver mineralization in a hydrothermal breccia. These hydrothermal breccia units at Sesmo are hosted in a quartz-eye phyric dacite volcanic rock, and possess mineralized, silicified, polymetallic clasts in an argillic altered matrix. Previous surface sampling reported a 15-metre channel sample grading 39.1 g/t gold and 741 g/t silver that included 186.5 g/t gold and 1,055 g/t silver over 2 metres. Other channel samples from Sesmo include:

- 10 metres at 9.54 g/t gold and 634.0 g/t silver
- 3 metres at 12.30 g/t gold and 469.0 g/t silver
- 3 metres at 3.67 g/t gold and 12.0 g/t silver

The El Gallo target is located approximately 420 metres directly south of El Domo. It is an important target because the favourable strata between El Domo and the El Gallo target remains relatively untested. The mineralization at El Gallo is hosted in a volcanic breccia unit containing polymetallic-barite clasts that occur in argillic altered matrix. This is interpreted to be a resedimented slump breccia downslope from the volcanic edifice that is the foci for formation of the upper baritic and precious metal-rich portion of massive sulphide mineralization at El Domo or another nearby unknown VMS deposit. Channel sampling of outcrops along a mineralized trend in a creek bed yielded a 17-metre sample grading 11.2 g/t gold and 505.0 g/t silver. Other channel samples from El Gallo include:

- 12 metres at 7.09 g/t gold and 299 g/t silver
- 10 metres at 12.13 g/t gold and 235.0 g/t silver
- 6 metres at 4.00 g/t gold and 38.0 g/t silver

The Sesmo Sur target is located about 5.8 kilometres southwest of El Domo. It was initially called the El Lobo target, however, subsequent work identified a broader mineralized system, and the area was renamed. Mineralization at Sesmo Sur was characterized by both barite and sulphide minerals hosted within an andesitic volcanic breccia over an area of 350 metres by 50 metres that has argillic and silica-pyrite alteration both to the east and west of the target. However, the initial discovery was highlighted by a 68-metre channel sample grading 2.6 g/t gold and 82 g/t silver, which included 5 metres grading 8.5 g/t gold and 304 g/t silver. Other channel samples from Sesmo Sur include:

- 44 metres at an average of 3.21 g/t gold and 15.0 g/t silver
- 52 metres at an average of 3.71 g/t gold and 162.0 g/t silver
- 29 metres at an average of 2.66 g/t gold and 14.0 g/t silver
- 12 metres at an average of 1.07 g/t gold and 183.0 g/t silver

The Company followed up the successful surface exploration at Sesmo Sur with drilling a total of 3,746 metres in eighteen drill holes. Although extensive gold and silver mineralization was identified on surface, and the hydrothermal breccia units were successfully intersected by drilling, more work is required to understand the nature and distribution of both precious and base metals in this mineralizing system at Sesmo Sur.

During regional exploration work in 2007 about 2 kilometres west of the Sesmo Sur target, fourteen float boulder and outcrop grab samples were collected in the La Vaquera area that contained gold and silver mineralization. Values ranged between 0.01 to 16.30 g/t gold and 0.1 to 136.1 g/t silver. Geochemical results also showed a wide range of copper, lead and zinc, however, it was copper that provided the best corresponding results. In addition, the Company collected 256 soil samples that produced a geochemical anomaly for gold greater than 100 ppb of approximately 200 metres in length. Prospecting activities about 1.5 kilometres north of the Sesmo Sur target yielded numerous large float boulder samples characterized by jasper and what was described as hydrothermal breccia that possessed barite, pyrite, and sphalerite. Further investigation revealed a broad geochemical anomaly. Values for gold and silver ranged between 0.01 to 4.99 g/t gold, and 0.1 to 496.0 g/t silver; whereas base metal values graded up to 0.42% copper, 0.99% lead, and 2.89% zinc. Full maps for the La Vaquera and Agua Santa targets and their tabulated geochemical results can be seen in the Company's February 28, 2008 news release.

