SALAZAR RESOURCES LIMITED

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED
JUNE 30, 2014

(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 Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

(Unaudited - Expressed in Canadian Dollars)

	Note	June 30, 2014 $	December 31, 2013 $
ASSETS			
Current assets			
Cash		40,157	177,745
Amounts receivable		1,137	6,462
GST receivable		3,415	2,345
Prepaid expenses and deposits		68,653	52,754
Total current assets		113,362	239,306
Non-current assets			
Investment	4	4,350	5,437
Property, plant and equipment	5	482,266	546,278
Exploration and evaluation assets	6	19,328,191	18,521,894
Total non-current assets		19,814,807	19,073,609
TOTAL ASSETS		19,928,169	19,312,915
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	8	476,007	560,746
Advances	9	458,892	193,157
Total current liabilities		934,899	753,903
TOTAL LIABILITIES		934,899	753,903
SHAREHOLDERS' EQUITY			
Share capital	7	33,997,562	33,069,377
Share-based payments reserve		4,242,240	4,242,240
Deficit		(19,187,732)	(18,694,892)
Accumulated other comprehensive loss		(58,800)	(57,713)
TOTAL SHAREHOLDERS' EQUITY		18,993,270	18,559,012
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		19,928,169	19,312,915

Nature of Operations and Going Concern - See Note 1

Events after the Reporting Period - See Note 13

These condensed consolidated interim financial statements were approved for issue by the Board of Directors on August 27, 2014 and are signed on its behalf by:

/s/ Fredy Salazar	*/s/ Pablo Acosta*
Fredy Salazar	Pablo Acosta
Director	Director

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

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

		Three Months Ended June 30		Six Months Ended June 30	
	Note	2014 $	2013 $	2014 $	2013 $
Expenses					
Accounting and administration	8(b)	11,400	16,000	18,200	22,000
Audit		29,436	21,005	41,936	48,582
Community relations		744	66	1,406	502
Consulting	8(b)	48,763	44,013	94,490	222,386
Corporate development		7,673	1,213	12,779	15,014
Depreciation		22,778	25,247	45,305	50,217
General exploration		24,132	46,399	24,132	167,570
Interest	9(b)	17,326	-	20,248	-
Legal		941	1,015	2,402	8,822
Office		15,449	35,316	46,092	61,404
Regulatory		6,625	7,277	8,050	8,752
Rent		3,647	1,462	8,608	5,890
Salaries and benefits	8(a)	84,463	100,970	179,136	204,930
Shareholder costs		348	3,077	1,705	3,217
Transfer agent		1,395	1,614	5,447	2,413
Travel		1,568	-	2,286	4,030
		276,688	304,674	512,222	825,729
Loss before other items		(276,688)	(304,674)	(512,222)	(825,729)
Other items					
Interest income		274	487	582	487
Foreign exchange		(1,308)	(17,401)	18,800	(27,404)
		(1,034)	(16,914)	19,382	(26,917)
Loss before deferred income tax		(277,722)	(321,588)	(492,840)	(852,646)
Deferred income tax		-	(5,600)	-	(3,800)
Net loss for the period		(277,722)	(327,188)	(492,840)	(856,446)
Other comprehensive loss, net of deferred income tax		(435)	(10,350)	(1,087)	(26,450)
Comprehensive loss for the period		(278,157)	(337,538)	(493,927)	(882,896)
Basic and diluted loss per common share		$(0.00)	$(0.01)	$(0.01)	$(0.02)
Weighted average number of common shares outstanding		57,302,557	50,234,153	56,413,528	48,516,982

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, 2014

	Share Capital					
	Number of Shares	**Amount $**	**Share-Based Payments Reserve $**	**Deficit $**	**Accumulated Other Comprehensive Loss $**	**Total Equity $**
Balance at December 31, 2013	56,122,573	33,069,377	4,242,240	(18,694,892)	(57,713)	18,559,012
Common shares issued for:						
Cash - private placement	4,247,943	934,547	-	-	-	934,547
Share issue costs	-	(6,362)	-	-	-	(6,362)
Unrealized loss on investment	-	-	-	-	(1,087)	(1,087)
Net loss for the period	-	-	-	(492,840)	-	(492,840)
Balance at June 30, 2014	60,370,516	33,997,562	4,242,240	(19,187,732)	(58,800)	18,993,270

