
Consolidated Financial Statements

Minsud Resources Corp.

For the Years Ended December 31, 2018, and 2017

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Minsud Resources Corp.

Opinion

We have audited the consolidated financial statements of Minsud Resources Corp., (the Group), which comprise the consolidated statements of financial position as at December 31, 2018 and December 31, 2017 and the consolidated statements of comprehensive income (loss), changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2018 and December 31, 2017 in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

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. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the Management and Discussion Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Mark Jakovcic.

RSM Canada LLP

Chartered Professional Accountants
Licensed Public Accountants
April 30, 2019
Toronto, Ontario

Minsud Resources Corp.

Consolidated Statements of Comprehensive Income (Loss)
For the Years Ended December 31, 2018 and 2017
(All Amounts in Canadian Dollars Unless Otherwise Noted)

	2018	2017
Expenses		
General and administrative	\$ 31,080	\$ 51,162
Directors' fees (note 11(f))	(64,200)	3,000
Marketing and communications	13,340	12,527
Professional and regulatory fees	292,889	304,692
Stock-based compensation (note 9)	17,984	165,546
Taxes on ownership of subsidiary	14,600	4,130
Hyperinflation - monetary loss	75,801	-
Write-off of mineral properties (note 6)	6,134	6,467
Less:		
Interest income	(1,348)	(1,592)
Net Loss for the Year	(386,280)	(545,932)
Other Comprehensive Income (Loss)		
Items that may be reclassified to profit and loss:		
Currency translation adjustment	(4,929,993)	(1,606,645)
Hyperinflation Adjustment (note 3(c))	9,723,015	-
Comprehensive Income (Loss) for the Year	\$ 4,406,742	\$ (2,152,577)
Income (Loss) per Share - basic and diluted	\$ 0.00	\$ 0.00
Weighted Average Number of Common Shares Outstanding - basic and diluted	143,006,379	125,230,662
Net Income (Loss) for the Year Attributable to:		
Non-controlling interest	\$ (979)	\$ (836)
Equity shareholders of the Company	(385,301)	(545,096)
	\$ (386,280)	\$ (545,932)
Comprehensive Income (Loss) for the Year Attributable to:		
Non-controlling interest	\$ (21,290)	\$ (8,422)
Equity shareholders of the Company	4,428,028	(2,144,155)
	\$ 4,406,738	\$ (2,152,577)

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)

	2018	2017
Assets		
Non-Current Assets		
Mineral properties (note 6)	\$ 12,974,827	\$ 7,776,375
Property and equipment (note 5)	20,908	25,427
	<u>12,995,735</u>	<u>7,801,802</u>
Current Assets		
Cash and cash equivalents	272,578	525,517
Prepaid expenses and deposits	28,660	54,156
Other receivables	131,054	34,858
	<u>432,292</u>	<u>614,531</u>
	<u>\$ 13,428,027</u>	<u>\$ 8,416,333</u>
Shareholders' Equity		
Issued capital (notes 1 and 7)	\$ 17,456,648	\$ 16,896,697
Contributed surplus (notes 1, 8 and 9)	5,593,873	5,359,146
Accumulated other comprehensive income (loss)	(3,424,646)	(8,233,676)
Deficit	(6,515,484)	(6,129,157)
Equity attributable to shareholders of the Company	<u>13,110,391</u>	<u>7,893,010</u>
Non-controlling interest (note 1)	47,838	31,856
	<u>13,158,229</u>	<u>7,924,866</u>
Liabilities		
Non-Current Liabilities		
Trust acquisition payable (note 6)	-	87,682
Current Liabilities		
Accounts payable and accrued liabilities	135,587	216,312
Current portion of trust acquisition payable (note 6)	95,396	87,682
Other liabilities	38,815	99,791
	<u>269,798</u>	<u>403,785</u>
	<u>\$ 13,428,027</u>	<u>\$ 8,416,333</u>
Business of the Company (note 1)		
Going Concern (note 2(c))		
Commitments (notes 6 and 15)		
Subsequent Event (note 16)		

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 Statements of Changes in Equity

For the Years Ended December 31, 2018 and 2017

(All Amounts in Canadian Dollars Unless Otherwise Noted)

	Number of Common Shares	Issued Capital	Contributed Surplus	Cumulative Translation Reserve	Deficit	Non- Controlling Interest	Total Equity
Balance at January 1, 2018	138,451,694	\$16,896,697	\$ 5,359,146	\$ (8,233,676)	\$(6,129,157)	\$ 31,856	\$ 7,924,866
Loss for the year attributable to shareholders of the Company	-	-	-	-	(385,301)	-	(385,301)
Loss for the year attributable to non-controlling interests	-	-	-	-	-	(979)	(979)
Other comprehensive income for the year	-	-	-	4,813,333	-	(20,311)	4,793,022
Total comprehensive loss for the year	138,451,694	16,896,697	5,359,146	(3,420,343)	(6,514,458)	10,566	12,331,608
Private placement proceeds (note 7)	8,230,000	602,436	220,564	-	-	-	823,000
Unit issuance costs (note 7)	-	(10,514)	(3,849)	-	-	-	(14,363)
Continued vesting of stock options (note 9)	-	-	17,984	-	-	-	17,984
Effects of change in non-controlling interest (note 1)	-	(31,971)	28	(4,303)	(1,026)	37,272	-
Balance at December 31, 2018	146,681,694	\$17,456,648	\$ 5,593,873	\$ (3,424,646)	\$(6,515,484)	\$ 47,838	\$13,158,229

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

Minsud Resources Corp.

