SALAZAR RESOURCES LIMITED

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED
JUNE 30, 2016

(Unaudited - Expressed in Canadian Dollars)

NOTICE OF NO AUDITOR REVIEW OF
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

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

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

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

	Notes	June 30, 2016 $	December 31, 2015 $
ASSETS			
Current assets			
Cash		94,487	43,249
Amounts receivable		1,935	2,322
GST receivable		8,104	571
Prepaid expenses and deposits		74,461	66,370
Total current assets		178,987	112,512
Non-current assets			
Investment		6,090	2,393
Property, plant and equipment	3	284,915	326,330
Exploration and evaluation assets	4	19,238,548	18,668,403
Total non-current assets		19,529,553	18,997,126
TOTAL ASSETS		19,708,540	19,109,638
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	7,8,12	350,422	1,566,334
Accrued interest payable	5	54,545	137,825
Advances	5	454,545	1,210,695
TOTAL LIABILITIES		859,512	2,914,854
SHAREHOLDERS' EQUITY			
Share capital	6	37,145,658	34,652,301
Share-based payments reserve		4,337,221	4,337,221
Deficit		(22,576,791)	(22,733,981)
Accumulated other comprehensive loss		(57,060)	(60,757)
TOTAL SHAREHOLDERS' EQUITY		18,849,028	16,194,784
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		19,708,540	19,109,638

Nature of Operations and Going Concern - See Note 1

Events after the Reporting Period - Note 12

These condensed consolidated interim financial statements were approved for issue by the Board of Directors on August 26, 2016 and are signed on its behalf by:

/s/ ***Fredy Salazar***
Fredy Salazar
Director

/s/ ***Pablo Acosta***
Pablo Acosta
Director

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

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

		Three Months Ended June 30		Six Months Ended June 30	
	Note	2016 $	2015 $	2016 $	2015 $
Expenses					
Accounting and administration	7(b)	13,613	9,500	18,413	15,200
Audit		31,355	17,994	39,780	39,449
Community relations		-	46	-	46
Consulting	7(b)	39,656	38,849	74,706	95,534
Corporate development		-	-	10,321	12,336
Depreciation		22,135	21,789	44,738	43,284
General exploration		7,230	-	12,361	-
Interest expense	7(b)	-	105,736	64,371	114,578
Legal		39,932	2,172	41,290	20,269
Office		60,549	16,119	79,462	33,305
Regulatory		4,308	8,269	5,608	9,747
Rent		-	9,600	502	12,853
Salaries and benefits	7(a)	94,940	94,591	186,752	207,681
Shareholder costs		838	140	920	560
Transfer agent		1,584	703	3,774	1,597
Travel		-	-	1,608	3,024
		316,140	325,508	584,606	609,463
Loss before other items		(316,140)	(325,508)	(584,606)	(609,463)
Other items					
Interest income		134	97	222	205
Other income	7(b)	-	-	97,491	-
Reversal of accounts payable and accrued liabilities	8	-	-	129,027	-
Forgiveness of debt	6(b)	332,122	-	332,122	-
Foreign exchange		10,882	17,213	182,934	(74,878)
		343,138	17,310	741,796	(74,673)
Net income (loss) for the period		26,998	(308,198)	157,190	(684,136)
Other comprehensive gain		1,957	870	3,697	-
Comprehensive income (loss) for the period		28,955	(307,328)	160,887	(684,136)
Basic and diluted income (loss) per common share		$0.00	$(0.00)	$0.00	$(0.01)
Weighted average number of common shares outstanding		93,486,019	63,497,743	78,491,881	63,497,743

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

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

Six Months Ended June 30, 2016

	Share Capital					
	Number of Shares	Amount $	Share-Based Payments Reserve $	Deficit $	Accumulated Other Comprehensive (Loss) Gain $	Total Equity $
Balance at December 31, 2015	63,497,743	34,652,301	4,337,221	(22,733,981)	(60,757)	16,194,784
Common shares issued for:						
cash - private placement	22,293,398	1,337,604	-	-	-	1,337,604
shares for debt	19,877,615	1,192,657	-	-	-	1,192,657
Share issue costs	-	(36,904)	-	-	-	(36,904)
Unrealized gain on investment	-	-	-	-	3,697	3,697
Net income for the period	-	-	-	157,190	-	157,190
Balance at June 30, 2016	105,668,756	37,145,658	4,337,221	(22,576,791)	(57,060)	18,849,028

