
Consolidated Financial Statements

Minsud Resources Corp.

For the Years Ended December 31, 2017 and 2016

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Minsud Resources Corp.

We have audited the accompanying consolidated financial statements of Minsud Resources Corp. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2017 and December 31, 2016 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Minsud Resources Corp. and its subsidiaries, as at December 31, 2017, and December 31, 2016, its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 2 (c) in the consolidated financial statements which describes matters and conditions that indicate the existence of material uncertainties that may cast significant doubt about Minsud Resources Corp.'s ability to continue as a going concern.

RSM Canada LLP

Chartered Professional Accountants
Licensed Public Accountants
April 18, 2018
Toronto, Ontario

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Minsud Resources Corp.

Consolidated Statements of Loss and Comprehensive Loss
For the Years Ended December 31, 2017 and 2016
(All Amounts in Canadian Dollars Unless Otherwise Noted)

	2017	2016
Expenses		
General and administrative	\$ 54,162	\$ 53,988
Marketing and communications	12,527	19,286
Professional and regulatory fees	304,692	304,271
Stock-based compensation (note 9)	165,546	196,440
Taxes on ownership of subsidiary	4,130	25,075
Write-off of mineral properties (note 6)	6,467	103,229
Less:		
Interest income	(1,592)	(1,794)
Gain on disposition of property and equipment	-	(15,161)
Net Loss for the Year	(545,932)	(685,334)
Other Comprehensive Loss		
Items that may be reclassified to profit and loss:		
Currency translation adjustment	(1,606,645)	(1,443,133)
Comprehensive Loss for the Year	\$ (2,152,577)	\$ (2,128,467)
Loss per Share - basic and diluted	\$ 0.00	\$ (0.01)
Weighted Average Number of Common Shares Outstanding - basic and diluted	125,230,662	106,990,854
Net Loss for the Year Attributable to:		
Non-controlling interest	\$ (836)	\$ (1,519)
Equity shareholders of the Company	(545,096)	(683,815)
	\$ (545,932)	\$ (685,334)
Comprehensive Loss for the Year Attributable to:		
Non-controlling interest	\$ (8,422)	\$ (9,723)
Equity shareholders of the Company	(2,144,155)	(2,118,744)
	\$ (2,152,577)	\$ (2,128,467)

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

Minsud Resources Corp.

Consolidated Statements of Financial Position as at December 31
(All Amounts in Canadian Dollars Unless Otherwise Noted)

	2017	2016
Assets		
Non-Current Assets		
Mineral properties (note 6)	\$ 7,776,375	\$ 7,860,690
Property and equipment (note 5)	25,427	41,825
	<u>7,801,802</u>	<u>7,902,515</u>
Current Assets		
Cash and cash equivalents	525,517	931,010
Prepaid expenses and deposits	54,156	28,569
Other receivables	34,858	35,268
	<u>614,531</u>	<u>994,847</u>
	<u>\$ 8,416,333</u>	<u>\$ 8,897,362</u>
Shareholders' Equity		
Issued capital (notes 1 and 7)	\$ 16,896,697	\$ 15,614,345
Contributed surplus (notes 8 and 9)	5,359,146	4,787,368
Cumulative translation reserve	(8,233,676)	(6,624,296)
Deficit	<u>(6,129,157)</u>	<u>(5,580,612)</u>
Equity attributable to shareholders of the Company	7,893,010	8,196,805
Non-controlling interest (note 1)	31,856	40,090
	<u>7,924,866</u>	<u>8,236,895</u>
Liabilities		
Non-Current Liabilities		
Trust acquisition payable (note 6)	<u>87,682</u>	<u>174,772</u>
Current Liabilities		
Accounts payable and accrued liabilities	216,312	221,292
Current portion of property acquisition payable (note 6)	-	94,108
Current portion of trust acquisition payable (note 6)	87,682	100,830
Other liabilities	<u>99,791</u>	<u>69,465</u>
	<u>403,785</u>	<u>485,695</u>
	<u>\$ 8,416,333</u>	<u>\$ 8,897,362</u>

Business of the Company (note 1)

Going Concern (note 2(c))

Commitments (notes 6 and 15)

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

Approved on behalf of the Board of Directors

Signed "Carlos A. Massa", Director

Signed "Alberto F. Orcoyen", Director

Minsud Resources Corp.

Consolidated Statement of Changes in Shareholders' Equity

For the Years Ended December 31, 2017 and 2016

(All Amounts in Canadian Dollars Unless Otherwise Noted)

	<u>Number of Common Shares</u>	<u>Issued Capital</u>	<u>Contributed Surplus</u>	<u>Currency Translation Reserve</u>	<u>Deficit</u>	<u>Non- Controlling Interest</u>	<u>Total Equity</u>
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 year attributable to shareholders of the Company	-	-	-	-	(545,096)	-	(545,096)
Loss for the year attributable to non-controlling interests	-	-	-	-	-	(836)	(836)
Other comprehensive loss for the year	-	-	-	(1,599,059)	-	(7,586)	(1,606,645)
Total comprehensive loss for the year	-	-	-	(1,599,059)	(545,096)	(8,422)	(2,152,577)
Private placement proceeds (note 7)	15,949,000	1,210,006	384,894	-	-	-	1,594,900
Units issued as settlement of accounts payable (note 7)	950,440	70,333	24,711	-	-	-	95,044
Unit issuance costs (note 7)	-	(11,484)	(3,458)	-	-	-	(14,942)
Stock-based compensation (note 9)	-	-	165,546	-	-	-	165,546
Effects of change in non-controlling interest (note 1)	-	13,497	85	(10,321)	(3,449)	188	-
Balance at December 31, 2017	<u>138,451,694</u>	<u>\$16,896,697</u>	<u>\$ 5,359,146</u>	<u>\$(8,233,676)</u>	<u>\$(6,129,157)</u>	<u>\$ 31,856</u>	<u>\$ 7,924,866</u>

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

Minsud Resources Corp.

