
Condensed Interim Consolidated Financial Statements

Minsud Resources Corp.

For the Three and Nine Months Ended September 30, 2017

Unaudited

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NOTICE TO READER

The accompanying unaudited condensed interim consolidated financial statements have been prepared by the Corporation's management and the Corporation's independent auditors have not performed a review of these financial statements.

Minsud Resources Corp.

Condensed Interim Consolidated Statement of Comprehensive Loss

For the Periods Ended September 30, 2017 and 2016

Unaudited - see Notice to Reader

(All Amounts in Canadian Dollars Unless Otherwise Noted)

	Three Months Ended		Nine Months Ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Expenses				
General and administrative	\$ 17,777	\$ 14,132	\$ 44,986	\$ 38,356
Marketing and communications	1,485	3,013	10,761	12,709
Professional and regulatory fees	63,982	69,175	233,495	212,333
Stock-based compensation (note 9)	25,027	20,445	143,127	109,135
Taxes on ownership of subsidiary	6,269	6,268	3,099	18,806
Write-off of mineral properties (note 6)	1,464	-	4,605	-
Less:				
Interest income	(17)	-	(1,592)	-
Less:				
Gain on disposition of plant and equipment	-	-	-	(15,161)
Net Loss for the Period	(115,987)	(113,033)	(438,481)	(376,178)
Other Comprehensive Loss				
Currency translation adjustment	(514,777)	(52,815)	(1,101,409)	(1,371,376)
Comprehensive Loss for the period	\$ (630,764)	\$ (165,848)	\$ (1,539,890)	\$ (1,747,554)
Loss per Share - basic and diluted	\$ -	\$ -	\$ -	\$ -
Weighted Average Number of Common Shares				
Outstanding - basic and diluted	126,215,297	109,587,707	123,123,683	102,392,238
Net Loss for the Period				
Attributable to:				
Non-controlling interest	\$ (219)	\$ (252)	\$ (727)	\$ (681)
Equity shareholders of the Company	(115,768)	(112,781)	(437,754)	(375,497)
	\$ (115,987)	\$ (113,033)	\$ (438,481)	\$ (376,178)
Comprehensive Income (Loss) for the Period Attributable to:				
Non-controlling interest	\$ (3,016)	\$ (617)	\$ (6,671)	\$ (8,386)
Equity shareholders of the Company	(627,748)	(165,231)	(1,533,219)	(1,739,168)
	\$ (630,764)	\$ (165,848)	\$ (1,539,890)	\$ (1,747,554)

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

Minsud Resources Corp.

Condensed Interim Consolidated Statement of Financial Position as at September 30, 2017

Unaudited - see Notice to Reader

(All Amounts in Canadian Dollars Unless Otherwise Noted)

	September 30, 2017	December 31, 2016 (Audited)
Assets		
Non-Current Assets		
Mineral properties (note 6)	\$ 7,478,004	\$ 7,860,690
Property and equipment (note 5)	28,917	41,825
	<u>7,506,921</u>	<u>7,902,515</u>
Current Assets		
Cash and cash equivalents	430,783	931,010
Prepaid expenses and deposits	24,243	28,569
Other receivables	24,873	35,268
	<u>479,899</u>	<u>994,847</u>
	<u>\$ 7,986,820</u>	<u>\$ 8,897,362</u>
Shareholders' Equity		
Issued capital (notes 1 and 7)	\$ 16,121,323	\$ 15,614,345
Contributed surplus (notes 1, 8 and 9)	5,071,299	4,787,368
Cumulative translation reserve	(7,725,954)	(6,624,296)
Deficit	<u>(6,020,443)</u>	<u>(5,580,612)</u>
Equity attributable to shareholders of the Company	7,446,225	8,196,805
Non-controlling interest (note 1)	<u>33,695</u>	<u>40,090</u>
	<u>7,479,920</u>	<u>8,236,895</u>
Liabilities		
Non-Current Liabilities		
Trust acquisition payable (note 6)	131,029	174,772
	<u>131,029</u>	<u>174,772</u>
Current Liabilities		
Accounts payable and accrued liabilities	192,629	221,292
Current portion of property acquisition payable (note 6)	-	94,108
Current portion of trust acquisition payable (note 6)	87,353	100,830
Other liabilities	95,889	69,465
	<u>375,871</u>	<u>485,695</u>
	<u>\$ 7,986,820</u>	<u>\$ 8,897,362</u>
Business of the Company (note 1)		
Going Concern (note 2(c))		
Commitments (notes 6 and 11)		
Subsequent Event (note 12)		

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

Approved on behalf of the Board of Directors

Signed "Carlos A. Massa", Director

Signed "Alberto F. Orcoyen", Director

Minsud Resources Corp.