Six Months Ended June 30, 2015

	Share Capital					
	Number of Shares	Amount $	Share-Based Payments Reserve $	Deficit $	Accumulated Other Comprehensive Loss $	Total Equity $
Balance at December 31, 2014	63,497,743	34,652,301	4,242,240	(19,922,074)	(59,235)	18,913,232
Share-based compensation on bonus warrants	-	-	80,768	-	-	80,768
Net loss for the period	-	-	-	(684,136)	-	(684,136)
Balance at June 30, 2015	63,497,743	34,652,301	4,323,008	(20,606,210)	(59,235)	18,309,864

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

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

	Six Months Ended June 30,	
	2016	**2015**
	$	**$**
Operating activities		
Net income (loss) for the period	157,190	(684,136)
Adjustments for:		
Depreciation	44,738	43,284
Interest	64,371	114,578
Foreign exchange	(86,021)	11,345
Changes in non-cash working capital items:		
Amounts receivable	387	63
GST receivable	(7,533)	2,796
Prepaid expenses and deposits	(8,091)	6,166
Accounts payable and accrued liabilities	(715,570)	315,329
Accrued interest payable	(1,688)	-
Net cash used in operating activities	(552,217)	(190,575)
Investing activities		
Expenditures on exploration and evaluation assets	(734,481)	(386,026)
Additions to property, plant and equipment	(3,323)	-
Net cash used in investing activities	(737,804)	(386,026)
Financing activities		
Issuance of share capital	1,337,604	-
Share issue costs	(36,904)	-
Advances received	168,839	852,613
Advances repaid	(128,280)	(264,826)
Net cash provided by financing activities	1,341,259	587,787
Net change in cash	51,238	11,186
Cash at beginning of period	43,249	49,236
Cash at end of period	94,487	60,422

Supplemental Cash Flow Information - see Note 10

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

1. Nature of Operations and Going Concern

Salazar Resources Limited (the "Company") was incorporated on July 23, 1987 under the provisions of the Company Act (British Columbia). The Company's common shares are listed and trade on the TSX Venture Exchange ("TSXV") under the symbol "SRL". The Company's principal office is located at #1305 - 1090 West Georgia Street, Vancouver, British Columbia V6E 3V7 Canada.

The Company is a junior mineral exploration company currently engaged in the acquisition and exploration of mineral properties located in Latin America. On the basis of information to date, the Company has not yet determined whether these properties contain economically recoverable ore reserves. The underlying value of the exploration and evaluation assets is entirely dependent on the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete development and upon future profitable production. Exploration and evaluation assets represent costs incurred to date, less amounts depreciated and/or written off, and do not necessarily represent present or future values.

The Company's mineral properties are located in Ecuador and consequently the Company is subject to certain risks, including currency fluctuations and possible political or economic instability which may result in the impairment or loss of mining title or other mineral rights, and mineral exploration and mining activities may be affected in varying degrees by political stability and governmental regulations relating to the mining industry.

These condensed consolidated interim financial statements have been prepared on a going concern basis. As at June 30, 2016 the Company had a working capital deficit of $680,525 and an accumulated deficit of $22,576,791. The Company has not yet produced any revenues from its resource interests and further funds will be required to fund existing levels of overhead, planned exploration expenditures and property payments over the course of the next twelve months. In addition, exploration activities may change due to ongoing results and recommendations, or the Company may acquire additional properties, which may entail significant funding or exploration commitments. In the immediate term the Company's ability to continue as a going concern is dependent upon continued financial support from existing shareholders and creditors. In addition the Company will need to raise additional capital from the sale of common shares or other equity or debt instruments. If the Company is unable to raise the necessary capital and generate sufficient cash flows to meet obligations as they come due, the Company may have to reduce or curtail its operations or obtain financing at unfavourable terms. The material uncertainty may cast significant doubt about the Company's ability to continue as a going concern. Furthermore, failure to continue as a going concern would require the Company's assets and liabilities be restated on a liquidation basis which would differ significantly from the going concern basis. These condensed consolidated interim financial statements do not include any adjustments to the amounts and classification of assets and liabilities that may be necessary should the Company be unable to continue as a going concern.

In April 2016 the Company agreed to a recapitalization plan, as described in Note 12(a).