Consolidated Statement of Changes in Shareholders' Equity

For the Years Ended December 31, 2017 and 2016

(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 year attributable to shareholders of the Company	-	-	-	-	(683,815)	-	(683,815)
Loss for the year attributable to non-controlling interests	-	-	-	-	-	(1,519)	(1,519)
Other comprehensive loss for the year	-	-	-	(1,434,929)	-	(8,204)	(1,443,133)
Total comprehensive loss for the year	-	-	-	(1,434,929)	(683,815)	(9,723)	(2,128,467)
Private placement proceeds (note 7)	25,192,000	2,036,141	483,059	-	-	-	2,519,200
Units issued as settlement of accounts payable (note 7)	1,561,330	149,547	6,587	-	-	-	156,134
Unit issuance costs (note 7)	-	(5,283)	(1,205)	-	-	-	(6,488)
Stock-based compensation (note 9)	-	-	196,440	-	-	-	196,440
Effects of change in non-controlling interest (note 1)	-	13,733	103	(9,883)	(3,139)	(814)	-
Balance at December 31, 2016	<u>121,552,254</u>	<u>\$15,614,345</u>	<u>\$ 4,787,368</u>	<u>\$(6,624,296)</u>	<u>\$(5,580,612)</u>	<u>\$ 40,090</u>	<u>\$ 8,236,895</u>

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

Minsud Resources Corp.

Consolidated Statement of Cash Flows

For the Years Ended December 31, 2017 and 2016

(All Amounts in Canadian Dollars Unless Otherwise Noted)

	2017	2016
Cash Provided By (Used In):		
Operating Activities		
Net loss for the year	\$ (545,932)	\$ (685,334)
Items not affecting cash flows from operating activities:		
Gain on disposition of property and equipment	-	(15,161)
Items not affecting cash:		
Stock-based compensation	165,546	196,440
Mineral property write-offs	6,467	103,229
	<u>(373,919)</u>	<u>(400,826)</u>
Net changes in non-cash working capital:		
Other receivables	410	22,124
Accounts payable and accrued liabilities	(14,915)	17,017
	<u>(388,424)</u>	<u>(361,685)</u>
Financing Activities		
Issuance of share capital	1,210,006	2,036,141
Issuance of warrants	384,894	483,059
Share issuance costs	(14,942)	(6,488)
	<u>1,579,958</u>	<u>2,512,712</u>
Investing Activities		
Mineral property expenditures	(1,596,102)	(1,742,289)
Purchase of property and equipment	(925)	(52,774)
Proceeds of disposition of property and equipment	-	15,161
	<u>(1,597,027)</u>	<u>(1,779,902)</u>
Change in Cash and Cash Equivalents	(405,493)	371,125
Cash and Cash Equivalents - Beginning of Year	931,010	559,885
Cash and Cash Equivalents - End of Year	<u>\$ 525,517</u>	<u>\$ 931,010</u>
Supplemental Cash Flow Information		
Interest received	<u>\$ 1,592</u>	<u>\$ 1,794</u>
Significant Non-Cash Transactions Not Disclosed Above		
Common shares issued pursuant to settlement of accounts payable	<u>\$ 70,333</u>	<u>\$ 149,547</u>
Warrants issued pursuant to settlement of accounts payable	<u>\$ 24,711</u>	<u>\$ 6,587</u>

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

Minsud Resources Corp.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2017 and 2016

(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 exploration and evaluation 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 consolidated financial statements include the accounts of the Company, its wholly-owned subsidiary, Minsud Argentina Inc. ("MAI"), which was also incorporated under the Ontario Business Corporations Act, 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.

As of December 31, 2017, MAI has subscribed for an additional 111,642,299 common shares of MSA, of which 30,000,000 common shares were subscribed for during the year ended December 31, 2017 through cash payments and intercompany loans. As a result, as at December 31, 2017, MAI held 121,951,699 of the 122,494,299 outstanding shares of MSA, representing an ownership interest of 99.56% (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 December 31, 2017, the 542,600 shares of MSA not owned by MAI represented a non-controlling interest of 0.44% (December 31, 2016 - 0.59%).

Minsud Resources Corp.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2017 and 2016

(All Amounts in Canadian Dollars Unless Otherwise Noted)

2. Basis of Presentation and Going Concern

a) Statement of Compliance

The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee and were approved by the Company's Board of Directors on April 18, 2018.

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 subsidiaries of the Company are eliminated in full on consolidation.

Minsud Resources Corp.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2017 and 2016

(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 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 year ended December 31, 2017, the Company incurred a net loss of \$545,932 (2016 - \$685,334) and as of that date, the Company's deficit was \$6,129,157 (2016 - \$5,580,612). As at December 31, 2017, the Company has current assets of \$614,531 (2016 - \$994,847) and current liabilities of \$403,785 (2016 - \$485,695). The Company has working capital as at December 31, 2017 of \$210,746 (2016 - \$509,152).

These 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 consolidated 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.

Minsud Resources Corp.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2017 and 2016

(All Amounts in Canadian Dollars Unless Otherwise Noted)

3. Significant Accounting Policies

Cash and Cash Equivalents

Cash and cash equivalents include bank deposits at reputable financial institutions in Canada and Argentina, and short-term money market instruments with an original maturity of three months or less which are readily convertible into a known amount of cash.

Accounts Payable and Accrued Liabilities

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Provisions are recognized when the Company has an obligation (legal or constructive) arising from a past event, and the costs to settle this obligation are both probable and able to be reliably measured.

Mineral Properties

Costs incurred by the Company before obtaining the rights to explore a property are expensed. Subsequent to obtaining the rights to explore its mineral properties, the Company's accounting policy is to capitalize mineral property costs relating to the acquisition of rights to explore including acquisition costs for mineral rights, topographical, geological, geochemical and geophysical studies, exploratory drilling, metallurgical testing, trenching, technical feasibility studies and other costs directly attributable to exploration projects, until such time as the properties are technically feasible or put into production, sold, determined not to be economically viable or abandoned.

Mineral properties are carried at cost less accumulated impairment losses, if any. The Company assesses the facts and circumstances and determines if there is an indication that the carrying amount of a mineral property may exceed its recoverable amount. One or more of the following facts and circumstances would give rise to the Company testing and evaluating mineral properties for impairment:

- i) the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed.
- ii) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned.
- iii) exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area.
- iv) sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Minsud Resources Corp.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2017 and 2016

(All Amounts in Canadian Dollars Unless Otherwise Noted)

3. Significant Accounting Policies (continued)

Mineral Properties (continued)

If there is an indication of impairment, the Company determines the recoverable amount of this asset by determining the asset's recoverable amount and compares this to the carrying amount as at the reporting date. If the carrying amount exceeds the recoverable amount, an impairment loss is recognized in the statement of loss. See note 6 with respect to the impairment of the Company's San Antonio property.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognized so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimated useful lives and residual values accounted for on a prospective basis.