Condensed Interim Consolidated Statement of Changes in Equity
 For the Three and Nine Months Ended September 30, 2017 and 2016
 Unaudited - see Notice to Reader
 (All Amounts in Canadian Dollars Unless Otherwise Noted)

	Number of Common Shares	Issued Capital	Contributed Surplus	Currency Translation Reserve	Deficit	Non- Controlling Interest	Total Equity
Balance at January 1, 2017	121,552,254	\$15,614,345	\$ 4,787,368	\$(6,624,296)	\$(5,580,612)	\$ 40,090	\$ 8,236,895
Loss for the period attributable to shareholders of the Company	-	-	-	-	-	-	-
Loss for the period attributable to non-controlling interests	-	-	-	-	(437,754)	(727)	(438,481)
Other comprehensive income for the period	-	-	-	(1,094,738)	-	(6,671)	(1,101,409)
Total comprehensive loss for the period	121,552,254	15,614,345	4,787,368	(7,719,034)	(6,018,366)	32,692	6,697,005
Private placement proceeds (note 7)	6,500,000	507,000	143,000	-	-	-	650,000
Share issuance costs (note 7)	-	(7,965)	(2,247)	-	-	-	(10,212)
Continued vesting of stock options (note 9)	-	-	143,127	-	-	-	143,127
Effects of change in non-controlling interest (note 1)	-	7,943	51	(6,920)	(2,077)	1,003	-
Balance at September 30, 2017	<u>128,052,254</u>	<u>\$16,121,323</u>	<u>\$ 5,071,299</u>	<u>\$(7,725,954)</u>	<u>\$(6,020,443)</u>	<u>\$ 33,695</u>	<u>\$ 7,479,920</u>

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Minsud Resources Corp.

Condensed Interim Consolidated Statement of Changes in Equity
 For the Three and Nine Months Ended September 30, 2017 and 2016
 Unaudited - see Notice to Reader
 (All Amounts in Canadian Dollars Unless Otherwise Noted)

	Number of Common Shares	Issued Capital	Contributed Surplus	Currency Translation Reserve	Deficit	Non- Controlling Interest	Total Equity
Balance at January 1, 2016	94,798,924	\$13,420,207	\$ 4,102,384	\$(5,179,484)	\$(4,893,658)	\$ 50,627	\$ 7,500,076
Loss for the period attributable to shareholders of the Company	-	-	-	-	(375,497)	-	(375,497)
Loss for the period attributable to non-controlling interests	-	-	-	-	-	(681)	(681)
Other comprehensive loss for the year	-	-	-	(1,363,671)	-	(7,705)	(1,371,376)
Total comprehensive loss for the year	-	-	-	(1,363,671)	(375,497)	(8,386)	(1,747,554)
Private placement proceeds (note 7)	25,192,000	2,036,141	483,059	-	-	-	2,519,200
Share issuance costs (note 7)	-	(5,283)	(1,205)	-	-	-	(6,488)
Stock-based compensation (note 9)	-	-	109,135	-	-	-	109,135
Effects of change in non-controlling interest (note 1)	-	13,733	103	(9,883)	(3,175)	(778)	-
Balance at September 30, 2016	119,990,924	\$15,464,798	\$ 4,693,476	\$(6,553,038)	\$(5,272,330)	\$ 41,463	\$ 8,374,369

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

Minsud Resources Corp.

Condensed Interim Consolidated Statement of Cash Flows

For the Periods Ended September 30, 2017 and 2016

Unaudited - see Notice to Reader

(All Amounts in Canadian Dollars Unless Otherwise Noted)

	Three Months Ended		Nine Months Ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Cash Provided By (Used In):				
Operating Activities				
Net income (loss)	\$ (115,987)	\$ (113,033)	\$ (438,481)	\$ (376,178)
Items not affecting cash:				
Stock-based compensation	25,027	20,445	143,127	109,135
Gain on disposition of plant and equipment	-	-	-	(15,161)
	(90,960)	(92,588)	(295,354)	(282,204)
Net changes in non-cash working capital:				
Other receivables	(6,848)	(6,880)	10,395	32,224
Accounts payable and accrued liabilities	(1,860)	30,248	(21,934)	20,445
	(99,668)	(69,220)	(306,893)	(229,535)
Financing Activities				
Private placement proceeds	650,000	1,519,200	650,000	2,519,200
Issuance of warrants	-	(3,488)	-	(6,488)
Share issuance costs	(10,212)	-	(10,212)	-
	639,788	1,515,712	639,788	2,512,712
Investing Activities				
Mineral property expenditures	(199,940)	(412,966)	(833,122)	(1,172,219)
Purchase of property and equipment	-	(202)	-	(52,774)
Proceeds of disposition of plant and equipment	-	-	-	15,161
	(199,940)	(413,168)	(833,122)	(1,209,832)
Change in Cash and Cash Equivalents	340,180	1,033,324	(500,227)	1,073,345
Cash and Cash Equivalents				
- Beginning of Period	90,603	599,906	931,010	559,885
Cash and Cash Equivalents				
- End of Period	\$ 430,783	\$ 1,633,230	\$ 430,783	\$ 1,633,230

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

Minsud Resources Corp.

Notes to the Condensed Interim Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2017

Unaudited - see Notice to Reader

(All Amounts in Canadian Dollars Unless Otherwise Noted)

1. Business of the Company

Minsud Resources Corp. (the "Company") was incorporated under the Ontario Business Corporations Act on October 11, 2007 and is a publicly listed company on the TSX Venture Exchange under the symbol "MSR". The registered office is located at 340 Richmond Street West, Toronto Ontario.

The Company is principally engaged in the process of exploring its mineral resource properties located in Argentina. To date, the Company has not earned significant revenues and is considered to be in the development stage. The realization of amounts shown for resource properties is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to develop these properties and generate future profitable operations or proceeds of disposition from these properties.

These condensed interim consolidated financial statements include the accounts of the Company, its wholly-owned subsidiary, Minsud Argentina Inc. ("MAI"), and MAI's subsidiary Minera Sud Argentina S.A. ("MSA"), and have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS-IASB") as further discussed in Note 2.