2. Basis of Preparation

Statement of Compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting* ("IAS 34"), as issued by the International Accounting Standards Board ("IASB"), and its interpretations, using accounting policies consistent with International Financial Reporting Standards ("IFRS"). The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2015, which have been prepared in accordance with IFRS as issued by the IASB and interpretations of the IFRS Interpretations Committee ("IFRIC"). The accounting policies followed in these condensed consolidated interim financial statements are consistent with those applied in the Company's consolidated financial statements for the year ended December 31, 2015.

Basis of Measurement

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

(Unaudited - Expressed in Canadian Dollars)

3. Property, Plant and Equipment

Cost:	**Land** $	**Drill Rigs and Equipment** $	**Other** $	**Total** $
Balance at December 31, 2014	93,299	861,004	329,148	1,283,451
Write-off	-	-	(27,955)	(27,955)
Balance at December 31, 2015	93,299	861,004	301,193	1,255,496
Additions	-	3,323	-	3,323
Balance at June 30, 2016	93,299	864,327	301,193	1,258,819
Accumulated Depreciation and Impairment:				
Balance at December 31, 2014	-	(537,346)	(308,702)	(846,048)
Depreciation	-	(90,627)	(13,903)	(104,530)
Write-off	-	-	21,412	21,412
Balance at December 31, 2015	-	(627,973)	(301,193)	(929,166)
Depreciation	-	(44,738)	-	(44,738)
Balance at June 30, 2016	-	(672,711)	(301,193)	(973,904)
Carrying Value:				
Balance at December 31, 2015	93,299	233,031	-	326,330
Balance at June 30, 2016	93,299	191,616	-	284,915

4. Exploration and Evaluation Assets

	As at June 30, 2016			**As at December 31, 2015**		
	Acquisition Costs $	**Deferred Exploration Costs** $	**Total** $	**Acquisition Costs** $	**Deferred Exploration Costs** $	**Total** $
Ecuador						
Curipamba	4,324,497	14,385,537	18,710,034	4,009,025	14,161,431	18,170,456
Ruminahui	1	-	1	1	-	1
Santiago	346,040	182,472	528,512	318,756	179,189	497,945
Mendez	1	-	1	1	-	1
	4,670,539	14,568,009	19,238,548	4,327,783	14,340,620	18,668,403

(Unaudited - Expressed in Canadian Dollars)

4. Exploration and Evaluation Assets (continued)

	Ecuador				Colombia	
	Curipamba $	Ruminahui $	Santiago $	Mendez $	Other $	Total $
Balance at December 31, 2014	17,646,757	605,015	390,500	719,711	233,752	19,595,735
Exploration costs						
Camp supervision and personnel	164,917	-	8,730	-	-	173,647
Camp supplies	14,876	-	9,257	-	-	24,133
Environmental studies	11,667	1,907	5,725	-	-	19,299
Exploration site	24,881	-	2,946	-	-	27,827
Geological	-	-	50,458	-	-	50,458
Supplies	3,642	-	8,523	-	-	12,165
Travel and mobilization	7,924	-	-	-	-	7,924
Water and soil sampling	5,716	-	-	-	-	5,716
	233,623	1,907	85,639	-	-	321,169
Acquisition costs						
Property / concession payments	290,076	3,972	21,806	1,259	-	317,113
Impairment	-	(610,893)	-	(720,969)	(233,752)	(1,565,614)
Balance at December 31, 2015	18,170,456	1	497,945	1	-	18,668,403
Exploration costs						
Camp supervision and personnel	94,631	-	-	-	-	94,631
Camp supplies	12,351	-	-	-	-	12,351
Environmental studies	4,834	-	-	-	-	4,834
Exploration site	77,145	-	3,283	-	-	80,428
Supplies	5,262	-	-	-	-	5,262
Travel and mobilization	8,984	-	-	-	-	8,984
Vehicles	20,899	-	-	-	-	20,899
	224,106	-	3,283	-	-	227,389
Acquisition costs						
Property / concession payments	315,472	-	27,284	-	-	342,756
Balance at June 30 , 2016	18,710,034	1	528,512	1	-	19,238,548

(a) *Ecuador*

The Company holds interests in the following properties in Ecuador:

(i) Curipamba Project

The Company owns a 100% interest in seven concessions located in the provinces of Bolivar and Los Rios, Ecuador. See also Note 12(a).

(ii) Ruminahui Project

The Company owns a 100% interest in two concessions located in the province of Pichincha, Ecuador. In prior years the Company has only made partial payments on these concessions. The Company can make applications to reduce the acreage of its concession holdings but, to date, no formal request has been made. In addition, no payment requests have been made by the Ecuador authorities for the unpaid amounts and the concessions have not been cancelled.