Depreciation is calculated applying the following useful lives:

Vehicles	5 years on a straight line basis
Office equipment and Other	3 - 5 years on a straight line basis

Gains and losses on disposals are determined by comparing the proceeds with the corresponding carrying amounts and are included in the statements of loss.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists, and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs of disposal and their value in use. Fair value is the price at which the asset could be bought or sold in an orderly transaction between market participants. In assessing fair value in use, the estimated cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset.

Impairment of Assets

Impairment of mineral properties is assessed in accordance with the criteria noted above under "Mineral Properties". For all other non-financial assets, the Company reviews its carrying amount at the end of each reporting period to determine whether there is any indication that those assets have suffered an impairment loss. Where such impairment exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The Company has assessed the assets of all of its operating entities, and has determined that conditions indicating potential impairment of any of the Company's assets were not present as at December 31, 2017 and 2016.

Minsud Resources Corp.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2017 and 2016

(All Amounts in Canadian Dollars Unless Otherwise Noted)

3. Significant Accounting Policies (continued)

Deferred Taxes

Deferred taxation is recognized using the liability method on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. However, the deferred taxation is not recognized if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred taxation is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred taxation asset is realized or the deferred taxation liability is settled.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Foreign Currency Translation

The financial statements are presented in Canadian dollars. The functional currency of the Company and its subsidiary MAI is the Canadian dollar. The functional currency of the Company's subsidiary MSA is the Argentine Peso ("AR\$").

Transactions denominated in foreign currencies are initially recorded in the functional currency using exchange rates in effect at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using exchange rates prevailing at the end of the reporting period. All exchange gains and losses are included in the statement of loss and comprehensive loss.

For the purpose of presenting consolidated financial statements, the assets and liabilities of MSA are expressed in Canadian Dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive loss and reported as currency translation reserve in shareholders' equity. The cumulative amount of the exchange differences recognized in other comprehensive income and accumulated as currency translation reserve in shareholders' equity shall be reclassified from equity to profit or loss upon disposal of MSA. During the year ended December 31, 2017, the Company had exchange differences related to its mineral properties of \$1,649,653 (2016 - \$1,524,564) that was included in other comprehensive income. As at December 31, 2017, \$8,398,051 (2016 - \$6,748,398) of the total Currency Translation Reserve is a result of cumulative exchange differences related to the translation of the mineral properties of MSA.

Minsud Resources Corp.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2017 and 2016

(All Amounts in Canadian Dollars Unless Otherwise Noted)

3. Significant Accounting Policies (continued)

Foreign Currency Translation (continued)

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which, in substance, is considered to form part of the net investment in the foreign operation, are recognized in other comprehensive income.

Financial Instruments

Financial assets and liabilities within the scope of IAS 39 (Financial Instruments: Recognition and Measurement) are classified as financial assets or liabilities at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, other financial liabilities or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets and liabilities at initial recognition.

All of the Company's financial instruments are initially measured at fair value, with subsequent measurements dependent upon the classification of each financial instrument.

Financial assets at fair value through profit or loss include cash and cash equivalents, which are measured at fair value, with all gains and losses included in net income (loss) in the period in which they arise. Loans and receivables, are recorded at amortized cost less impairment losses.

An impairment loss of receivables is based on a review of all outstanding amounts at period end. Bad debts are written off during the period in which they are identified. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The Company does not currently have any financial assets classified as held to maturity or as available for sale.

Other financial liabilities, which include accounts payable and accrued liabilities, property acquisition payable, trust acquisition payable and other liabilities, are recorded at amortized cost using the effective interest method.

The effective interest method is used to calculate the amortized cost of a financial asset or liability and allocates interest income over the corresponding period. The effective interest rate is the rate that is used to discount estimated future cash receipts or payments over the expected life of the financial asset or liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

The Company does not have any derivatives designated as hedging instruments in an effective hedge.

Minsud Resources Corp.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2017 and 2016

(All Amounts in Canadian Dollars Unless Otherwise Noted)

3. Significant Accounting Policies (continued)

Financial Instruments (continued)

The Company's financial assets and liabilities recorded at fair value on the statement of financial position or disclosed in the notes have been categorized into three categories based on a fair value hierarchy. Fair value of assets and liabilities included in Level I is determined by reference to quoted prices in active markets for identical assets and liabilities. Financial assets and liabilities in Level II include valuations using inputs other than the quoted prices for which all significant inputs are based on observable market data, either directly or indirectly. Level III valuations are based on inputs that are not based on observable market data. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. As at December 31, 2017, the Company's cash and cash equivalents are categorized as Level I measurement. The Company does not hold any Level II or III investments.

Share-Based Payments

The Company offers a share option plan for its directors, officers, employees and selected consultants as described in note 9. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. Fair value of each tranche is measured using the Black-Scholes option pricing model. Compensation expense is recognized over the tranche's vesting period by increasing contributed surplus based on the number of awards expected to vest. Any consideration paid on exercise of share options is credited to share capital. The contributed surplus resulting from share-based compensation is transferred to share capital when the options are exercised.

Share-based payments granted to non-employees are measured at the fair value of goods received unless that cannot be reasonably estimated in which case the fair value of the equity instrument is used.

Share Purchase Warrants

From time-to-time, the Company may issue Units as a means of raising capital. Ordinarily, each Unit contains one common share of the company and a whole, or fraction of, a share purchase warrant ("Warrant"). The Company allocates the proceeds from each Unit to the common share and Warrant components based on their respective fair value using the Black-Scholes pricing model. Transaction costs arising on the issue of Units are recognised in equity as a reduction of the proceeds allocated to issued capital and warrants on a pro-rata basis.

Non-Controlling Interests

The Company treats transactions with non-controlling interests as transactions with equity owners of the Company. Acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders. Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals of non-controlling interests are also recorded in equity.

Minsud Resources Corp.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2017 and 2016

(All Amounts in Canadian Dollars Unless Otherwise Noted)

3. Significant Accounting Policies (continued)

Loss Per Share

Loss per share is computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year, including contingently issuable shares which are included when the conditions necessary for issuance have been met. Diluted loss per share is calculated in a similar manner, except that the weighted average number of common shares outstanding is increased to include potentially issuable common shares from the assumed exercise of common share purchase options and warrants, if dilutive. During the years ended December 31, 2017 and 2016, all the outstanding stock options, warrants and brokers' warrants were anti-dilutive.