MAI acquired 10,309,400 of the 10,852,000 outstanding common shares of MSA at May 10, 2011, representing a 95% ownership interest in MSA. The Company entered into a put and call option agreement with respect to the remaining 542,600 shares of MSA (representing 5% of the total number of issued and outstanding shares of MSA) which includes an irrevocable covenant to not divest or encumber such shares. The put and call option agreement allows the remaining 542,600 shares of MSA to be exchanged for 790,000 common shares of the Company at the option of either party.

During the period ended September 30, 2017, the Company subscribed for an additional 15,000,000 common shares of MSA, which resulted in MAI holding 106,951,699 of the 107,494,299 issued and outstanding shares of MSA, representing an ownership interest of 99.50% (December 31, 2016, - 91,951,699 of the 92,494,299 outstanding common shares of MSA, representing an ownership interest of 99.41%). As at September 30, 2017, the 542,600 shares of MSA not owned by MAI represented a non-controlling interest of 0.50% (December 31, 2016 - 0.59%).

2. Basis of Presentation and Going Concern

a) Statement of Compliance

The Company's condensed interim consolidated financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting". These condensed interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2016, which were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These condensed interim consolidated financial statements have been prepared following the same accounting policies used in the preparation of the Company's audited consolidated financial statements for the year ended December 31, 2016, and were approved by the Company's Board of Directors on November 28, 2017.

Minsud Resources Corp.

Notes to the Condensed Interim Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2017

Unaudited - see Notice to Reader

(All Amounts in Canadian Dollars Unless Otherwise Noted)

2. Basis of Presentation and Going Concern (continued)

b) Basis of Consolidation

These consolidated financial statements include the accounts of the Company, its wholly-owned subsidiary, MAI, and MAI's subsidiary MSA. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if and only if the Company has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption, and when the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangement
- The Company's voting rights and potential voting rights

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Company gains control until the date the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Company's accounting policies. All intra-Company assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Company are eliminated in full on consolidation.

Minsud Resources Corp.

Notes to the Condensed Interim Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2017

Unaudited - see Notice to Reader

(All Amounts in Canadian Dollars Unless Otherwise Noted)

2. Basis of Presentation and Going Concern (continued)

c) Going Concern

The Company has not yet established whether its mineral properties contain resources or reserves that are economically recoverable. The recovery of amounts capitalized as mineral properties is dependent upon the discovery of economically recoverable resources or reserves, the ability of the Company to arrange appropriate financing to complete the development of properties, and upon future profitable production, or alternatively, upon the Company's ability to dispose of its interests on an advantageous basis, all of which are uncertain.

The Company's ability to continue as a going concern is dependent upon, but not limited to, its ability to raise financing necessary to fund its exploration programs, maintain its mineral properties concession rights and exploration agreements with purchase options, discharge its liabilities as they become due and generate positive cash flows from operations.

These condensed interim consolidated financial statements are prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of the business for the foreseeable future. There are material uncertainties regarding the Company's ability to continue as a going concern. The Company has not generated revenue from operations. During the period ended September 30, 2017, the Company incurred a net loss of \$438,481 (2016 - \$376,178) and as of that date, the Company's deficit was \$6,020,443 (December 31, 2016 - \$5,580,612). As at September 30, 2017, the Company has current assets of \$479,899 (December 31, 2016 - \$994,847) and current liabilities of \$375,871 (December 31, 2016 - \$485,695). The Company has working capital of \$104,028 as at September 30, 2017 (December 31, 2016 - \$509,152).

These condensed interim consolidated financial statements do not give effect to adjustments that may be necessary, should the Company be unable to continue as a going concern. If the going concern assumption is not used then the adjustments required to report the Company's assets and liabilities at liquidation values could be material to these financial statements.

The prices of metals and minerals fluctuate widely and are affected by many factors outside of the Company's control. The prices of metals and minerals and future expectation of such prices have a significant impact on the market sentiment for investment in mining and mineral exploration companies. This in turn may impact the Company's ability to raise equity financing for its long term working capital requirements.

3. Significant Accounting Policies

The accounting policies are consistent with those of the Company's audited consolidated financial statements for the year ended December 31, 2016.

Minsud Resources Corp.

Notes to the Condensed Interim Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2017

Unaudited - see Notice to Reader

(All Amounts in Canadian Dollars Unless Otherwise Noted)

4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of these condensed interim consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of income and expenses during the reporting period. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. The most significant judgments, estimates and assumptions include those related to the ability of the Company to continue as a going concern, recoverability of amounts capitalized as mineral properties, determinations as to whether exploration costs are expensed or deferred, the fair value of stock based compensation and warrants, the recognition of deferred tax assets, evaluation of contingencies and determination of the Company's functional currency, and the determination of the functional currency of MSA as not being hyperinflationary. Management has determined that judgments, estimates and assumptions reflected in these condensed interim consolidated financial statements are reasonable.