(Unaudited - Expressed in Canadian Dollars)

4. Exploration and Evaluation Assets (continued)

One concession, the Moncayo concession, is being acquired pursuant to an option agreement. As at June 30, 2016 there remains US $50,000 of option payments outstanding.

Although the Company intends to make the concession payments which are in arrears, the Company has limited unallocated working capital. Accordingly, during fiscal 2015 the Company recorded an impairment charge of $610,893 to reduce the carrying value of the Ruminahui Project to a nominal amount of $1.

(iii) Santiago Concession

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

(iv) Mendez Project

The Company owns a 100% interest in two concessions in the province of Morona Santiago, Ecuador. In prior years the Company has only made partial payments on these concessions. During fiscal 2015 the Company recorded an impairment charge of $720,969 to reduce the carrying value of the Mendez Project to a nominal amount of $1.

(b) *Colombia*

During fiscal 2015 the Company discontinued its activities in Colombia and, accordingly, recorded an impairment charge of $233,752 for exploration and evaluation costs incurred. The Company is assessing a resumption of its activities in Colombia.

5. Advances

	June 30, 2016 $	December 31, 2015 $
Interest bearing advances (a)	-	203,463
Interest bearing advances (b)	-	522,832
Promissory notes (c)	454,545	484,400
	454,545	1,210,695

(a) The Company has received ongoing advances from the President and a private corporation controlled by the President and the CFO of the Company. Effective January 1, 2016 the advances bear interest at 10% per annum and have no fixed terms of repayment. During the six months ended June 30, 2016 the Company received advances of US $122,836 (fiscal 2015 - US $201,543) and repaid in cash US $nil (fiscal 2015 - US $127,913). In addition, the Company recorded interest expense of $38,968. See also Note 6(b)(ii).

On April 27, 2016 the Company issued 6,454,466 units on the same terms as the private placement units, in settlement of $387,268 of cash advances received and accrued interest payable.

(b) The advances, comprising US and Canadian dollar amounts, bear interest at 10% per annum and have no fixed terms of repayment. During the six months ended June 30, 2016 the Company received ongoing advances of $nil (fiscal 2015 - $341,680) and repaid in cash US $100,000 (fiscal 2015 - $151,682). In addition, the Company recorded interest expense of $11,688 (2015 - $20,463).

On April 27, 2016 the Company issued 7,823,017 units on the same terms as the private placement units, in settlement of $469,381 of cash advances received and accrued interest payable. See also Note 6(bd(ii).

5. Advances (continued)

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

(c) During March 2015 the Company received US $350,000 and, on May 1, 2015, issued promissory notes (the "Promissory Notes") and 4,038,417 non-transferable share purchase warrants. The Promissory Notes were unsecured, bear interest at 12% per annum, and matured on March 31, 2016. Each warrant entitled the holder to purchase one common share of the Company at a price of $0.11 per share on or before May 1, 2016. The value assigned to the warrants was $94,981 and was recorded in interest expense. On May 1, 2016 these warrants expired without exercise.

In April 2016 the holders of the Promissory Notes agreed to a conversion of the Promissory Notes and the accrued interest payable, totalling $509,090 into units of the Company on the same terms as the private placement conducted. See Note 6(b). The issuance of these units were to be issued concurrently with the first closing of the royalty sale in Note 12(a). On July 18, 2016 the Company issued 8,484,847 units of the Company.

During the six months ended June 30, 2016 the Company recorded interest expense of $13,715 (2015 - $13,347). As at June 30, 2016 interest of $54,545 (December 31, 2015 - $44,318) was unpaid.

6. Share Capital

(a) *Authorized Share Capital*

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

(b) *Equity Financings*

During the six months ended June 30, 2016 the Company:

(i) completed a non-brokered private placement financing of 22,293,398 units, at a price of $0.06 per unit for $1,337,604. Each unit consisted of one common share of the Company and a one-half of one share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share of the Company at a price of $0.12 per share, expiring April 27, 2018. Resource Capital Fund VI L.P. ("RCF VI") purchased $1,033,774 of the private placement; and

(ii) issued a total of 14,277,483 units of the Company, on the same terms as the private placement units, in settlement of $856,649 of cash advances received and accrued interest payable. See also Note 6.

In addition, the Company negotiated debt settlements with both insiders and non-insiders of the Company in regards to accrued and unpaid compensation pursuant to which $332,122 of debt was forgiven and $336,008 was settled by the issuance of 5,600,132 common shares of the Company at a price of $0.06 per share.