Decommissioning, Restoration and Similar Liabilities

The Company recognizes a provision for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of mineral properties when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a provision for decommissioning costs is recognized at the present value of management's best estimate of expenditure required to settle the present obligation at the reporting date. Upon initial recognition of the liability, the corresponding decommissioning cost is added to the carrying amount of the related asset and the cost is amortized as an expense over the economic life of the asset using either the unit-of-production method or the straight-line method, as appropriate. Following the initial recognition of the decommissioning costs, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

As of the date of these consolidated financial statements, the Company has no material decommissioning, restoration and similar liabilities.

Segment Reporting

A reportable segment is a distinguishable component of the Company that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other operating segments. The Company's only activity is the exploration of its mineral properties in Argentina, and as such, it does not have distinguishable business segments to report. The Company has identified two geographical segments, Canada and Argentina.

Minsud Resources Corp.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2017 and 2016

(All Amounts in Canadian Dollars Unless Otherwise Noted)

3. Significant Accounting Policies (continued)

Future Accounting Pronouncements

IFRS 9 *Financial Instruments* was issued in final form in July 2014 by the IASB and will replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 also includes requirements relating to a new hedge accounting model, which represents a substantial overhaul of hedge accounting which will allow entities to better reflect their risk management activities in the financial statements. The most significant improvements apply to those that hedge non-financial risk, and so these improvements are expected to be of particular interest to non-financial institutions. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The Company does not believe that the adoption of IFRS 9 will have a material impact on its consolidated financial statements.

IFRS 15, Revenue from Contracts and Customers (“IFRS 15”) was issued by the IASB in May 2014, and will replace IAS 18, Revenue, IAS 11, Construction Contracts, and related interpretations on revenue. IFRS 15 sets out the requirements for recognizing revenue that apply to all contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 uses a control based approach to recognize revenue which is a change from the risk and reward approach under the current standard. Companies can elect to use either a full or modified retrospective approach when adopting this standard and it is effective for annual periods beginning on or after January 1, 2018. The Company does not believe that the adoption of IFRS 15 will have a material impact on its consolidated financial statements.

IFRS 16, Leases (“IFRS 16”) was issued by the IASB in January 2016, and will replace IAS 17 Leases. IFRS 16 specifies the methodology to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases except for short-term leases and leases with low value assets. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted if IFRS 15 has also been adopted. A lessee will apply IFRS 16 to its leases either retrospectively to each prior reporting period presented; or retrospectively with the cumulative effect of initially applying IFRS 16 being recognized at the date of initial application. The Company is currently evaluating the impact of IFRS 16 on its consolidated financial statements.

4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of these 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.

Minsud Resources Corp.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2017 and 2016

(All Amounts in Canadian Dollars Unless Otherwise Noted)

4. Significant Accounting Judgments, Estimates and Assumptions (continued)

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 consolidated financial statements are reasonable.

5. Property and Equipment

As at December 31, 2017

	Vehicles	Office Equipment	Other	Total
Cost				
Balance, beginning of year	\$ 74,912	\$ 15,176	\$ 1,148	\$ 91,236
Additions	-	925	-	925
Disposals	-	(113)	-	(113)
Currency translation adjustments	(15,441)	(3,187)	(237)	(18,865)
Balance, end of year	59,471	12,801	911	73,183
Accumulated depreciation				
Balance, beginning of year	(37,780)	(10,701)	(930)	(49,411)
Depreciation	(8,632)	(1,402)	(52)	(10,086)
Disposals	-	113	-	113
Currency translation adjustments	9,049	2,380	199	11,628
Balance, end of year	(37,363)	(9,610)	(783)	(47,756)
Net carrying amount as at December 31, 2017	\$ 22,108	\$ 3,191	\$ 128	\$ 25,427

As at December 31, 2016

	Vehicles	Office Equipment	Other	Total
Cost				
Balance, beginning of year	\$ 51,017	12,506	1,441	64,964
Additions	47,406	5,368	-	52,774
Disposals	(12,466)	-	-	(12,466)
Currency translation adjustments	(11,045)	(2,698)	(293)	(14,036)
Balance, end of year	74,912	15,176	1,148	91,236
Accumulated depreciation				
Balance, beginning of year	(47,231)	(11,804)	(1,098)	(60,133)
Depreciation	(12,881)	(1,353)	(58)	(14,292)
Disposals	12,466	-	-	12,466
Currency translation adjustments	9,866	2,456	226	12,548
Balance, end of year	(37,780)	(10,701)	(930)	(49,411)
Net carrying amount as at December 31, 2016	\$ 37,132	\$ 4,475	\$ 218	\$ 41,825

Depreciation expense has been capitalized to mineral properties.

Minsud Resources Corp.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2017 and 2016

(All Amounts in Canadian Dollars Unless Otherwise Noted)

6. Mineral Properties

As at December 31, 2017	San Juan Province Chita Valley			Santa Cruz Province			TOTAL
	Chita	Brechas Vacas	Minas de Pinto	La Rosita	San Antonio	Other	
Balance, beginning of year	\$ 5,199,684	\$ 1,131,428	\$ 1,052,360	\$ 472,326	\$ -	\$ 4,892	\$ 7,860,690
Property rights/exploration agreements	3,642	66,939	40,491	-	-	-	111,072
Exploration and evaluation	1,221,003	73,611	70,540	87,240	6,460	1,909	1,460,763
Write-offs	-	-	-	-	(6,497)	-	(6,497)
Currency translation adjustments	(1,094,167)	(239,526)	(218,057)	(96,759)	37	(1,181)	(1,649,653)
Balance, end of year	\$ 5,330,162	\$ 1,032,452	\$ 945,334	\$ 462,807	\$ -	\$ 5,620	\$ 7,776,375

As at December 31, 2016	San Juan Province Chita Valley			Santa Cruz Province			TOTAL
	Chita	Brechas Vacas	Minas de Pinto	La Rosita	San Antonio	Other	
Balance, beginning of year	\$ 4,641,784	\$ 1,341,527	\$ 1,182,955	\$ 432,152	\$ 118,814	\$ 3,022	\$ 7,720,254
Property rights/exploration agreements	33,687	54,536	61,138	-	-	1,396	150,757
Exploration and evaluation	1,449,550	(9,197)	40,307	129,874	5,758	1,180	1,617,472
Write-offs	-	-	-	-	(103,229)	-	(103,229)
Currency translation adjustments	(925,337)	(255,438)	(232,040)	(89,700)	(21,343)	(706)	(1,524,564)
Balance, end of year	\$ 5,199,684	\$ 1,131,428	\$ 1,052,360	\$ 472,326	\$ -	\$ 4,892	\$ 7,860,690

Chita Property

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. The Chita Property includes 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.