5. Property and Equipment

As at September 30, 2017

	<u>Vehicles</u>	<u>Office Equipment</u>	<u>Other</u>	<u>Total</u>
Cost				
Balance, beginning of period	\$ 74,912	\$ 15,176	\$ 1,148	\$ 91,236
Additions	-	-	-	-
Currency translation adjustments	(11,081)	(2,245)	(170)	(13,496)
Balance, end of period	<u>63,831</u>	<u>12,931</u>	<u>978</u>	<u>77,740</u>
Accumulated depreciation				
Balance, beginning of period	(37,780)	(10,701)	(930)	(49,411)
Depreciation	(6,646)	(842)	(40)	(7,528)
Currency translation adjustments	6,301	1,673	142	8,116
Balance, end of period	<u>(38,125)</u>	<u>(9,870)</u>	<u>(828)</u>	<u>(48,823)</u>
Net carrying amount as at September 30, 2017	<u>\$ 25,706</u>	<u>\$ 3,061</u>	<u>\$ 150</u>	<u>\$ 28,917</u>

Minsud Resources Corp.

Notes to the Condensed Interim Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2017

Unaudited - see Notice to Reader

(All Amounts in Canadian Dollars Unless Otherwise Noted)

5. Property and Equipment (continued)

As at September 30, 2016

	<u>Vehicles</u>	<u>Office Equipment</u>	<u>Other</u>	<u>Total</u>
Cost				
Balance, beginning of period	\$ 51,017	\$ 12,506	\$ 1,441	\$ 64,964
Additions	47,406	5,368	-	52,774
Currency translation adjustments	(10,205)	(2,506)	(278)	(12,989)
Balance, end of period	<u>88,218</u>	<u>15,368</u>	<u>1,163</u>	<u>104,749</u>
Accumulated depreciation				
Balance, beginning of period	(47,231)	(11,804)	(1,098)	(60,133)
Depreciation	(9,009)	(975)	(44)	(10,028)
Currency translation adjustments	9,462	2,317	214	11,993
Balance, end of period	<u>(46,778)</u>	<u>(10,462)</u>	<u>(928)</u>	<u>(58,168)</u>
Net carrying amount as at September 30, 2016	<u>\$ 41,440</u>	<u>\$ 4,906</u>	<u>\$ 235</u>	<u>\$ 46,581</u>

Depreciation expense has been capitalized to mineral properties.

6. Mineral Properties

As at September 30, 2017	<u>San Juan Province Chita Valley</u>			<u>Santa Cruz Province</u>			<u>TOTAL</u>
	<u>Chita</u>	<u>Brechas Vacas</u>	<u>Minas de Pinto</u>	<u>La Rosita</u>	<u>San Antonio</u>	<u>Other</u>	
Balance, beginning of period	\$ 5,199,684	\$ 1,131,428	\$ 1,052,360	\$ 472,326	\$ -	\$ 4,892	\$ 7,860,690
Property rights/exploration agreements	3,642	34,899	25,549	-	-	-	64,090
Exploration	510,038	68,661	67,399	41,459	4,568	1,228	693,353
Write-offs	-	-	-	-	(4,605)	-	(4,605)
Currency translation adjustments	(743,631)	(170,070)	(155,039)	(66,055)	37	(766)	(1,135,524)
Balance, end of period	<u>\$ 4,969,733</u>	<u>\$ 1,064,918</u>	<u>\$ 990,269</u>	<u>\$ 447,730</u>	<u>\$ -</u>	<u>\$ 5,354</u>	<u>\$ 7,478,004</u>

Minsud Resources Corp.

Notes to the Condensed Interim Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2017

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(All Amounts in Canadian Dollars Unless Otherwise Noted)

6. Mineral Properties (continued)

As at September 30, 2016	San Juan Province Chita Valley			Santa Cruz Province			TOTAL
	Chita	Brechas Vacas	Minas de Pinto	La Rosita	San Antonio	Other	
Balance, beginning of period	\$ 4,641,784	\$ 1,341,527	\$ 1,182,955	\$ 432,152	\$ 118,814	\$ 3,022	\$ 7,720,254
Property rights/exploration agreements	30,179	26,624	50,863	-	-	1,396	109,062
Exploration	1,029,240	(29,987)	26,044	126,583	4,426	356	1,156,662
Write-offs	-	-	-	-	-	-	-
Currency translation adjustments	(862,185)	(241,707)	(219,512)	(84,209)	(22,171)	(637)	(1,430,421)
Balance, end of period	\$ 4,839,018	\$ 1,096,457	\$ 1,040,350	\$ 474,526	\$ 101,069	\$ 4,137	\$ 7,555,557

Brechas Vacas Property

Initial Exploration Agreement, Settlement of Brechas Vacas Trust and Acquisition of 50% beneficial interest in the Brechas Vacas Trust

On September 7, 2007, the Company, through its subsidiary MSA, entered into an Exploration Agreement including a Purchase Option (the "Brechas Vacas Agreement") with the owners of the mining properties (the "BV Owners") identified as Proyecto Brechas Vacas, located 35 km from Iglesia in the Chita Valley, in the Province of San Juan, Argentina. Included in the Brechas Vacas properties are the Luis, Luis I and Luis IV mining concessions covering 2,580 hectares.

In exchange for the right to evaluate, prospect and explore the properties, the Company paid to the BV Owners a series of staggered payments totaling US\$240,000 (\$263,568) within four years of the date of the Brechas Vacas Agreement. In addition to the exploration rights, the BV Owners granted to the Company an irrevocable and exclusive option to purchase a 50% ownership interest in these properties pursuant to certain terms and conditions stated in the Brechas Vacas Agreement.