The Company incurred $36,904 of share issue costs relating to the private placement and debt settlements.

No financings were completed during fiscal 2015.

(Unaudited - Expressed in Canadian Dollars)

6. Share Capital (continued)

(c) *Warrants*

A summary of the number of common shares reserved pursuant to the Company's outstanding warrants at June 30, 2016 and 2015 and the changes for the six months ended on those dates is as follows:

	2016		2015	
	Number	Weighted Average Exercise Price $	Number	Weighted Average Exercise Price $
Balance, beginning of period	5,602,030	0.18	4,965,122	0.35
Issued	18,285,440	0.12	4,038,417	0.11
Expired	(5,602,030)	0.18	(1,277,538)	0.35
Balance, end of period	18,285,440	0.12	7,726,001	0.22

The following table summarizes information about the number of common shares reserved pursuant to the Company's warrants outstanding and exercisable at June 30, 2016:

Number	Exercise Price $	Expiry Date
11,146,699	0.12	April 27, 2018
7,138,741	0.12	April 27, 2018
18,285,440		

See also Note 5(c).

(d) *Share Option Plan*

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

No share options were granted during the six months ended June 30, 2016 and 2015.

As at June 30, 2016 no share options were outstanding.

(Unaudited - Expressed in Canadian Dollars)

7. Related Party Disclosures

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

(a) *Transactions with Key Management Personnel*

During the six months ended June 30, 2016 and 2015 the following amounts were incurred with respect to the President and the Chief Financial Officer ("CFO") of the Company:

	2016 $	2015 $
Salaries	79,902	92,648
Health benefits	2,251	4,176
	82,153	96,824

As at June 30, 2016, $15,611 (December 31, 2015 - $275,668) remained unpaid and has been included in accounts payable and accrued liabilities.

(b) *Transactions with Other Related Parties*

(i) During the six months ended June 30, 2016 and 2015 the following amounts were incurred with respect non-executive directors of the Company:

	2016 $	2015 $
Consulting	44,716	62,998

As at June 30, 2016, $nil (December 31, 2015 - $346,692) remained unpaid and has been included in accounts payable and accrued liabilities.

(ii) During the six months ended June 30, 2016 the Company incurred a total of $18,413 (2015 - $15,200) to Chase Management Ltd. ("Chase"), a private corporation owned by a director of the Company, for accounting and administration services provided by Chase personnel, excluding the director. As at June 30, 2016, $4,553 (December 31, 2015 - $4,600) remained unpaid and has been included in accounts payable and accrued liabilities.

(iii) During the six months ended June 30, 2016 the Company recorded $97,491 as other income from the rental of one of its drill rigs to a private Ecuadorian company, the shareholders of which include a former employee of the Company and the son of the Company's President.

(c) See also Notes 5 and 6(b)(ii).

8. Reversal of Amounts Previously Recorded

During the six months ended June 30, 2016 the Company reviewed its accounts payable and accrued liabilities. The Company has identified $129,027 for amounts previously recorded or accrued for which no requests for payments have been made by the creditors and, in the opinion of Company management, will never be paid. Accordingly, the Company has determined to reverse the amounts.

(Unaudited - Expressed in Canadian Dollars)

9. Financial Instruments and Risk Management

Categories of Financial Assets and Financial Liabilities

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

Financial Instrument	Category	June 30, 2016 $	December 31, 2015 $
Cash	FVTPL	94,487	43,249
Amounts receivable	Loans and receivables	1,935	2,322
Investment	Available-for-sale	6,090	2,393
Accounts payable and accrued liabilities	Other financial liabilities	(350,421)	(1,566,334)
Accrued interest payable	Other financial liabilities	(54,545)	(137,825)
Advances	Other financial liabilities	(454,545)	(1,210,695)

The Company's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.

Level 2 - Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the market place.

Level 3 - Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The recorded amounts for amounts receivable, accounts payable and accrued liabilities, accrued interest payable and advances approximate their fair value due to their short-term nature. The Company's cash and investment under the fair value hierarchy are measured using Level 1 inputs.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and amounts receivable. Management believes that the credit risk concentration with respect to financial instruments included in cash and amounts receivable is remote.