Six Months Ended June 30, 2013

	Share Capital					
	Number of Shares	**Amount $**	**Share-Based Payments Reserve $**	**Deficit $**	**Accumulated Other Comprehensive Income (Loss) $**	**Total Equity $**
Balance at December 31, 2012	46,522,032	30,615,029	4,242,240	(17,034,717)	(46,800)	17,775,752
Common shares issued for:						
Cash - private placement	7,045,455	2,000,000	-	-	-	2,000,000
Share issue costs	-	(99,960)	-	-	-	(99,960)
Unrealized loss on investment	-	-	-	-	(30,250)	(30,250)
Deferred income tax on unrealized loss on investment	-	-	-	-	3,800	3,800
Net loss for the period	-	-	-	(856,446)	-	(856,446)
Balance at June 30, 2013	53,567,487	32,515,069	4,242,240	(17,891,163)	(73,250)	18,792,896

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,	
	2014 $	2013 $
Operating activities		
Net loss for the period	(492,840)	(856,446)
Adjustments for:		
Depreciation	45,305	50,217
Interest	20,248	-
Foreign exchange	(2,239)	-
Deferred income tax	-	3,800
	(429,526)	(802,429)
Changes in non-cash working capital items:		
Decrease in amounts receivable	5,325	6,679
Increase in GST receivable	(1,070)	(1,788)
(Increase) decrease in prepaid expenses and deposits	(15,899)	6,022
(Decrease) increase in accounts payable and accrued liabilities	(103,726)	86,147
	(115,370)	97,060
Net cash used in operating activities	(544,896)	(705,369)
Investing activities		
Additions to property, plant and equipment	-	(51,238)
Expenditures on exploration and evaluation assets	(788,851)	(960,739)
Net cash used in investing activities	(788,851)	(1,011,977)
Financing activities		
Issuance of share capital	934,547	2,000,000
Share issue costs	(6,362)	(99,960)
Share subscriptions received	-	405,450
Advances received	540,856	-
Advances repaid	(272,882)	-
Net cash provided by financing activities	1,196,159	2,305,490
Net change in cash	(137,588)	588,144
Cash at beginning of period	177,745	128,253
Cash at end of period	40,157	716,397

Supplemental Cash Flow Information - see Note 11

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 is listed and traded 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 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.

These condensed consolidated interim financial statements have been prepared on a going concern basis. As at June 30, 2014 the Company had a working capital deficit of $821,537 and an accumulated deficit of $19,187,732. 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. While there can be no assurances that the Company will be able to raise additional financing in the future, or at favourable terms, if needed, management is of the opinion that additional financing will be available to continue its planned activities in the normal course of operations. 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.

See also Note 13.

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, 2013, 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, 2013.

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. Subsidiaries

As at June 30, 2014 and December 31, 2013 the subsidiaries of the Company are as follows:

Company	Location	Ownership Interest
Curimining S.A.	Ecuador	100%
Perforaciones Andesdrill S.A.	Ecuador	100%
Mariana S.A. Comador	Ecuador	100%
Salazar Resources (BVI) Limited	British Virgin Islands	100%
Mataje Colombia S.A.	Colombia	100%
Exploruminahui S.A.	Ecuador	100%

4. Investment

	June 30, 2014			
	Number of Shares	Cost $	Accumulated Unrealized Loss on Available-for-Sale Investment $	Carrying Value $
Batero Gold Corp. ("Batero")	43,500	21,750	(17,400)	4,350

	December 31, 2013			
	Number of Shares	Cost $	Accumulated Unrealized Loss on Available-for-Sale Investment $	Carrying Value $
Batero	43,500	21,750	(16,313)	5,437

As at June 30, 2014 the quoted market value of the Batero common shares was $4,350 (December 31, 2013 - $5,437).