At the end of January 2018, a 20,000 metre drill program commenced at the Curipamba Project. By the end of March 2018, the Company had completed approximately 3,943 metres using two drill rigs at the Curipamba Project. One drill rig works completed and definition drilling within the Whittle starter open-pit of the recent Mineral Resource update to not only raise confidence in the Mineral Resource, but to also collect material for a metallurgical program planned for the second half of 2018. The second drill rig completed exploration drill holes between the southern end of the El Domo deposit, and the El Gallo target, and is currently drilling the high-priority Sesmo and Caracol targets. Assay results from drilling will be released when they have passed QA/QC protocols.

During the first quarter of 2018, a ground induced polarization ("IP") and magnetic ("MAG") survey was completed over the Sesmo and Caracol targets that included over 24.15 line-kilometres of IP and 24.57 line-kilometres of MAG. Data from these surveys will be integrated with all available geological, structural, and geochemical information, which will help define new targets for exploration drilling.

Qualified Person

The scientific and technical information contained in this MD&A for the Curipamba Project has been reviewed and approved by Mr. Jason Dunning, M.Sc., P.Geo., Vice-President, Exploration for Adventus, a non-independent Qualified Person, as defined by National Instrument 43-101.

Pijilí Project

The Company and Adventus have entered into a definitive agreement for the Pijilí exploration project (the "Pijilí Project"), which is to be transferred into the Alliance. The Pijilí Project has been granted to the Company by the Republic of Ecuador subject to a US $5,000,000 expenditure over four years. Since the Pijilí Project was already in the Company's Ecuadorian project portfolio, Adventus has agreed to provide the following consideration to the Company prior to the transfer of the Pijilí Project into the Alliance:

(i) on the earlier of: (a) the next time Adventus completes a financing of at least $3,000,000; (b) Adventus completes a merger or acquisition transaction involving its common shares; or (c) March 1, 2019, Adventus shall issue to the Company 2,333,333 common shares;
(ii) if upon issuance of the common shares the value of the 2,333,333 shares is below $2,300,000, Adventus will issue additional common shares to the Company to make up the value difference based on the 10-day VWAP on the day preceding the date of issuance, up to a maximum addition of 500,000 common shares;
(iii) US $150,000 in cash payments to the Company, with US $100,000 due today, and US $50,000 due upon official transfer of the Pijilí Project to the Alliance; and
(iv) US $1,000,000 exploration budget for the Pijilí Project to be fully funded by Adventus (or reserved for the Alliance) over the next 18 months.

Any new exploration opportunities acquired or applied for within a 10-km radius area of interest around the Pijilí Project will be for the sole benefit of the Alliance. The Pijilí Project shall be transferred to the Alliance once cash payments are made, common shares are issued, and the US $1,000,000 exploration budget is spent (or reserved for the Alliance) within 18 months. Once the Pijilí Project is transferred into the Alliance, it will be governed by the terms of the Alliance agreement.

The Pijilí Project consists of three concessions totalling 3,246 hectares that is subject to a US $5,000,000 spending commitment over four years to obtain 100% ownership from the Republic of Ecuador. The Pijilí Project 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 may be present.

The Pijilí Project has never been explored with modern exploration techniques, such as geophysics, nor has there been any systematic geological mapping, geochemical sampling, trenching and/or drilling undertaken. Small-scale, legally permitted artisanal mining operations adjacent to the property are following precious metal-bearing structures via several small open pits and underground tunnels. It is also important to note the presence of secondary copper mineralization that is visible along the walls of the small open pits. Salazar staff have noted copper sulphide-bearing (chalcopyrite) veins in a valley bottom at the confluence of major creeks that also requires additional follow-up.

The initial 18-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. Drilling shall be considered once a target generation evaluation is completed.

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 Edgar Orlando Torres Cunalata ("Torres") 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. 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;
- US $50,000 on November 6, 2019;
- 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 Mina Concession over two years. Torres also retains a 0.5% NSR, which may be purchased by the Company for US $1,000,000 at any time.

