SALAZAR RESOURCES LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE SIX MONTHS ENDED JUNE 30, 2016

This discussion and analysis of financial position and results of operation is prepared as at August 26, 2016, and should be read in conjunction with the unaudited condensed consolidated interim financial statements for the six months ended June 30, 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 and Colombia. The Company presently has no proven or probable 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 principal office is located at #1305 - 1090 West Georgia Street, Vancouver, British Columbia.

See also "Recapitalization", "Property Update" and "Risks and Uncertainties".

Recapitalization

On April 27, 2016 the Company 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.

In addition the Company negotiated debt settlements for 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 on April 27,2016 of 5,600,132 common shares of the Company, at a price of $0.06 per share.

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 a 1% NSR each, 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.

The Company also agreed to issue a total of 22,762,333 units of the Company, on the same terms as the private placement units, in settlement of $1,365,740 of cash advances previously received and accrued interest payable. On April 27, 2016 the Company completed an initial tranche and issued 14,277,483 units in settlement of $856,649. The remaining 8,484,847 units were issued on July 18, 2016 in settlement of $509,090 debt concurrent with the first closing of the royalty sale.

Resignation of Director and Appointments

On May 10, 2016 Mr. Graeme Robinson submitted his resignation as a director of the Company.

On August 7, 2016 Messrs. Jorge Roca Arteta and Thomas Kelly were appointed as directors of the Company.

Mr. Jorge Roca Arteta has a Bachelor of Arts degree from Brown University and is Alumnae from the Harvard Business School through its OPM Program. Mr. Roca has worked at the executive and board levels, in his family businesses in Ecuador, where he is a third generation family member: on one side of the family in the construction business - Menatlas and forestry business - Edimca, Acosa, Endesa, Botrosa; and with another side of the family (Grupo Consenso) in the appliance business (manufacturing - Indurama, wholesaling and retailing - Marcimex) and in shrimp farming - Austromar. Also Mr. Roca is an entrepreneur and investor currently in the electronic business - Tarpuq, iCenter; in real estate development - Inmobilia, Arrecife, and in mining - Salazar Resources.

Mr. Thomas Kelly has bachelor and masters degrees in mining engineering from the Colorado School of Mines, is a Fellow of the Australasian Institute of Mining and Metallurgy and a registered member of the Society for Mining, Metallurgy & Exploration. Mr. Kelly brings over 35 years of experience in mine production, minerals industry consulting and corporate management. He has extensive international experience working on producing mines as part of feasibility teams and managing development projects from small underground to large open pit operations. Mr. Kelly has held senior positions with Freeport-McMoRan Copper & Gold Inc., AMEC Americas, Inca Pacific Resources Inc. and other recognized industry-leading companies. He is a recognized expert in project management and development.

Property Update

The Company's concession holdings in Ecuador comprise:

Curipamba Project	- 7 concessions;
Rumiñahui Project	- 2 concessions;
Mendez Project	- 2 concessions; and
Santiago Project	- 1 concession.

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 volcanogenic massive sulphide ("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 B. C. Securities Commission in respect of the previously filed technical report dated March 21, 2014, and there have been no 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. Further drilling is required to evaluate this potential.

During the six months ended June 30, 2016 there were limited activities at the Company's projects. A total of $539,578 was spent on the Curipamba Project and $30,567 on the Santiago Project, primarily for concession payments and care and maintenance while the Company conducted its recapitalization.

During fiscal 2015 the Company recorded impairment charges totalling $1,331,862 on its Rumiñahui and Mendez Projects. Management still believes there is merit in these projects but has recorded this provision as certain past tenure holding costs have not been paid. In the event these tenure costs are paid the Company intends to reverse these impairment charges in subsequent financial reporting periods.

The Curipamba Project is the Company's core project which is set to advance to the next stage of development. With the closing of the major components of the recapitalization plan, the Company has is now in the planning stages for an active work program at Curipamba, including a drill program of up to 10,000 meters.