(Unaudited - Expressed in Canadian Dollars)

5. Property, Plant and Equipment

Cost:	Land $	Drill Rig and Equipment $	Other $	Total $
Balance at December 31, 2012	21,289	861,004	345,241	1,227,534
Additions	72,010	-	-	72,010
Disposal	-	-	(16,093)	(16,093)
Balance at December 31, 2013 and June 30, 2014	93,299	861,004	329,148	1,283,451
Accumulated Depreciation and Impairment:				
Balance at December 31, 2012	-	(169,781)	(259,707)	(429,488)
Depreciation	-	(88,488)	(46,462)	(134,950)
Impairment	-	(172,735)	-	(172,735)
Balance at December 31, 2013	-	(431,004)	(306,169)	(737,173)
Depreciation	-	(61,653)	(2,359)	(64,012)
Balance at June 30, 2014	-	(492,657)	(308,528)	(801,185)
Carrying Value:				
Balance at December 31, 2013	93,299	430,000	22,979	546,278
Balance at June 30, 2014	93,299	368,347	20,620	482,266

During fiscal 2013 management determined that there were impairment indicators present with the drill rig and equipment and, as a result, carried out an impairment test. This test compared the carrying value of the drill rig and equipment at the reporting date with the estimated fair value less costs of disposal. The estimated fair value less costs of disposal was based on Level 2 inputs which uses quoted prices for similar assets in markets that are not active. As a result of the test an impairment of $172,735 was recognized in fiscal 2013 on the drill rig and equipment.

6 Exploration and Evaluation Assets

	As at June 30, 2014			As at December 31, 2013		
	Acquisition Costs $	Deferred Exploration Costs $	Total $	Acquisition Costs $	Deferred Exploration Costs $	Total $
Ecuador						
Curipamba	3,642,363	13,738,206	17,380,569	3,179,431	13,484,502	16,663,933
Ruminahui	504,114	99,706	603,820	492,389	99,706	592,095
Santiago	296,950	93,550	390,500	274,908	93,550	368,458
Mendez	540,597	178,953	719,550	484,703	178,953	663,656
	4,984,024	14,110,415	19,094,439	4,431,431	13,856,711	18,288,142
Colombia						
Other	233,752	-	233,752	233,752	-	233,752
	5,217,776	14,110,415	19,328,191	4,665,183	13,856,711	18,521,894

(Unaudited - Expressed in Canadian Dollars)

6. Exploration and Evaluation Assets (continued)

	Ecuador				Colombia	
	Curipamba $	Ruminahui $	Santiago $	Mendez $	Other $	Total $
Balance at December 31, 2012	15,348,344	563,081	336,946	583,147	233,752	17,065,270
Exploration costs						
Assays	662	-	-	-	-	662
Camp supervision and personnel	263,102	-	-	-	-	263,102
Camp supplies	28,225	-	-	-	-	28,225
Depreciation	37,416	-	-	-	-	37,416
Drilling related costs	93,584	-	-	-	-	93,584
Environmental studies	7,401	-		-	-	7,401
Exploration site	54,921	384	12,501	3,881	-	71,687
Fuel	5,187	-	-	-	-	5,187
Preliminary economic assessment	385,819	-	-	-	-	385,819
Supplies	15,345	-	-	-	-	15,345
Travel and mobilization	9,441	-	-	-	-	9,441
Vehicles repairs and maintenance	6,606	-	-	-	-	6,606
	907,709	384	12,501	3,881	-	924,475
Acquisition costs						
Property / concession payments	407,880	28,630	19,011	76,628	-	532,149
Balance at December 31, 2013	16,663,933	592,095	368,458	663,656	233,752	18,521,894
Exploration costs						
Assays	1,654	-	-	-	-	1,654
Camp supervision and personnel	81,174	-	-	-	-	81,174
Camp supplies	7,400	-	-	-	-	7,400
Depreciation	18,708	-	-	-	-	18,708
Environmental studies	7,076	-	-	-	-	7,076
Exploration site	14,951	-	-	-	-	14,951
Preliminary economic assessment	118,763	-	-	-	-	118,763
Supplies	2,054	-	-	-	-	2,054
Travel and mobilization	1,924	-	-	-	-	1,924
	253,704	-	-	-	-	253,704
Acquisition costs						
Property / concession payments	462,932	11,725	22,042	55,894	-	552,593
Balance at June 30, 2014	17,380,569	603,820	390,500	719,550	233,752	19,328,191

(a) Curipamba Project, Ecuador

The Company owns a 100% interest in seven concessions located in the provinces of Bolivar and Los Rios, Ecuador.