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. On September 12, 2012, the ownership interest in the Chita Property was transferred to the Company and registered by the Ministry of Mines in San Juan Province.

As of September 12, 2017, the Company made the final payment pursuant to the Purchase Option resulting in a 100% ownership interest in the Chita Property.

Minsud Resources Corp.

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6. Mineral Properties (continued)

Brechas Vacas Property

On September 7, 2007, the Company, through 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 2,579 hectares.

In exchange for the right to evaluate, prospect and explore the properties, the Company paid 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, 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.

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 "BV Option") dated January 3, 2012 granted in favour of MSA, as amended by way of a First Addendum dated December 19, 2013 and a Second Addendum dated June 24, 2016. The BV Option can be exercised by MSA at any time on or before June 26, 2022, and 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.

In order to maintain the exclusive right to evaluate, prospect and explore the Brechas Vacas Properties MSA has agreed to pay semi-annual contingency staggered payments for a total of US\$740,000 in cash and US\$40,000 payable in Minsud shares between July 4, 2012 and June 26, 2021.

In order to exercise the BV Option, the Company would have to pay US\$735,000, which would be settled through a cash payment of US\$535,000 and a payment of US\$200,000 to be settled by the issuance of an equivalent number of common shares of the Company. The issuance of common shares is subject to the approval of the TSX Venture Exchange and will be issued at the market price of of the common shares on the TSX Venture Exchange as of the date any commitment comes due. If MSA exercises the BV Option prior to June 26, 2022, 50% of the remaining staggered payments will be added back to the final exercise price of the BV Option.

Minsud Resources Corp.

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6. Mineral Properties (continued)

Brechas Vacas Property (continued)

Once, and if, 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.

The following table summarizes the payments made and outstanding related to the Brechas Vacas property:

	\$US	Shares	Status
Initial Exploration Agreement	240,000	-	Paid
Option Exercise	210,000	-	Paid
Brechas Vacas Trust	740,000		
July 24, 2012	50,000	-	Paid
December 28, 2012	50,000	-	Paid
June 28, 2013	50,000	20,000	Paid
December 26, 2013	20,000	20,000	Paid
June 24, 2014	20,000	-	Paid
December 19, 2014	20,000	-	Paid
June 24, 2015	25,000	-	Paid
December 19, 2015	25,000	-	Paid
June 24, 2016	20,000	-	Paid
December 19, 2016	20,000	-	Paid
June 24, 2017	25,000	-	Paid
December 19, 2017	25,000	-	Paid
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	-	
Total Payments	<u><u>\$ 1,190,000</u></u>	<u><u>40,000</u></u>	
Brechas Vacas Trust (Paid)	<u><u>\$ 350,000</u></u>	<u><u>40,000</u></u>	
Brechas Vacas Trust (Outstanding)	<u><u>\$ 390,000</u></u>	<u><u>-</u></u>	

As at December 31, 2017, the Company had made cash payments totaling US\$350,000 (\$402,659) and issued 629,000 common shares of the Company related to twelve installments to the BV Owners pursuant to the terms of the Option. As at December 31, 2017, the Company was in compliance with their staggered payments schedule. The contingency payments still outstanding but not overdue, amount to US\$390,000.

Minsud Resources Corp.

Notes to the Consolidated Financial Statements

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6. Mineral Properties (continued)

Minas de Pinto Property

On May 7, 2010, the Company, through MSA, entered into an Exploration Agreement including a Purchase Option (the "Minas de Pinto Agreement") with the owners of the mining properties identified under the name of Proyecto Minas de Pinto, located 30 km from Iglesia, in the Chita Valley in the Province of San Juan, Argentina. Included in Proyecto Minas de Pinto are the Arqueros, San Marcos, Estrellita, Paulita, Paulita II, Pierina II, Pierina III, San Pablo, San Urbano and Rosita II mining concessions covering 2,443 hectares.

Pursuant to the Minas de Pinto Agreement, the owners granted to the Company the irrevocable and exclusive right to evaluate, prospect and explore the properties using any method, and at the Company's sole discretion. In addition to the exploration rights, the owners granted to the Company an irrevocable and exclusive option to purchase a 100% ownership interest in these properties pursuant to certain terms and conditions stated in the Minas de Pinto Agreement. The Company made aggregate payments of US\$252,500 by the due dates in accordance with the Minas de Pinto Agreement.

On April 22, 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.

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 prior to November 7, 2020. The addendum modified the payment schedule and increased the total amount to be paid to US\$417,500.

Minsud Resources Corp.

Notes to the Consolidated Financial Statements

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6. Mineral Properties (continued)

Minas de Pinto Property (continued)

The following table summarizes the payments made and outstanding related to the Minas de Pinto property:

	\$US	Status
Initial Exploration Agreement	252,500	Paid
Minas de Pinto Trust	417,500	
April 24, 2014	50,000	Paid
May 7, 2015	50,000	Paid
December 7, 2015	50,000	Paid
May 7, 2016	57,500	Paid
May 8, 2017	35,000	Paid
November 7, 2017	35,000	Paid
May 7, 2018	35,000	
November 7, 2018	35,000	
May 7, 2019	35,000	
November 7, 2019	35,000	
Total Payments	<u>\$ 670,000</u>	
Minas de Pinto Trust (Paid)	<u>\$ 277,500</u>	
Minas de Pinto Trust (Outstanding)	<u>\$ 140,000</u>	

As at December 31, 2017, the Company had made six payments totalling US \$277,500 (\$349,249) related to the acquisition of the 50% interest in the Minas de Pinto Trust. As at December 31, 2017, the Company was in compliance with their staggered payments schedule. The remaining payments of US\$140,000 (\$175,364) have been accrued as property acquisition payable, the current portion of which is US\$70,000 (\$87,682).