On September 6, 2011, MSA exercised its option to purchase a 50% ownership interest in these properties for consideration of US\$210,000 (\$207,748). In order to facilitate this, on December 23, 2011, the entire ownership of the properties was transferred by the BV Owners to the Brechas Vacas Trust. MSA simultaneously acquired a 50% beneficial interest in the Brechas Vacas Trust in exchange for the consideration of US\$210,000 in accordance with the terms of the option agreement dated September 7, 2007, and an extension agreement dated November 23, 2011.

Minsud Resources Corp.

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(All Amounts in Canadian Dollars Unless Otherwise Noted)

6. Mineral Properties (continued)

Brechas Vacas Property (continued)

Option Agreement Related to the Remaining 50 % Interest of the Brechas Vacas Trust

Simultaneously, the remaining 50% beneficial interest in the Brechas Vacas Trust held by the BV Owners was subject to a new exclusive and irrevocable purchase option agreement (the "Option") granted in favour of MSA. The Option provides MSA with an irrevocable and exclusive right to purchase the remaining 50% beneficial interest in the Brechas Vacas Trust in addition to the exclusive right to evaluate, prospect and explore the Brechas Vacas properties.

On December 19, 2013, MSA and the BV Owners signed an addendum (the "First Addendum") to the Option that extended the period of time in which the Company was to pay the semi-annual staggered payments and also extended the expiration of the Option to December 19, 2019.

On June 24, 2016, MSA and the BV Owners signed a further addendum (the "Second Addendum") re-negotiating the terms and amounts of the Option as follows:

i) Staggered payments pursuant to the Second Addendum

<u>Payment Date</u>	<u>\$US</u>	<u>Status</u>
June 24, 2016	\$ 20,000	Paid
December 19, 2016	20,000	Paid
June 24, 2017	25,000	Paid
December 19, 2017	25,000	
June 24, 2018	30,000	
December 19, 2018	30,000	
June 24, 2019	35,000	
December 19, 2019	50,000	
June 25, 2020	50,000	
December 19, 2020	75,000	
June 26, 2021	120,000	
	<u>\$ 480,000</u>	

Minsud Resources Corp.

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For the Three and Nine Months Ended September 30, 2017

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(All Amounts in Canadian Dollars Unless Otherwise Noted)

6. Mineral Properties (continued)

Brechas Vacas Property (continued)

ii) Payments upon exercise of the Option pursuant to the Second Addendum:

<u>Expiration Date</u>	<u>\$US</u>	<u>Shares (\$US)</u>
June 26, 2022	\$ 535,000	\$ 200,000

Once the Option is exercised and the remaining 50% of the beneficial interest of the Brechas Vacas Trust is transferred to MSA, the BV owners will retain a 0.6% Net Smelter Return ("NSR") on the Brechas Vacas Properties with the Company having the option to purchase a 0.3% NSR, at any time, for a one-time payment of US\$400,000.

iii) Cumulative payments pursuant to the Option and First and Second Addendums:

As at September 30, 2017, the Company's obligations pursuant to the Option and the First and Second Addendums were made in compliance with their respective staggered payments schedules as follows:

	<u>Cash</u>	<u>Shares</u>		
	<u>\$US</u>	<u>Shares</u>	<u>Price Per Share</u>	<u>\$US</u>
Option (Initial Agreement)	\$ 150,000	419,000	\$ 0.050	\$ 20,000
First Addendum	110,000	210,000	0.100	20,000
Second Addendum	<u>65,000</u>			
Total Paid	<u>\$ 325,000</u>	<u>629,000</u>	<u>\$ 0.067</u>	<u>\$ 40,000</u>
Outstanding payments	<u>\$ 415,000</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>

As at September 30, 2017, the Company had made cash payments totaling US\$325,000 (\$370,524) and issued 629,000 common shares of the Company related to nine installments to the BV Owners pursuant to the terms of the Option and First and Second Addendums. As at September 30, 2017, the Company was in compliance with their staggered payments schedule.

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6. Mineral Properties (continued)

Chita Property

As of September 12, 2017, the Company has a 100% ownership interest in the Chita Property.

Initial Exploration Agreement

On September 28, 2006, the Company, through MSA, entered into an Exploration Agreement (the "Chita Agreement") including a Purchase Option to purchase a 100% ownership interest in the mining properties pursuant to certain terms and conditions, with the owners of the mining properties identified as Proyecto Chita, located 30 km from Iglesia, in the Chita Valley, in the Province of San Juan, Argentina. Included in Proyecto Chita are the Chita I, II, III, IV, V and VI mining concessions, as well as the Romina, Lucrecia and Mabel mining concessions covering 3,492 hectares.

Purchase Option

On August 3, 2012, the Company exercised its Purchase Option to acquire a 100% interest in the Chita Property in exchange for a series of cash payments totaling US\$420,000. The exercise of the Purchase Option, and the conditions under which the Purchase Option was exercised, were accepted by the owners of the Chita property.

On September 12, 2012, the ownership interest in the Chita Property was transferred to the Company by an assignment of mining concession (Cesion de Manifestaciones de descubrimiento) signed under public notary, which is now registered by the Ministry of Mines in San Juan Province.

In consideration for the transfer of ownership of the Chita Property, the Company is required to pay a total of US\$420,000, payable as follows: US\$30,000 payable in cash within ten days from the date on which the property owners accepted the Company's offer to exercise the purchase option; US\$40,000 payable in cash simultaneously with the execution of the public deed evidencing the transfer of the Chita Property to the Company; and US\$350,000 payable in ten semi-annual cash payments of US\$35,000 each, the first of which shall be payable six months after the date of execution of the above mentioned public deed. As of the date of these financial statements, the Company has made all required payments totaling US\$420,000 (\$491,512) in full satisfaction of its payment commitments.