Torres 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.

As at December 31, 2017 the Company has paid $127,150 (US $100,000) for the initial option payment and $2,241 for concession payments on the Macara Mina 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 December 31, 2017 the Company has incurred $8,235 on the Bonanza Concession.

The Macara Project lies within Célica 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. 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.

Selected Financial Data

The following selected financial information is derived from the audited annual consolidated financial statements of the Company.

	Years Ended December 31,		
	2017 **$**	**2016** **$**	**2015** **$**
Operations:			
Revenues	Nil	Nil	Nil
Expenses	(1,545,433)	(1,947,134)	(1,084,299)
Other items	(10,897)	774,460	(1,727,608)
Net loss	(1,556,330)	(1,172,674)	(2,811,907)
Other comprehensive (loss) income	217	1,740	(1,522)
Comprehensive loss	(1,556,113)	(1,170,934)	(2,813,429)
Basic and diluted loss per share	(0.01)	(0.01)	(0.04)
Dividends per share	Nil	Nil	Nil

	Years Ended December 31,		
	2017 $	2016 $	2015 $
Balance Sheet:			
Working capital (deficiency)	569,691	1,431,519	(2,802,342)
Total assets	18,371,177	19,078,346	19,109,638
Total long-term liabilities	Nil	Nil	Nil

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

	Fiscal 2017				Fiscal 2016			
Three Months Ended	**Dec. 31 2017 $**	**Sep. 30 2017 $**	**Jun. 30 2017 $**	**Mar. 31 2017 $**	**Dec. 31 2016 $**	**Sep. 30 2016 $**	**Jun. 30 2016 $**	**Mar. 31 2016 $**
Operations:								
Revenues	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Expenses	(291,882)	(483,564)	(362,248)	(407,739)	(1,092,355)	(270,173)	(316,140)	(268,466)
Other items	124,132	(59,531)	(59,143)	(16,355)	38,166	(5,502)	343,138	398,658
Net income (loss)	(167,750)	(543,095)	(421,391)	(424,094)	(1,054,189)	(275,675)	26,998	130,192
Other comprehensive income (loss)	435	435	(653)	Nil	(1,740)	(217)	1,957	1,740
Comprehensive income (loss)	(167,315)	(542,660)	(422,044)	(424,094)	(1,055,929)	(275,892)	28,955	131,932
Basic and diluted income (loss) per share	(0.00)	(0.01)	(0.00)	(0.00)	(0.01)	(0.00)	0.00	0.00
Dividends per share	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Balance Sheet:								
Working capital (deficiency)	569,691	447,255	1,732,539	3,875	1,431,519	2,394,199	(680,525)	(2,681,277)
Total assets	18,371,177	17,882,452	18,391,518	18,799,732	19,078,346	19,342,232	19,708,540	19,430,750
Total long-term liabilities	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Results of Operations

Three Months Ended December 31, 2017 Compared to the Three Months Ended December 31, 2016

During the three months ended December 31, 2017 ("Q4/2017") the Company reported a net loss of $167,750 compared to net loss of $1,054,189 for the three months ended December 31, 2016 ("Q4/2016") a decrease in loss of $886,439. The fluctuation is primarily attributed to the recognition of share-based compensation of $790,000 in Q4/2016 compared to $nil in Q4/2017.

Year Ended December 31, 2017 Compared to the Year Ended December 31, 2016

During the year ended December 31, 2017 ("fiscal 2017") the Company reported a net loss of $1,556,330, compared to a net loss of $1,172,674 for the year ended December 31, 2016 ("fiscal 2016"), an increase in loss of $383,656, reflecting significant variances in many expenses categories as follows:

(i) during fiscal 2016 the Company reversed $129,027 of accounts payable and accrued liabilities previously recorded;

(ii) during fiscal 2016 the Company rented one of its idle drill rigs and recorded $71,943 as other income. The Company's drill rigs were not offered for rent during fiscal 2017 and, accordingly, no rental income was earned during this period. See also "Transactions with Related Parties"; and

(iii) during fiscal 2016 the Company recognized forgiveness of debt of $332,122 for debt settlements negotiated for both insiders and non-insiders of the Company in regards to past accrued and unpaid compensation.