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 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, 2017, the Company wrote off exploration expenses of \$6,497 (2016 - \$103,229), as it is focused on the exploration and evaluation of its other properties, and has no current plans to explore the San Antonio Property.

Minsud Resources Corp.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2017 and 2016

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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 year ended December 31, 2017, the Company issued the following:

- a) 6,500,000 units for proceeds of \$650,000 pursuant to a non-brokered private placement, of which \$143,000 was allocated to warrants (see note 8).

Each unit consists of one common share and one warrant. 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.

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).

- b) 9,449,000 units for proceeds of \$944,900 pursuant to a non-brokered private placement, of which \$241,894 was allocated to warrants (see note 8).

Each unit consists of one common share and one warrant. Each warrant entitles the holder to purchase one common share of the Company at a price of \$0.15 per share until November 29, 2019.

In connection with the private placement, the Company paid legal fees and expenses of \$4,730 of which \$1,211 was allocated to warrants (see note 8).

- c) 950,440 units to a vendor at a deemed price of \$0.10 per unit as settlement of accounts payable in the amount of \$95,044. Of this amount, \$24,711 was allocated to warrants (see note 8).

Each unit consists of one common share and one warrant. Each warrant entitles the holder to purchase one common share of the Company at a price of \$0.15 per share until December 28, 2019.

There was no gain or loss recognized on the settlement of the accounts payable.

Minsud Resources Corp.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2017 and 2016

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7. Issued Capital (continued)

During the year ended December 31, 2016, the Company issued the following:

- a) 10,000,000 units for proceeds of \$1,000,000 pursuant to a non-brokered private placement, of which \$135,937 was allocated to warrants (see note 8).

Each unit consists of one common share and one warrant. Each warrant entitles the holder to purchase one common share of the Company at a price of \$0.35 per share for a period of 24 months from the date of the private placement.

In connection with the private placement, the Company paid legal fees and expenses of \$3,000 of which \$408 was allocated to warrants (see note 8).

- b) 15,192,000 units for proceeds of \$1,519,200 pursuant to a non-brokered private placement, of which \$347,122 was allocated to warrants (see note 8).

Each unit consists of one common share and one warrant. Each warrant entitles the holder to purchase one common share of the Company at a price of \$0.15 per share for a period of 24 months from the date of the private placement.

In connection with the private placement, the Company paid legal fees and expenses of \$3,488 of which \$797 was allocated to warrants (see note 8).

- c) 1,561,300 units to two vendor at a deemed price of \$0.10 per unit as settlement of accounts payable in the amount of \$156,134. Of this amount, \$6,587 was allocated to warrants (see note 8).

Each unit consists of one common share and one warrant. Each warrant entitles the holder to purchase one common share of the Company at a price of \$0.15 per share for a period of 24 months from the date of the private placement.

Minsud Resources Corp.

Notes to the Consolidated Financial Statements

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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 (notes 7(a) and 7(b))	15,949,000	384,894	0.15
Issued as settlement for accounts payable (note 7(c))	950,440	24,711	0.15
Expired	(29,694,320)	(769,615)	(0.35)
Issuance costs (notes 7(a) and 7(b))		(3,458)	
Balance - December 31, 2017	<u>43,652,770</u>	<u>\$ 871,239</u>	<u>\$ 0.20</u>

During the year ended December 31, 2017, the Company:

- i) 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 inputs and assumptions:

Expected forfeiture rate	Nil
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	

Minsud Resources Corp.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2017 and 2016

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8. Warrants (continued)

- ii) Issued 9,449,000 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 November 29, 2019.

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

Expected forfeiture rate	Nil
Expected dividend yield	Nil
Risk-free interest rate	1.31%
Expected life	2 years
Expected volatility	98%
Share price	\$0.074

*Based on historical volatility of the Company's shares

- iii) Issued 950,440 warrants in connection with the settlement of accounts payable 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 December 28, 2019.

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

Expected forfeiture rate	Nil
Expected dividend yield	Nil
Risk-free interest rate	1.52%
Expected life	2 years
Expected volatility	99%
Share price	\$0.074

*Based on historical volatility of the Company's shares

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(All Amounts in Canadian Dollars Unless Otherwise Noted)

8. Warrants (continued)

During the year ended December 31, 2016, the Company:

- i) Issued 10,000,000 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 \$0.35 per share for a period of 24 months from the date of the private placement, provided that in the event that the 20 day closing price of the common shares on the TSX Venture Exchange or such other stock exchange that the common shares may be then listed on is greater than \$0.35, the Company shall be entitled to accelerate the exercise period of the warrants to a period of not less than 10 days after written notice is deemed to have been received by the holders of the warrants from the Company regarding same.

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

Expected forfeiture rate	Nil
Expected dividend yield	Nil
Risk-free interest rate	0.58%
Expected life	2 years
Expected volatility	90%
Share price	\$0.086
*Based on historical volatility of the Company's shares	

- ii) Issued 15,192,000 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 for a period of 24 months from the date of the private placement.

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

Expected forfeiture rate	Nil
Expected dividend yield	Nil
Risk-free interest rate	0.56%
Expected life	2 years
Expected volatility	88%
Share price	\$0.077
*Based on historical volatility of the Company's shares	

Minsud Resources Corp.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2017 and 2016

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8. Warrants (continued)

- iii) Issued 1,561,330 warrants in connection with the settlement of accounts payable 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 for a period of 24 months from the date of the private placement.

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

Expected forfeiture rate	Nil
Expected dividend yield	Nil
Risk-free interest rate	0.57%
Expected life	2 years
Expected volatility	55%
Share price	\$0.06
*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 December 31, 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	10,000,000	0.30	April 20, 2018
\$ 0.15	15,192,000	0.67	September 2, 2018
\$ 0.15	1,561,330	0.89	November 21, 2018
\$ 0.15	6,500,000	1.58	July 29, 2019
\$ 0.15	9,449,000	1.91	November 29, 2019
\$ 0.15	950,440	1.99	December 28, 2019
	<u>43,652,770</u>	<u>1.03</u>	

Minsud Resources Corp.

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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.