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6. Mineral Properties (continued)

Minas de Pinto Property

Acquisition of 50% Beneficial Interest in the Minas de Pinto Trust

During the year ended December 31, 2014, the Minas de Pinto Owners settled the Minas de Pinto Trust and transferred 100% of the mineral properties governed by the Minas de Pinto agreement to the Minas de Pinto Trust. The Company acquired a 50% interest in the Minas de Pinto Trust for total consideration of US\$412,500 with the first payment due upon signing and the final payment due May 7, 2018 (see following schedule).

Located 30 km from Iglesia, in the Chita Valley in the Province of San Juan, Argentina, Minas de Pinto includes the Arqueros, San Marcos, Estrellita, Paulita, Paulita II, Pierina II, Pierina III, San Pablo, San Urbano and Rosita II mining concessions covering 2,445 hectares.

The financing of the acquisition of the first 50% interest in the Minas de Pinto Trust is an obligation without recourse. Accordingly, if the Company cannot satisfy future payments, it will only result in the Company having to return its interest in the Minas de Pinto Trust back to the former owners of the Minas de Pinto properties. After paying 50 % of the required payments related to the acquisition of the first 50% interest in the Minas de Pinto Trust, the return of the interest would be proportional to any unpaid balance.

Since execution of the original acquisition agreement, the Company and the former owners of the Minas de Pinto properties have entered into a first addendum dated October 30, 2015 and a second addendum dated May 5, 2017. As of September 30, 2017, the Company has made the following aggregate payments in connection with the acquisition of its 50% interest in the Minas de Pinto Trust:

	<u>SUS</u>
Original Agreement	\$ 100,000
First Addendum	107,500
Second Addendum	<u>35,000</u>
	<u>\$ 242,500</u>

As at September 30, 2017, the remaining payments pursuant to the Second Addendum are as follows:

	<u>SUS</u>
November 7, 2017	\$ 35,000
May 7, 2018	35,000
November 7, 2018	35,000
May 7, 2019	35,000
November 7, 2019	<u>35,000</u>
	<u>\$ 175,000</u>

Subsequent to the period ended September 30, 2017, the Company made the payment of US\$35,000 due November 7, 2017.

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6. Mineral Properties (continued)

Minas de Pinto Property (continued)

Purchase Option to Acquire the remaining 50% Beneficial Interest in the Minas de Pinto Trust

The remaining 50% beneficial interest in the Minas de Pinto Trust held by the Minas de Pinto Owners was subject to a new exclusive and irrevocable purchase option agreement (the “Option”) granted in favour of MSA. The Option provides MSA with an irrevocable and exclusive right to purchase the remaining 50% beneficial interest in the Minas de Pinto Trust in addition to the exclusive right to evaluate, prospect and explore the Minas de Pinto properties for consideration of US\$1,335,000 payable at any time on or before May 7, 2019.

On May 8, 2017, the Company and the Minas de Pinto Owners signed an addendum to extend the period in which the Company can acquire the remaining 50% beneficial interest by exercising the Option to November 7, 2020.

As at September 30, 2017, the Company had paid US \$242,500 (\$304,512) related to the acquisition of the 50% interest in the Minas de Pinto Trust. As at September 30, 2017, the Company was in compliance with their staggered payments schedule. The remaining payments of US\$175,000 (\$218,382) have been accrued as property acquisition payable, the current portion of which is US\$70,000 (\$87,353). Subsequent the the period ended September 30, 2017, the Company made an additional payment of US\$35,000 (\$44,737).

La Rosita Property

The La Rosita Property, a gold and silver prospect in which the Company has a 100% ownership interest, is located within the Deseado Massif and the Area of Special Mining Interest of Santa Cruz Province. The La Rosita Property consists of the Alfa, Alfa II and Alfa III mining concessions, however, the majority of the exploration activity carried out by the Company has been on targets located on the the Alfa II concession.

San Antonio Property

The San Antonio Property, a prospect in which the Company has a 100% ownership interest, is located within the Deseado Massif and the Area of Special Mining Interest of Santa Cruz Province. During the year ended December 31, 2016, the Company wrote off exploration expenses of \$103,229, as it has no current plans to explore the San Antonio Property as a result of current financial constraints.

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7. Issued Capital

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preference shares, issuable in series.

During the period ended September 30, 2017 the Company issued 6,500,000 units (pursuant to a non-brokered private placement) for proceeds of \$650,000 of which \$143,000 was allocated to warrants (see note 8).

The common shares issued pursuant to the non-brokered private placement are subject to a four month hold period that will expire November 28, 2017.

In connection with the private placement, the Company paid legal fees and expenses of \$10,212 of which \$2,247 was allocated to warrants (see note 8).

8. Warrants

	<u>Number</u>	<u>Amount</u>	<u>Weighted Average Exercise Price</u>
Balance - January 1, 2016	50,831,658	\$ 1,234,961	\$ 0.35
Expired	(21,137,338)	(488,695)	(0.35)
Issued for cash	25,192,000	483,059	0.23
Issued as settlement for accounts payable	1,561,330	6,587	0.15
Issuance costs		(1,205)	
Balance - December 31, 2016	56,447,650	\$ 1,234,707	\$ 0.30
Issued for cash	6,500,000	143,000	0.15
Expired	(27,904,775)	(723,651)	(0.35)
Issuance costs		(2,757)	
Balance - September 30, 2017	<u>35,042,875</u>	<u>\$ 651,299</u>	<u>\$ 0.22</u>

During the period ended September 30, 2017, 27,904,775 warrants expired un-exercised.