(iv) during fiscal 2016 the Company recognized share-based compensation of $790,000 on the granting of 7,900,000 share options. No share options were granted during fiscal 2017;

(v) during fiscal 2017 the Company recorded $102,148 in management fee income as Adventus has agreed to pay the Company a 10% management fee on certain expenditures for the duration of the Curipamba Option. In addition, the Company has recorded cost recoveries of $388,390 against expenses to reflect Adventus' funding of certain expenses; and

(vi) during fiscal 2017 the Company recognized a foreign exchange loss of $126,365 compared to a foreign exchange gain of $236,473 in fiscal 2016.

In addition corporate and general expenses, excluding share based compensation, increased by $388,299, from $1,157,134 during fiscal 2016 to $1,545,433 during fiscal 2017. Specific expenses of note are as follows:

(i) during fiscal 2017 the Company recorded $386,403 (2016 - $92,262) as general exploration activities. During fiscal 2017 the Company conducted significant due diligence property reviews as a result of the Alliance with Adventus. During fiscal 2017 the Company recorded $388,390 recoveries for general exploration costs and other expense categories;
(ii) incurred $54,588 (2016 - $13,373) for corporate development expenses, an increase of $41,215. The increase reflects an increase in activities during fiscal 2017;
(iii) incurred salaries and benefits of $727,185 (2016 - $463,428). The increase reflects the increased staffing levels and bonus paid during fiscal 2017;
(iv) during fiscal 2016 recognized interest expense of $64,371 on advances received by the Company. The advances were settled in April 2016 and no further interest expense was recognized;
(v) during fiscal 2017 office expenses increased by $59,048 from $153,314 during fiscal 2016 to $212,362 during fiscal 2017. The increase reflects the increase in activities during fiscal 2017; and
(vi) incurred legal fees of $280,217 (2016 - $57,512). During fiscal 2017, the legal services were incurred with respect to the preparation of agreements with Adventus and submissions to the TSXV.

Exploration and Evaluations Assets

During fiscal 2017 the Company incurred a total of $3,981,273 (2016 - $1,491,426) for exploration and evaluation assets comprising of $3,784,945 (2016 - $1,418,334) on the Curipamba Project and $196,328 (2016 - $73,092) on other projects. In addition during fiscal 2016 the Company received $3,099,375 (US $2,375,000) from the sale of a 1% NSR on the Curipamba Project and on April 19, 2017 the Company closed on the sale of the remaining 1% NSR in the Curipamba Project to RCF SRL for a further $3,192,950 (US $2,375,000). On September 14, 2017 the Company entered into a definitive option agreement (the “Curipamba Option”) whereby Adventus Zinc Corporation (“Adventus”) may earn 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 is expected to be completed within three years, after which Adventus is required to fund 100% of the development and construction expenditures to commercial production.

Adventus will provide the Company with a no-refundable advance payment of US $250,000 per year until achievement of commercial production, to a maximum cumulative total of US $1,500,000. On October 13, 2017 the Company closed on the Curipamba Option and an initial advance of $315,125 (US $250,000) was received. The advances are to be paid preferentially to Adventus upon start of commercial production.

During fiscal 2017 Adventus has funded a total of $3,191,959 of which $1,654,481 was applied against property, plant and equipment, $1,149,088 against exploration and evaluation assets and $388,390 against expenses and, as at December 31, 2017, a balance of $615,288 remained as a deferred amount.