(b) Ruminahui Project, Ecuador

The Company owns or has a right to acquire a 100% interest in two concessions located in the province of Pichincha, Ecuador. One concession, the Moncayo concession, is being acquired pursuant to an option agreement. As at June 30, 2014 there remains US $50,000 of option payments outstanding.

(c) Santiago Concession, Ecuador

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.

6. Exploration and Evaluation Assets (continued)

(d) Mendez Project, Ecuador

The Company owns a 100% interest in two concessions in the province of Morona Santiago, Ecuador.

(e) Other, Colombia

The Company holds mineral concessions and has applied for additional concessions located in the department of Narino, Colombia. The Company is awaiting government approval.

7. 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) *Reconciliation of Changes in Share Capital*

(i) In March 2014 the Company announced its intention to conduct a non-brokered private placement financing of units of the Company at $0.22 per unit with each unit consisting of one common share and one-half share purchase warrant. Each whole warrant will entitle the holder to purchase one additional common share at a price of $0.35 per share for a period of eighteen months from the date of closing. In June 2014 the Company completed the first closing of this private placement and issued 4,247,943 units for gross proceeds of $934,547. Each unit consisted of one common share of the Company and one-half share purchase warrant. The Company incurred $6,362 for filing fees associated with this private placement.

Director and officers of the Company purchased 1,256,970 units of this private placement.

See also Note 13(a).

(ii) Effective March 12, 2013 the Company entered into an investment and participation agreement (the "Urion Agreement") with Urion Mining International B.V., a wholly-owned subsidiary of Trafigura Beheer B.V. (together referred to as "Urion"), under which Urion agreed to provide funding to assist the Company with the advancement of the El Domo Property at the Curipamba Project to the production stage.

The Urion Agreement provided for a series of investments, with the first being completed in March 2013 in a private placement of 2,500,000 units of the Company at a price of $0.40 per unit for total gross proceeds of $1,000,000. Each unit consisted of one common share of the Company and one-half of a share purchase warrant. Each full warrant entitles Urion to purchase an additional common share of the Company at a price of $0.50 per share expiring September 22, 2014.

In May 2013 the Company announced a further private placement of units of the Company at a price of $0.22 per unit, each unit consisting of one common share of the Company and one-half of a share purchase warrant. Each full warrant entitles the holder to purchase an additional common share of the Company for a period of 18 months from closing at a price of $0.35 per share. In June 2013 the Company completed the first tranche of this private placement with Urion purchasing 4,545,455 units for $1,000,000, comprising of 4,545,455 common shares and 2,272,727 warrants, expiring December 6, 2014. In September 2013 the Company completed the final tranche of this private placement and issued 2,555,086 units for $562,119, comprising of 2,555,086 common shares and 1,277,538 warrants, expiring March 16, 2015. Directors and officers of the Company purchased 1,905,400 units of this private placement.

(Unaudited - Expressed in Canadian Dollars)

7. Share Capital (continued)

The Company incurred $107,771 for legal and filing costs associated with the private placements.

In April 2014 a mutual decision was made with Urion to terminate the Urion Agreement.