Minsud Resources Corp.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2017 and 2016

(All Amounts in Canadian Dollars Unless Otherwise Noted)

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 year:

	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>(3,700,000)</u>	<u>(0.36)</u>
Balance - December 31, 2016	9,585,000	\$ 0.10
Options expired	<u>(1,190,000)</u>	<u>(0.19)</u>
Balance - December 31, 2017	<u>8,395,000</u>	<u>\$ 0.10</u>

Minsud Resources Corp.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2017 and 2016

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9. Stock Option Plan (continued)

During the year ended December 31, 2016, the Company:

- a) Granted 4,150,000 stock options to directors, officers, employees and service providers. The options have an exercise price of \$0.10 per share and shall vest as follows: one-quarter on December 15, 2016, one-quarter on June 15, 2017, one-quarter on December 15, 2017 and one-quarter on June 15, 2018. The options have a term of five years.

The fair value of these options was estimated at the grant date based on the Black-Scholes pricing model, using the following weighted average inputs and assumptions:

Expected forfeiture rate	Nil
Expected dividend yield	Nil
Risk-free interest rate	0.62%
Expected life	5.0 years
Expected volatility	113%*
Share price	\$0.075

*Based on volatility of comparable companies

The fair value of stock options granted to non-employees was estimated using the Black-Scholes pricing model as the fair value of the services received could not be reliably measured.

- ii) Stock options outstanding at the end of the year:

Exercise Price	Options Vested	Options Unvested	Remaining Contractual Life (Years)	Expiry Date
\$ 0.10	405,000	-	0.76	October 3, 2018
\$ 0.10	780,000	-	1.36	May 12, 2019
\$ 0.10	830,000	-	1.89	November 20, 2019
\$ 0.10	2,380,000	-	2.96	December 14, 2020
\$ 0.10	3,000,000	1,000,000	3.96	December 15, 2021
	<u>7,395,000</u>	<u>1,000,000</u>	<u>3.07</u>	

As at December 31, 2017 the weighted average exercise price of options that had fully vested was \$0.10 (2016 - \$0.10). As at December 31, 2017, 5,450,169 stock options are available for issuance at the discretion of the Company's Board of Directors pursuant to the Company's 2011 Plan.

Minsud Resources Corp.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2017 and 2016

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10. Income Taxes

a) Income Taxes

	2017	2016
Loss before income taxes	\$ (545,932)	\$ (685,334)
Statutory rate (combined federal and provincial rate)	26.5%	26.5%
Expected income tax recovery at statutory rate	(144,672)	(181,614)
Non-deductible expenses	60,622	33,216
Expiry of non-capital losses in foreign jurisdiction and other adjustments	250,675	30,619
Share issuance costs incurred	(3,960)	(1,611)
Effects of foreign exchange differences	(10,850)	(27,924)
	151,815	(147,314)
Change in deferred tax assets not recognized	(151,815)	147,314
Net expected current and deferred income tax recovery	\$ -	\$ -

b) Deferred Income Tax Assets

The tax effects of temporary differences that give rise to the deferred income tax assets at December 31, 2017 and 2016 are as follows:

	2017	2016
Non-capital loss carry forwards	\$ 1,058,018	\$ 1,040,316
Share issuance costs and other	7,724	9,732
Transaction costs	242,364	242,364
Mineral properties	(460,789)	(293,280)
	847,317	999,132
Deferred tax assets not recognized	(847,317)	(999,132)
Net expected deferred income tax recovery	\$ -	\$ -

A valuation allowance has been applied against all of the above deferred income tax assets.

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10. Income Taxes (continued)

c) Non-Capital Losses

The Company has non-capital losses carried forward of approximately \$3,573,965 (2016 - \$3,472,685) available to reduce future years' taxable income. These losses will expire as follows:

	<u>Canada</u>	<u>Argentina</u>	<u>Total</u>
2018	-	117,918	117,918
2019	-	122,627	122,627
2020	-	270,680	270,680
2021	-	407,711	407,711
2022	-	385,988	385,988
2027	5,755	-	5,755
2028	20,965	-	20,965
2029	58,790	-	58,790
2030	34,533	-	34,533
2031	407,656	-	407,656
2032	269,700	-	269,700
2033	481,323	-	481,323
2034	322,587	-	322,587
2035	204,940	-	204,940
2036	254,033	-	254,033
2037	208,759	-	208,759
	<u>\$ 2,269,041</u>	<u>\$ 1,304,924</u>	<u>\$ 3,573,965</u>

Minsud Resources Corp.

Notes to the Consolidated Financial Statements

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11. Related Party Transactions and Balances

During the year ended December 31, 2017, the Company incurred the following related party transactions:

i) Transactions

- a) A total of \$140,000 of salary and directors' fees of MSA (2016 - \$140,000) was charged by the CEO of the Company.
- b) A total salary of \$78,015 (2016 - \$73,955) was charged by an individual related to the Company's CEO.
- c) A total of \$41,201 of accounting and regulatory compliance fees (2016 - \$41,228) and \$21,000 of CFO fees (2016 - \$21,000) was charged by an accounting firm in which the Company's CFO is a partner.
- d) A total of \$89,000 of professional fees (2016 - \$84,000) were charged by the Company's Vice-President (Exploration). These amounts have been capitalized to mineral properties.
- e) During the year ended December 31, 2016, the Company granted 3,200,000 stock options to key members of management. The amount of stock-based compensation expense for the year ended December 31, 2017, related to stock options granted to key members of management was \$125,168 (2016 - \$136,104).
- f) Director's fees of \$3,000 (2016 - \$10,000) were charged by members of the Company's Board of Directors.

ii) Year-end balances

- a) As at December 31, 2017, accounts payable and accrued liabilities included \$3,071 (2016 - \$Nil) payable to the Company's CEO.
- b) As at December 31, 2017, accounts payable and accrued liabilities included \$12,660 (2016 - \$12,660) payable to an accounting firm in which the Company's CFO is a partner.
- c) As at December 31, 2017, accounts payable and accrued liabilities included \$9,464 (2016 - \$10,053) payable to the Company's Vice-President (Exploration).
- d) As at December 31, 2017, accounts payable and accrued liabilities included \$62,700 (2016 - \$59,700) of accrued director's fees payable to members of the Company's Board of Directors.

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

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12. Financial Instruments

Fair Values

The carrying amounts for the Company's cash and cash equivalents, accounts payable and accrued liabilities, and other liabilities approximate their fair values because of the short-term nature of these items. The carrying amount of the Company's property acquisition payable and trust acquisition payable are not materially different from the present value of the future cash flows related to the settlement of the liability.