Details of the exploration and acquisition expenditures are as follows:

	Curipamba $	Santiago $	Other $	Total $
Balance at December 31, 2015	18,170,456	497,945	2	18,668,403
Exploration costs				
Camp supervision and personnel	190,605	-	-	190,605
Camp supplies	278,208	-	-	278,208
Community relations	43,570	-		43,570
Depreciation	29,176	-	-	29,176
Drilling	87,166	-	-	87,166
Environmental studies	6,875	-	-	6,875
Exploration site	176,563	3,525	-	180,088
Geological	-	42,291	-	42,291
Legal	22,250	-	-	22,250
Road maintenance	15,303	-	-	15,303
Supplies	108,434	-	-	108,434
Travel and mobilization	11,584	-	-	11,584

	Curipamba $	Santiago $	Other $	Total $
Vehicles	41,277	-	-	41,277
	1,011,011	45,816	2	1,056,827
Acquisition costs				
Property / concession payments	407,323	27,276	-	434,599
Sale of royalty interest	(3,099,375)	-	-	(3,099,375)
Balance at December 31, 2016	16,489,415	571,037	2	17,060,454
Exploration costs				
Assay analysis	63,981	-	-	63,981
Camp supervision and personnel	1,177,540	-	-	1,177,540
Camp supplies	795,554	-	-	795,554
Community relations	413,401	-	-	413,401
Depreciation	37,416	-	-	37,416
Drilling and related costs	98,271	-	-	98,271
Environmental studies	15,061	-	-	15,061
Exploration site	179,710	3,604	-	183,314
Geological	212,687	-	-	212,687
Geophysics	177,711		-	177,711
Legal	29,264	-	12,396	41,660
Road maintenance	86,550	-	-	86,550
Vehicles	56,961	-	-	56,961
	3,344,107	3,604	12,396	3,360,516
Acquisition costs				
Property / concession payments	440,838	23,261	157,067	621,166
Cost recoveries	(1,149,088)	-	-	(1,149,088)
Sale of royalty interest	(3,192,950)	-	-	(3,192,950)
Advance payment	(315,125)	-	-	(315,125)
Balance at December 31, 2017	15,617,197	597,902	169,465	16,384,564

See also “Properties Update”.

Financial Condition / Capital Resources

On April 19, 2017 the Company completed the sale of an additional 1% NSR of its Curipamba Project, receiving US $2,375,000. On October 13, 2017 the Company also closed on an option agreement to farm-out a 75% interest in the Curipamba Project, which also provides that the Company will earn a 10% management fee (minimum of US $350,000 per annum) and an annual advance payment of an additional US $250,000 until commercial production (to a maximum cumulative total of US $1,500,000). As at December 31, 2017, the Company had working capital of $569,691. Management considers that the Company has adequate resources to maintain its core operations and planned exploration programs for the next twelve months. The Company believes that the option agreement with Adventus will provide the necessary capital to advance its core Curipampa Project to production status. However, the Company recognizes that exploration expenditures may change with ongoing results and, as a result, it may be required to obtain additional financing should Adventus terminate the Option. Additional capital may be sought from the sale of additional common shares or other equity or debt instruments. There is no assurance that such additional capital will be available to the Company on acceptable terms or at all. In the longer term, the recoverability of the carrying value of the Company’s long-lived assets is dependent upon the Company’s ability to preserve its interest in the underlying mineral property interests, the discovery of economically recoverable reserves, the achievement of profitable operations and the ability of the Company to obtain financing to support its ongoing exploration programs.

Subsequent to December 31, 2017 the Company received $969,811 on the exercises of warrants and issued 8,081,758 common shares of the Company.

Contractual Commitments

The Company has no contractual commitments.

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 all the Company's significant accounting policies is included in Note 3 to the December 31, 2017 audited annual consolidated financial statements.

Changes in Accounting Policies

There are no changes in accounting policies.