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8. Warrants (continued)

During the period ended September 30, 2017, the Company issued 6,500,000 warrants (pursuant to a non-brokered private placement) as discussed in note 7. Each warrant entitles the holder to purchase one common share of the Company at a price of \$0.15 per share until July 27, 2019.

The fair value of the Warrants was estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions:

Expected dividend yield	Nil
Risk-free interest rate	1.13%
Expected life	2 years
Expected volatility	85%
Share price	\$0.078
*Based on historical volatility of the Company's shares	

Warrant pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable measure of the fair value of the Company's warrants.

As at September 30, 2017, the following Warrants were issued and outstanding:

<u>Exercise Price</u>	<u>Warrants Outstanding</u>	<u>Remaining Contractual Life (Years)</u>	<u>Expiry Date</u>
\$ 0.35	1,789,545	0.22	December 21, 2017
\$ 0.35	10,000,000	0.55	April 20, 2018
\$ 0.15	15,192,000	0.92	September 2, 2018
\$ 0.15	1,561,330	1.15	November 21, 2018
\$ 0.15	6,500,000	1.82	July 29, 2019
	<u>35,042,875</u>	<u>0.96</u>	

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9. Stock Option Plan

On November 29, 2011 a new form of stock option plan (the "2011 Plan") was approved by the shareholders at the annual and special meeting of shareholders held that day. The 2011 Plan is a rolling stock option plan. Options to purchase up to 10% of the total number of Company Shares issued and outstanding at the date of any grant are issuable pursuant to the 2011 Plan. The 2011 Plan is a rolling plan as the number of options which may be granted pursuant to the 2011 Plan will increase as the number of the Company's shares, which are issued and outstanding, increases. If an option expires or is otherwise terminated for any reason, the number of the Company's shares in respect of that expired or terminated option shall again be available for the purposes of the 2011 Plan. Pursuant to the policies of the Exchange, the shareholders of the Company are required to approve on a yearly basis stock option plans which have a rolling plan ceiling. Options issued under the 2011 Plan are non-assignable and non-transferable and may be granted for a term not exceeding ten years. The 2011 Plan is administered by the Company's board of directors (the "Board of Directors") or a committee established by the Board of Directors for that purpose (the "Committee"). The 2011 Plan may be amended, subject to applicable regulatory and shareholder approval, or terminated by the Board of Directors or the Committee at any time, but such amendment or termination will not alter the terms or conditions of any option awarded prior to the date of such amendment or termination. Any option outstanding when the 2011 Plan is amended or terminated will remain in effect until it is exercised or expires or is otherwise terminated in accordance with the provisions of the 2011 Plan. The 2011 Plan provides that other terms and conditions, including vesting provisions, may be attached to a particular stock option at the discretion of the Board of Directors or the Committee, provided that, if required by any stock exchange on which the shares of the Company trades, options issued to consultants which provide investor relations activities must vest in stages over not less than 12 months with no more than one-quarter of the options vesting in any three-month period. All option grants are to be evidenced by the execution of an option agreement between the Company and the optionee which shall give effect to the provisions of the 2011 Plan. Options may be granted under the 2011 Plan only to directors, officers, employees and other service providers of the Company subject to the rules and regulations of applicable regulatory authorities and any Canadian stock exchange upon which the Company's shares may be listed or may trade from time to time.

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9. Stock Option Plan (continued)

The aggregate number of the Company's shares which may be reserved for issuance to any one individual under the 2011 Plan within any 12 month period shall not exceed 5% of the Company's shares issued and outstanding at the date of the grant (on a non-diluted basis). Further, the aggregate number of the Company's shares which may be reserved for issuance under the 2011 Plan: (a) to any consultant to the Company shall not exceed 2% of the number of the Company's shares issued and outstanding on the date of the grant (on a non-diluted basis) and (b) to all employees or consultants who provide investor relations activities shall not exceed 2% of the number of the Company's shares issued and outstanding on the date of the grant (on a non-diluted basis). In the event an optionee ceases to be a service provider or employee of the Company (other than by reason of death), the vested stock options will expire on the earlier of the expiry date stated in the option agreement executed in respect of such grant and one year following the date of termination. In the event of death of an optionee, all options will be automatically exercisable by the personal representatives of the optionee within, but only within, the period of one year next succeeding the optionee's death and prior to the expiry date of the option, whichever is sooner. The price at which an optionee may purchase a Company's share upon the exercise of an option will be as set forth in the option agreement executed in respect of such option and, in any event, will not be less than the market price of the Company's shares as of the date of the grant of the stock option (the "Grant Date") less any discounts from the market price allowed by the Exchange, subject to a minimum exercise price of \$0.10. The market price of the Company's shares means the closing price on the last trading day immediately preceding the Grant Date. The Company's shares will not be issued pursuant to options granted under the 2011 Plan until they have been fully paid for.

i) Movements in stock options during the period:

	Number of Options	Weighted Average Exercise Price
Balance - January 1, 2016	9,135,000	\$ 0.21
Options granted	4,150,000	0.10
Options expired	<u>(3,760,000)</u>	<u>(0.36)</u>
Balance - December 31, 2016	9,525,000	0.10
Options expired	<u>(310,000)</u>	<u>(0.19)</u>
Balance - September 30, 2017	<u>9,215,000</u>	<u>\$ 0.10</u>

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9. Stock Option Plan (continued)

ii) Stock options outstanding at the end of the period

<u>Exercise Price</u>	<u>Options Vested</u>	<u>Options Unvested</u>	<u>Remaining Contractual Life (Years)</u>	<u>Expiry Date</u>
\$ 0.10	465,000	-	1.01	October 3, 2018
\$ 0.10	910,000	-	1.61	May 12, 2019
\$ 0.10	1,010,000	-	2.14	November 20, 2019
\$ 0.10	2,680,000	-	3.21	December 14, 2020
\$ 0.10	2,075,000	2,075,000	4.21	December 15, 2021
	<u>7,140,000</u>	<u>2,075,000</u>	<u>3.27</u>	

As at September 30, 2017 the weighted average exercise price of options that had fully vested was \$0.10. As at September 30, 2017, 3,590,225 stock options are available for issuance at the discretion of the Company's Board of Directors pursuant to the Company's 2011 Plan.

10. Related Party Transactions and Balances

During the period ended September 30, 2017, the Company incurred the following related party transactions:

i) Transactions

a) A total of \$105,000 (2016 - \$105,000) was charged by the CEO of the Company.

c) A total salary of \$57,879 (2016 - \$53,463) was charged by an individual related to the Company's CEO.

d) A total of \$28,631 (2016 - \$28,675) of accounting and regulatory compliance fees and \$15,750 (2016 - \$15,750) of CFO fees was charged by an accounting firm in which the Company's CFO is a partner.

e) A total of \$68,000 (2016 - \$63,000) of professional fees and \$12,555 (2016 - \$11,517) of mineral property exploration expenses were charged by the Company's Vice-President (Exploration). These amounts have been capitalized to mineral properties.

f) The amount of stock-based compensation expense for the period ended September 30, 2017 related to the continued vesting of stock options issued to key members of management was \$107,881 (2016 - \$72,263).

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10. Related Party Transactions and Balances (continued)

ii) Period-end balances

- a) As at September 30, 2017, accounts payable and accrued liabilities included \$5,556 payable to the CEO of the Company.
- b) As at September 30, 2017, accounts payable and accrued liabilities included \$9,643 payable to an accounting firm in which the Company's CFO is a partner.
- c) As at September 30, 2017, accounts payable and accrued liabilities included \$14,606 payable to the Company's Vice-President (Exploration).

All related party transactions were in the normal course of operations.

11. Commitments

- a) On March 11, 2016, the Company entered into a new services agreement with its President and CEO. Pursuant to the services agreement, an annual fee of \$140,000, consisting of salary and director's fees of MSA, was paid in monthly instalments by MSA. The services agreement continued in effect until December 31, 2016 and provided that the President and CEO may pursue outside business interests or directorships in other industries that did not interfere or conflict with his ability to carry out his duties as an officer and director of the Company and MSA. The services agreement contained a change of control provision, where "change of control" was defined as: (a) the acquisition by a person, group of persons or person acting jointly or in concert, or persons associated or affiliated within the meaning of the Securities Act (Ontario) with any such person, group of persons or any of such persons acting jointly or in concert, of more than 50% of the votes attaching to all shares in the capital of the Company that may be cast to elect directors of the Company; or (b) the election at any meeting of shareholders of a majority of directors not recommended by management. If, within six months following a "change of control", employment of the President and CEO was terminated by the Company without cause, the President and CEO would have been entitled to a lump sum severance payment of \$280,000 and the immediate vesting of all unvested stock options.

The President and CEO could terminate the agreement without consequence by giving 90 days previous notice to the Company and MSA. Should the Company have chosen to terminate the agreement without cause, the President and CEO would have been entitled to a payment of \$140,000.

On April 18, 2017, the Company and the Company's President and CEO entered into a new services agreement for an annual fee of \$140,000, consisting of salary and director's fees of MSA, which will be paid in monthly instalments by MSA. The new agreement expires December 31, 2017 and contains provisions similar to those included in the services agreement that expired December 31, 2016.

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11. Commitments (continued)

- b) On February 9, 2016, the Company and the Company's Vice-President (Exploration) signed a new annual consulting agreement for a fixed monthly fee of \$7,000 until December 31, 2016. The agreement did not provide for any payments in the event of a change of control or termination.

In January, 2017, the Company and the Company's Vice-President (Exploration) signed a new consulting agreement for a fixed monthly fee of \$7,000 for the six month period ending June 30, 2017. The agreement did not provide for any payments in the event of a change of control or termination.

On July 1, 2017, the Company and the Company's Vice-President (Exploration) signed a new consulting agreement for a fixed monthly fee of \$7,000 until June 30, 2018. The agreement provides that, in the event the Company does not renew the consulting agreement, all unvested stock options granted to the consultant will vest immediately and will remain exercisable for the full exercise period as stated in the original stock option agreement.

The agreement can be terminated by either party at any time by providing 60 days advance notice to the other party.

Additional commitments are disclosed in note 6.

12. Subsequent Event

The Company's subsequent event is disclosed in note 6.