Selected Financial Data

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

	Fiscal 2016	Fiscal 2015				Fiscal 2014		
Three Months Ended	**Jun. 30 2016 $**	**Mar. 31 2016 $**	**Dec. 31 2015 $**	**Sep. 30 2015 $**	**Jun. 30 2015 $**	**Mar. 31 2015 $**	**Dec. 31 2014 $**	**Sep. 30 2014 $**
Operations:								
Revenues	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Expenses	(316,140)	(268,466)	253,920	(728,756)	(325,508)	(283,955)	(314,475)	(350,595)
Other items	343,138	398,658	(1,525,489)	(127,446)	17,310	(91,983)	(33,465)	(35,807)
Net income (loss)	26,998	130,192	(1,271,569)	(856,202)	(308,198)	(375,938)	(347,940)	(386,402)
Other comprehensive income (loss)	1,957	1,740	(652)	(870)	870	(870)	217	(652)
Comprehensive income (loss)	28,955	131,932	(1,272,221)	(857,072)	(307,328)	(376,808)	(347,723)	(387,054)
Basic and diluted income (loss) per share	0.00	0.00	(0.02)	(0.01)	(0.00)	(0.01)	(0.00)	(0.01)
Dividends per share	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Balance Sheet:								
Working capital (deficiency)	(680,525)	(2,681,277)	(2,802,342)	(2,987,002)	(2,120,809)	(1,869,940)	(1,123,821)	(583,686)
Total assets	19,708,540	19,430,750	19,109,638	20,552,035	20,548,182	20,685,655	20,152,401	20,191,535
Total long-term liabilities	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Results of Operations

Three Months Ended June 30, 2016 Compared to the Three Months Ended March 31, 2016

During the three months ended June 30, 2016 ("Q2") the Company reported a net income of $26,998 compared to net income of $130,192 for the three months ended March 31, 2016 ("Q1), for a decrease in income of $103,194. The decrease in income was attributable to the following:

(i) during Q1 the Company reversed $129,027 of amounts previously recorded or accrued;
(ii) during Q1 the Company recognized a foreign exchange gain of $172,052 compared to a foreign exchange gain of $10,822 in Q2; and
(iii) during Q1 the Company recorded $97,491 as other income from the rental of one of the Company's 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.

The decrease is offset against the forgiveness of debt of $332,122 in Q2 as the Company negotiated debt settlements for both insiders and non-insiders of the Company in regards to accrued and unpaid compensation. See also "Recapitalization".

Six Months Ended June 30, 2016 Compared to the Six Months Ended June 30, 2015

During the six months ended June 30, 2016 (the "2016 period") the Company reported a net income of $157,190 ($0.00 per share), compared to a net loss of $684,136 ($0.01 per share) for the six months ended June 30, 2015 (the "2015 period"), an increase in income of $841,326. The increase in income during the 2016 period is mainly attributed to the following:

(i) during the 2016 period, the Company reversed $129,027 of amounts previously recorded or accrued for which no requests for payments have been made by the creditors, and in the opinion of management, will never be paid;
(ii) during the 2016 period the Company recognized a foreign exchange gain of $182,934 compared to a foreign exchange loss of $74,878 in 2015;
(iii) during the 2016 period, the Company recorded $97,491 as other income from the rental of one of the Company's 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; and
(iv) during the 2016 period the Company recognized forgiveness of debt of $332,122 as the Company negotiated debt settlements for both insiders and non-insiders of the Company in regards to accrued and unpaid compensation. See also "Recapitalization".

Expenses decreased by $24,857, from $609,463 during the 2015 period to $584,606 during the 2016 period. Specific expenses of note are as follows:

(i) incurred $186,752 (2015 - $207,681) for salaries and benefits for the management and administrative staff in Ecuador;
(ii) incurred legal fees of $41,290 (2015 - $20,269). The increase reflects the incremental legal services incurred with regards to the Company's recapitalization process;
(iii) recognized interest expense of $64,371 (2015 - $114,578) on advances received by the Company. Interest expense decreased by $50,207 as the advances were settled in April 2016. See "Recapitalization";
(iv) during the 2016 period office expenses increased by $46,157, from $33,305 in the 2015 period to $79,462 in the 2016 period; and
(v) incurred consulting fees of $74,706 (2015 - $95,534) of which $44,716 (2015 - $62,998) were incurred by officers and directors of the Company, and $29,990 (2015 - $32,536) was billed by various parties for advisory services.