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*

(i) During fiscal 2017 and 2016 the following amounts were incurred with respect to the President, Fredy Salazar, and the CFO, Pablo Acosta, of the Company:

	2017 **$**	**2016** **$**
Mr. Salazar		
- Salaries	153,091	150,723
- Bonus	44,616	-
- Health benefits	3,734	2,241
- Share-based compensation	-	130,000
	201,441	282,964
Mr. Acosta		
- Salaries	56,397	14,156
- Health benefits	3,734	2,241
- Share-based compensation	-	90,000
	60,131	106,397
	261,572	389,361

(b) *Transactions with Other Related Parties*

(i) During fiscal 2017 and 2016 the following consulting expenses were incurred with respect to non-executive current and former directors of the Company:

	2017 **$**	**2016** **$**
Consulting fees - Etienne Walters	5,722	8,247
Consulting fees - Nick DeMare	38,940	50,078
Consulting fees - Juan Ortiz	5,645	-
Consulting fees - Graeme Robinson (1)	-	6,185
Share-based compensation - Mr. Walters	-	60,000
Share-based compensation - Mr. DeMare	-	70,000
Share-based compensation - Mr. Juan Ortiz	-	60,000
Share-based compensation - Mr. Thomas Kelly (2)	-	60,000
Share-based compensation - Mr. Jorge Roca Arteta (3)	-	60,000
	50,307	374,510

(1) Mr. Robinson resigned as a director effective May 10, 2016
(2) Mr. Kelly resigned as a director effective June 30, 2017
(3) Mr. Arteta resigned as a director effective June 30, 2017

(ii) During fiscal 2017 the Company incurred a total of $54,305 (2016 - $46,209) 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 December 31, 2017, $4,391 (2016 - $4,699) remained unpaid.

(c) During fiscal 2017 the Company incurred $312,418 (2016 - $42,564) for geological services provided by Amlatminas S.A. ("Amlatminas") a private corporation controlled by Mr. Salazar and Mr. Acosta and Sthejobs Services S.A. a private corporation controlled by Mr. Acosta. As at December 31, 2017, $86,109 (2016 - $42,564) remained unpaid.

(d) The Company received advances from DNG Capital Corp., a private corporation controlled by Mr. DeMare. The advances bear interest at 10% per annum and have no fixed terms of repayment. During fiscal 2016 the Company recorded interest expense of $3,088 (US $2,247). During fiscal 2016 the principal balance of US $100,000 was repaid in cash. On April 27, 2016 the Company settled the accrued interest as part of the Recapitalization.

(e) The Company received advances from 888 Capital Corp., a private corporation affiliated with Mr. DeMare. The advances bear interest at 10% per annum and have no fixed terms of repayment. During fiscal 2016 the Company recorded interest expense of $3,370. On April 27, 2016 the Company settled the indebtedness as part of the Recapitalization.

(f) The Company received advances from Sesmo S.A., a private corporation controlled by family members of Mr. Salazar. The advances bear interest at a rate of 10% per annum and have no fixed terms of repayment. On April 27, 2016 the Company settled the indebtedness as part of the Recapitalization. During fiscal 2016 the Company recorded interest expense of $5,230 (US $3,805).

(g) The Company received advances from Amlatminas. The advances bear interest at a rate of 10% per annum and have no fixed terms of repayment. During fiscal 2016 the Company recorded interest expense of $31,873 (US $23,189). On April 27, 2016 the Company settled the indebtedness as part of the Recapitalization.

(h) The Company received advances from Mr. Salazar. The advances bear interest at a rate of 10% per annum and have no fixed terms of repayment. During fiscal 2016 the Company recorded interest expense of $7,095 (US $5,162). On April 27, 2016 the Company settled the indebtedness as part of the Recapitalization.

(i) During fiscal 2016 the Company recorded $71,943 as other income from the rental of one of its drill rigs to Trust Drilling Servícios S.A., a private Ecuadorian company, the shareholders of which include an employee of the Company and the son of Mr. Salazar.

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 April 28, 2018, there were 122,235,364 issued and outstanding common shares, 4,242,423 warrants outstanding at an exercise price of $0.12 per share and 7,300,000 share options outstanding at an exercise price of $0.14 per share.