Liquidity Risk

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

9. Financial Instruments and Risk Management (continued)

	Contractual Maturity Analysis at June 30, 2016				
	Less than 3 Months $	**3 - 12 Months $**	**1 - 5 Years $**	**Over 5 Years $**	**Total $**
Cash	94,487	-	-	-	94,487
Amounts receivable	1,935	-	-	-	1,935
Investment	-	-	6,090	-	6,090
Accounts payable and accrued liabilities	(350,421)	-	-	-	(350,421)
Accrued interest payable	(54,545)	-	-	-	(54,545)
Advances	(454,545)	-	-	-	(454,545)

	Contractual Maturity Analysis at December 31, 2015				
	Less than 3 Months $	**3 - 12 Months $**	**1 - 5 Years $**	**Over 5 Years $**	**Total $**
Cash	43,249	-	-	-	43,249
Amounts receivable	2,322	-	-	-	2,322
Investment	-	-	2,393	-	2,393
Accounts payable and accrued liabilities	(1,566,334)	-	-	-	(1,566,334)
Accrued interest payable	(137,825)	-	-	-	(137,825)
Advances	(1,210,695)	-	-	-	(1,210,695)

See also Note 12.

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. These fluctuations may be significant.

(a) Interest Rate Risk

The Company is exposed to interest rate risk to the extent that the cash bears floating rates of interest. The interest rate risk on cash and on the Company's obligations are not considered significant.

(b) Foreign Currency Risk

The Company's significant subsidiary is located in Ecuador which has adopted the US Dollar as its currency. The Company also maintains cash deposits in US Dollars with its Canadian bank. As such, the fluctuation of the Canadian Dollar in relation to the US Dollar will have an impact upon the profitability of the Company and may also affect the value of the Company's assets and the amount of shareholders' equity. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks. At June 30, 2016, 1 Canadian Dollar was equal to 0.77 US Dollar.

Balances are as follows:

	US $	**CDN $ Equivalent**
Cash	58,953	76,562
Amounts receivable	1,487	1,932
Accounts payable and accrued liabilities	(258,364)	(335,538)
Accrued interest payable	(42,000)	(54,545)
Advances	(350,000)	(454,545)
	(589,924)	(766,134)

(Unaudited - Expressed in Canadian Dollars)

9. Financial Instruments and Risk Management (continued)

Based on the net exposures as of June 30, 2016 and assuming that all other variables remain constant, a 10% fluctuation on the Canadian Dollar against the US Dollar would result in the Company's net income being approximately $78,000 higher (or lower).

Capital Management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain development of the business. The Company defines capital that it manages as share capital and cash. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

10. Supplemental Cash Flow Information

During the six months ended June 30, 2016 and 2015 non-cash activities were conducted by the Company as follows:

	2016 $	2015 $
Operating activities		
Increase in accounts payable and accrued liabilities	(500,343)	50,878
Accrued interest payable	(136,217)	-
	(636,560)	50,878
Investing activity		
Additions to exploration and evaluation assets	164,336	(50,878)
Financing activities		
Issuance of share capital	1,192,657	-
Advances repaid	(720,433)	-
	472,224	-

11. Segmented Information

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

	June 30, 2016		
	Corporate Canada $	Mineral Operations Ecuador $	Total $
Current assets	54,569	124,418	178,987
Investment	6,090	-	6,090
Property, plant and equipment	-	284,915	284,915
Exploration and evaluation assets	-	19,238,548	19,238,548
	60,659	19,647,881	19,708,540

(Unaudited - Expressed in Canadian Dollars)

11. Segmented Information (continued)

	December 31, 2015		
	Corporate Canada $	Mineral Operations Ecuador $	Total $
Current assets	44,662	67,850	112,512
Investment	2,393	-	2,393
Property, plant and equipment	-	326,330	326,330
Exploration and evaluation assets	-	18,668,403	18,668,403
	47,055	19,062,583	19,109,638

12. Events after the Reporting Period

(a) On April 5, 2016 the Company entered into a letter agreement to sell a 2% NSR in its Curipamba Project for US $4,750,000. The royalty sale is to be completed in two tranches of 1% NSR, with the closing of each tranche being subject to the satisfaction of conditions precedent.

On July 18, 2016 the Company and RCF VI SRL LLC (“RCF SRL”), an affiliate of RCF VI, entered into a royalty agreement (the “Royalty Agreement”) whereby the Company sold to RCF SRL a 1% NSR for US $2,375,000. The sale to RCF SRL of an additional 1% NSR for an additional US $2,375,000 is to close after completion of the next phase of work programs and the satisfaction of all other conditions precedent.

(b) See also Note 5(c).