During the 2016 period the Company recorded $97,491 (2015 - $nil) as other income from the rental of one of the Company's 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.

Exploration and Evaluations Assets

During the 2016 period the Company incurred a total of $570,145 (2015 - $436,904) for exploration and evaluation assets comprising of $539,578 (2015 - $405,640) on the Curipamba Project and $30,567 (2015 - $31,264) on the Santiago Project. The Company's exploration activities were constrained by the Company's lack of funds. Expenditures were primarily limited to payments to maintain the concessions and maintenance activities. Details of the expenditures are as follows:

	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

	Ecuador				Colombia	
	Curipamba $	Ruminahui $	Santiago $	Mendez $	Other $	Total $
Water and soil sampling	5,716	-	-	-	-	5,716
	233,623	1,907	85,639	-	-	321,169
Acquisition costs						
Property / concession payments	290,076	3,916	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

See also “Properties Update”.

Financial Condition / Capital Resources

As at June 30, 2016, the Company had a working capital deficit of $680,525. 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 and its ability to continue to raise additional capital to fund its ongoing business operations and exploration projects. Additional capital may be sought from the sale of additional common shares or other equity or debt instruments and also from joint venture agreements on the Company’s properties. There is no assurance 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 June 30, 2016 the Company:

(i) sold a 1% NSR for US $2,375,000. See also “Recapitalization”; and
(ii) issued 8,484,847 units of the Company in settlement of $509,090 of cash advances and accrued interest.

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, 2015 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 the 2016 and 2015 periods the following amounts were incurred with respect to the President, Fredy Salazar, and the CFO, Pablo Acosta, of the Company:

	2016 **$**	**2015** **$**
Mr. Salazar (President)		
- Salaries	79,901	77,824
- Health benefits	1,126	2,088
	81,027	79,912
Mr. Acosta (CFO)		
- Salaries	-	14,824
- Health benefits	1,126	2,088
	1,126	16,912
	82,153	96,824

As at June 30, 2016, $15,611 remained unpaid.

(b) *Transactions with Other Related Parties*

(i) During the 2016 and 2015 periods the following consulting expenses were incurred with respect to non-executive current and former directors of the Company:

	2016 **$**	**2015** **$**
Etienne Walters	8,247	14,823
Graeme Robinson*	6,185	11,117
Nick DeMare	30,284	37,058
	44,716	62,998

* Mr. Robinson resigned as a director effective May 10, 2016

(ii) During the 2016 period the Company incurred a total of $18,413 (2015 - $15,200) 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 June 30, 2016, $4,553 (December 31, 2015 - $4,600) remained unpaid.

(c) 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 the 2016 period the Company recorded interest expense of $3,088 (US $2,247). During the 2016 period 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.

(d) 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 the 2016 period the Company recorded interest expense of $3,370. On April 27, 2016 the Company settled the indebtedness as part of the Recapitalization.

(e) 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. During the 2016 period the Company recorded interest expense of $5,230 (US $3,805) On April 27, 2016 the Company settled the indebtedness as part of the Recapitalization.

(f) The Company received advances from Amlatminas S.A., ("Amlatminas") a private corporation controlled by Mr. Salazar and Mr. Acosta. The advances bear interest at a rate of 10% per annum and have no fixed terms of repayment. During the 2016 period 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.

(g) 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 the 2016 period 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.

(h) During the 2016 period the Company recorded $97,491 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 a former employee of the Company and the son of the Company's President.

(i) During fiscal 2015 the Company incurred US $38,500 for geological services provided by Amlatminas on the Santiago Concession. On April 27, 2016 the Company settled the indebtedness as part of the Recapitalization.

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 August 26, 2016, there were 105,668,756 issued and outstanding common shares and 18,285,440 warrants outstanding at an exercise price of $0.12 per share.