(c) *Warrants*

A summary of the number of common shares reserved pursuant to the Company's outstanding warrants at June 30, 2014 and 2013 and the changes for the six months ended on those dates is as follows:

	2014		2013	
	Number	Weighted Average Exercise Price $	Number	Weighted Average Exercise Price $
Balance, beginning of period	7,860,265	0.47	3,060,000	0.65
Issued	2,123,972	0.35	3,522,727	0.37
Expired	(3,060,000)	0.65	-	-
Balance, end of period	6,924,237	0.38	6,582,727	0.50

The following table summarizes information about the number of common shares reserved pursuant to the Company's warrants outstanding and exercisable at June 30, 2014:

Number	Exercise Price $	Expiry Date
1,250,000	0.50	September 22, 2014
2,272,727	0.35	December 6, 2014
1,277,538	0.35	March 16, 2015
2,123,972	0.35	November 6, 2015
6,924,237		

(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, 2014 and 2013.

(Unaudited - Expressed in Canadian Dollars)

7. Share Capital (continued)

A summary of the Company's share options at June 30, 2014 and 2013 and the changes for the six months ended on those dates, is as follows:

	2014		2013	
	Number of Options Outstanding	Weighted Average Exercise Price $	Number of Options Outstanding	Weighted Average Exercise Price $
Balance, beginning of period	967,500	1.04	2,713,300	1.06
Expired	967,500	1.04	(1,745,800)	1.07
Balance, end of period	-	-	967,500	1.04

8. 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, 2014 and 2013 the following amounts were incurred with respect to the President and the Chief Financial Officer ("CFO") of the Company:

	2014 $	2013 $
Salaries	78,977	97,565
Bonus	--	90,000
Health benefits	3,708	1,718
	82,685	189,283

As at June 30, 2014, $nil (2013 - $98,409) 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, 2014 and 2013 the following amounts were incurred with respect non-executive directors of the Company:

	2014 $	2013 $
Consulting fees	55,943	52,019

As at June 30, 2014, $99,821 (2013 - $24,703) remained unpaid and has been included in accounts payable and accrued liabilities.

(ii) During the six months ended June 30, 2014 the Company incurred a total of $18,200 (2013 - $22,000) 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, 2014, $6,400 (2013 - $7,000) remained unpaid and has been included in accounts payable and accrued liabilities.

(c) See also Notes 7(b) and 9.

(Unaudited - Expressed in Canadian Dollars)

9. Advances

	June 30, 2014 $	December 31, 2013 $
Advances	458,892	193,157

During the six months ended June 30, 2014 the Company received ongoing advances of $540,856 and repaid advances of $275,121. The advances bear interest at 10% per annum and have no fixed terms of repayment. During the six months ended June 30, 2014 the Company recorded interest expense of $20,248 which was unpaid at June 30, 2014 and is included in accounts payable and accrued liabilities. $433,892 (December 31, 2014 $193,157) of the advances are due to private corporations controlled by a director of the Company or family members of the President of the Company.

10. Financial Instruments and Risk Management

Categories of Financial Assets and Financial Liabilities

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

Financial Instrument	Category	June 30, 2014 $	December 31, 2013 $
Cash	FVTPL	40,157	177,745
Amounts receivable	Loans and receivables	1,137	6,462
Investment	Available-for-sale	4,350	5,437
Accounts payable and accrued liabilities	Other liabilities	(476,007)	(560,746)
Advances	Other liabilities	(458,892)	(193,157)

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

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

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

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

The recorded amounts for amounts receivable, accounts payable and accrued liabilities and 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.

(Unaudited - Expressed in Canadian Dollars)

10. Financial Instruments and Risk Management (continued)

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.

	Contractual Maturity Analysis at June 30, 2014				
	Less than 3 Months $	3 - 12 Months $	1 - 5 Years $	Over 5 Years $	Total $
Cash	40,157	-	-	-	40,157
Amounts receivable	1,137	-	-	-	1,137
Investment	-	-	4,350	-	4,350
Accounts payable and accrued liabilities	(476,007)	-	-	-	(476,007)
Advances	(458,892)	-	-	-	(458,892)

	Contractual Maturity Analysis at December 31, 2013				
	Less than 3 Months $	3 - 12 Months $	1 - 5 Years $	Over 5 Years $	Total $
Cash	177,745	-	-	-	177,745
Amounts receivable	6,462	-	-	-	6,462
Investment	-	-	5,437	-	5,437
Accounts payable and accrued liabilities	(560,746)	-	-	-	(560,746)
Advances	(193,157)	-	-	-	(193,157)

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.