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

Credit Risk

The Company is not exposed to any significant credit risk as at December 31, 2017. The Company's cash and cash equivalents are on deposit with highly rated financial institutions in Canada and Argentina. The Company's other receivables represent refundable sales taxes paid to the government of Canada.

Liquidity Risk

Liquidity risk is the risk that an entity will not be able to meet its financial obligations as they come due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2017, the Company has current assets of \$614,531 (2016 - \$994,847) and current liabilities of \$403,785 (2016 - \$485,695). All of the Company's current financial assets and liabilities, with the exception of the current portion of property acquisition payable, have contractual maturities of less than 30 days and are subject to normal trade terms. Of the outstanding balance of trust acquisition payable, \$43,841 is due in May 2018 and \$43,841 is due in November 2018. The Company has working capital as at December 31, 2017 of \$210,746 (2016 - \$509,152).

Market Risk

Market risk is the risk that changes in market prices and interest rates will affect the Company's net earnings or the value of financial instruments. These risks are generally outside the control of the Company. The objective of the Company is to mitigate market risk exposures within acceptable limits, while maximizing returns. In order to mitigate these risks, the Company invests in financial instruments with varying maturities and interest rates based on the Company's expected working capital requirements. The Company's market risk consists of risks from changes in foreign exchange rates, interest rates and market prices that affect its financial liabilities, financial assets and future transactions.

Interest rate risk

The Company has cash and cash equivalents balances and it has no interest-bearing debt. The Company's exposure to interest rate risk is minimal as it does not hold any investments or debt that is subject to interest rate fluctuations.

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12. Financial Instruments (continued)

Foreign currency risk

The Company has cash and cash equivalents and accounts payable and accrued liabilities denominated in Argentinean Pesos. The carrying value of these items may change due to fluctuations in foreign exchange rates. The Company's obligations pursuant to the various mineral property agreements are denominated in United States Dollars. As the Company ordinarily raises capital through the issuance of common shares and warrants in Canadian Dollars, the Company is exposed to risk due to fluctuations in the foreign exchange rate between the United States Dollar and the Canadian Dollar and between the Argentinean Peso and the United States Dollar.

Sensitivity Analysis

As at December 31, 2017, cash and cash equivalents includes AR\$625,363 and US\$494, accounts payable and accrued liabilities includes AR\$1,040,307 and US\$4,000, and trust acquisition payable includes US\$140,000.

At December 31, 2017, if the Canadian Dollar had weakened (strengthened) 10 percent against the United States Dollar with all other variables held constant, the net loss for the year would have been \$18,003 higher (lower). If the Canadian Dollar had weakened (strengthened) 10 percent against the Argentinean Peso with all other variables held constant, the net loss for the year would have been \$2,787 lower (higher). If the Canadian Dollar had weakened 10 percent against the Argentinean Peso with all other variables held constant, other comprehensive loss would have been \$696,724 lower and if the Canadian Dollar had strengthened 10 percent against the Argentinean Peso with all other variables held constant, other comprehensive loss would have been \$696,724 higher.

13. Capital Disclosures

The Company includes equity, comprised of issued capital stock, contributed surplus and deficit, in the definition of capital.

The Company's objectives when managing capital are as follows:

- (i) to safeguard the Company's assets and ensure the Company's ability to continue as a going concern;
- (ii) to raise sufficient capital to finance its exploration and development activities on its mineral properties and to meet the financing obligations pursuant to various Exploration and Option agreements;
- (iii) to raise sufficient capital to meet its general and administrative expenditures.

The Company manages its capital structure and makes adjustments to it, based on the general economic conditions, the Company's short term working capital requirements, and its planned exploration and development program expenditure requirements. As the Company is in the exploration and evaluation stage, its principal source of capital is from the issuance of common shares. In order to achieve its objectives, the Company expects to spend its existing working capital and raise additional funds as required.

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13. Capital Disclosures (continued)

The Company does not have any externally imposed capital requirements.

There were no changes to the Company's approach to capital management during the years ended December 31, 2017 and 2016.

14. Segmental Reporting

The Company has identified one distinguishable reportable business segment, the acquisition and exploration and evaluation of mineral properties located in Argentina, and two geographical segments, Canada and Argentina. The Company's non-current assets and net loss relate to the following areas:

	<u>As at December 31, 2017</u>			<u>As at December 31, 2016</u>		
	<u>Canada</u>	<u>Argentina</u>	<u>Total</u>	<u>Canada</u>	<u>Argentina</u>	<u>Total</u>
Non-current Assets	<u>\$ -</u>	<u>\$7,801,802</u>	<u>\$7,801,802</u>	<u>\$ -</u>	<u>\$7,902,515</u>	<u>\$7,902,515</u>
Current assets	<u>\$ 518,419</u>	<u>\$ 96,112</u>	<u>\$ 614,531</u>	<u>\$ 934,540</u>	<u>\$ 60,307</u>	<u>\$ 994,847</u>
Non-current Liabilities	<u>\$ -</u>	<u>\$ 87,682</u>	<u>\$ 87,682</u>	<u>\$ -</u>	<u>\$ 174,772</u>	<u>\$ 174,772</u>
Current Liabilities	<u>\$ 146,437</u>	<u>\$ 257,348</u>	<u>\$ 403,785</u>	<u>\$ 174,046</u>	<u>\$ 311,649</u>	<u>\$ 485,695</u>
Working capital (deficiency)	<u>\$ 371,982</u>	<u>\$ (161,236)</u>	<u>\$ 210,746</u>	<u>\$ 760,494</u>	<u>\$ (251,342)</u>	<u>\$ 509,152</u>
	<u>Year Ended December 31, 2017</u>			<u>Year ended December 31, 2016</u>		
	<u>Canada</u>	<u>Argentina</u>	<u>Total</u>	<u>Canada</u>	<u>Argentina</u>	<u>Total</u>
Net loss	<u>\$ (189,999)</u>	<u>\$ (355,933)</u>	<u>\$ (545,932)</u>	<u>\$ (427,915)</u>	<u>\$ (257,419)</u>	<u>\$ (685,334)</u>

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15. 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 be 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 terminate the agreement without cause, the President and CEO would be 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 expired December 31, 2017 and contained provisions similar to those included in the services agreement that expired December 31, 2016.

On February 12, 2018, 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 continues in effect until December 31, 2018 and contains provisions similar to those included in the services agreement that expired December 31, 2017.

- b) 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 related to the Company's mineral properties are disclosed in note 6.