10. Financial Instruments and Risk Management (continued)

(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, 2014, 1 Canadian Dollar was equal to 0.94 US Dollar.

Balances are as follows:

	US $	CDN $ Equivalent
Cash	10,959	11,658
Amounts receivable	1,065	1,133
Accounts payable and accrued liabilities	(307,225)	(326,835)
Advances	(195,664)	(208,153)
	(490,865)	(522,197)

Based on the net exposures as of June 30, 2014 and assuming that all other variables remain constant, a 10% fluctuation on the Canadian Dollar against the US Dollar would result in the Company's net loss being approximately $48,000 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.

11. Supplemental Cash Flow

During the six months ended June 30, 2014 and 2013 non-cash activities were conducted by the Company as follows:

	2014 $	2013 $
Operating activities		
Depreciation	18,707	18,708
Increase in accounts payable and accrued liabilities	178,339	225,675
Decrease in advances	-	(14,924)
	197,046	229,459
Investing activity		
Additions to exploration and evaluation assets	(197,046)	(244,383)
Financing activity		
Share subscriptions received	-	14,924

(Unaudited - Expressed in Canadian Dollars)

12. Segmented Information

The Company operates in one reportable segment, the exploration and development of unproven exploration and evaluation assets. As at June 30, 2014 and December 31, 2013 the Company's exploration and evaluation assets are located in Ecuador and Colombia and its corporate assets are located in Canada.

	June 30, 2014			
	Corporate Canada $	Mineral Operations Ecuador $	Mineral Operations Colombia $	Total $
Current assets	38,304	75,058	-	113,362
Investment	4,350	-	-	4,350
Property, plant and equipment	-	482,266	-	482,266
Exploration and evaluation assets	-	19,094,439	233,752	19,328,191
	42,654	19,651,763	233,752	19,928,169

	December 31, 2013			
	Corporate Canada $	Mineral Operations Ecuador $	Mineral Operations Colombia $	Total $
Current assets	178,525	59,928	853	239,306
Investment	5,437	-	-	5,437
Property, plant and equipment	-	546,278	-	546,278
Exploration and evaluation assets	-	18,288,142	233,752	18,521,894
	183,962	18,894,348	234,605	19,312,915

13. Events after the Reporting Period

(a) On July 18, 2014 the Company completed a final closing of the private placement and issued 854,500 units for gross proceeds of $187,990.

(b) During August 2014 the Company entered into a letter of intent ("LOI") with Guangshou Group Co. Ltd. ("Guangshou"), a privately owned mining company based in China, to develop the Curipamba Project. Under the LOI, and subject to acceptance of regulatory authorities, Guangshou will purchase 4,545,455 units of the Company at $0.22 per unit, with each unit consisting of one common share of the Company and one-half of a share purchase warrant. Each whole warrant will be exercisable by the holder to purchase an additional common share at a price of $0.35 for a period of eighteen months. Thereafter, subject to finalizing the definitive agreement, Guangshou can earn up to a 60% interest in the Curipamba Project by providing $50,000,000 of development costs to bring the project into production, in accordance with medium scale mining laws of Ecuador, within three years of receipt of necessary development permits. If development costs exceed $50,000,000, then Guangshou has agreed to provide the Company's share of required funding by way of loans, to be repaid with interest, from production profits. The definitive agreement will include other standard clauses for agreements of this type including necessary adjustments based on final development costs.

In addition, once the definitive agreement is finalized, Guangshou has agreed to provide ongoing corporate funding to the Company by participating in future private placements of the Company of $1,000,000 per year over the next three years. In addition Guangshou will, on signing of the definitive agreement, reimburse the Company $500,000 for certain payments previously made by the Company and to also reimburse the Company for any project related costs between date of the LOI and finalizing the definitive agreement. The parties have agreed to a 60-day completion period under the LOI, during which time the parties will work to finalize the definitive agreement and the detailed terms of the proposed transaction.