Consolidated Statements of Changes in Equity

For the Years Ended December 31, 2018 and 2017

(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 year attributable to shareholders of the Company	-	-	-	-	(545,096)	-	(545,096)
Loss for the year attributable to non-controlling interests	-	-	-	-	-	(836)	(836)
Other comprehensive income for the year	-	-	-	(1,599,059)	-	(7,586)	(1,606,645)
Total comprehensive loss for the year	121,552,254	15,614,345	4,787,368	(8,223,355)	(6,125,708)	31,668	6,084,318
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)
Continued vesting of stock options (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	138,451,694	\$16,896,697	\$ 5,359,146	\$(8,233,676)	\$(6,129,157)	\$ 31,856	\$ 7,924,866

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

Minsud Resources Corp.

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2018 and 2017

(All Amounts in Canadian Dollars Unless Otherwise Noted)

	2018	2017
Cash Provided By (Used In):		
Operating Activities		
Net loss for the year	\$ (386,280)	\$ (545,932)
Items not affecting cash flows from operating activities:		
Hyperinflation - monetary loss	75,801	-
Reversal of directors fees (note 11)	(64,200)	-
Items not affecting cash:		
Stock-based compensation	17,984	165,546
Mineral property write-offs	6,134	6,467
	<u>(350,561)</u>	<u>(373,919)</u>
Net changes in non-cash working capital:		
Other receivables	(10,553)	410
Accounts payable and accrued liabilities	15,722	(14,915)
	<u>(345,392)</u>	<u>(388,424)</u>
Financing Activities		
Issuance of units	823,000	1,594,900
Share issuance costs	(14,363)	(14,942)
	<u>808,637</u>	<u>1,579,958</u>
Investing Activities		
Mineral property expenditures	(712,395)	(1,596,102)
Purchase of property and equipment	(3,789)	(925)
	<u>(716,184)</u>	<u>(1,597,027)</u>
Change in Cash and Cash Equivalents	(252,939)	(405,493)
Cash and Cash Equivalents - Beginning of Year	<u>525,517</u>	<u>931,010</u>
Cash and Cash Equivalents - End of Year	<u>\$ 272,578</u>	<u>\$ 525,517</u>
Supplemental Cash Flow Information		
Interest received	<u>\$ 1,348</u>	<u>\$ 1,592</u>
Significant Non-Cash Transactions Not Disclosed Above		
Common shares issued pursuant to settlement of accounts payable	<u>\$ -</u>	<u>\$ 70,333</u>
Warrants issued pursuant to settlement of accounts payable	<u>\$ -</u>	<u>\$ 24,711</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, 2018 and 2017

(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"), 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. See also the discussion of Hyperinflation discussed under "Newly Adopted Accounting Policies" discussed later in note 3.

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 at December 31, 2018, MAI held 136,951,699 of the 137,494,299 outstanding common shares of MSA, representing an ownership interest of 99.61%, of which 15,000,000 common shares were subscribed for during the year ended December 31, 2018 (2017 - 30,000,000) through cash payments and intercompany loans. As at December 31, 2017, MAI held 121,951,699 of the 122,494,299 outstanding common shares of MSA, representing an ownership interest of 99.56%. As at December 31, 2018, the 542,600 shares of MSA not owned by MAI represented a non-controlling interest of 0.39% (December 31, 2017 - 0.44%).

Minsud Resources Corp.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2018 and 2017

(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 30, 2019.

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 an investee 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 align their accounting policies 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 Consolidated Financial Statements

For the Years Ended December 31, 2018 and 2017

(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, 2018, the Company incurred a net loss of \$386,280 (2017 - \$545,932) and as of that date, the Company's deficit was \$6,515,484 (December 31, 2017 - \$6,129,157). As at December 31, 2018, the Company has current assets of \$432,292 (December 31, 2017 - \$614,531) and current liabilities of \$269,798 (December 31, 2017 - \$403,785). The Company has working capital of \$162,494 as at December 31, 2018 (December 31, 2017 - \$210,746).

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 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, 2018 and 2017

(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, 2018 and 2017

(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.

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.

Minsud Resources Corp.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2018 and 2017

(All Amounts in Canadian Dollars Unless Otherwise Noted)

3. Significant Accounting Policies (continued)

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 MAI'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 (loss) and accumulated as currency translation reserve in shareholders' equity shall be reclassified from equity to profit or loss upon disposal of MSA.

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.

See also the discussion of Hyperinflation discussed under "Newly Adopted Accounting Policies" discussed later in note 3.

Minsud Resources Corp.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2018 and 2017

(All Amounts in Canadian Dollars Unless Otherwise Noted)

3. Significant Accounting Policies (continued)

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 relative fair value using the Black-Scholes pricing model to determine the value of the warrants. 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.

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, 2018 and 2017, 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.

Minsud Resources Corp.

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For the Years Ended December 31, 2018 and 2017

(All Amounts in Canadian Dollars Unless Otherwise Noted)

3. Significant Accounting Policies (continued)

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.

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.

Newly Adopted Accounting Policies

The following accounting policies were newly adopted during the year ended December 31, 2018:

a) Financial Instruments

IFRS 9 financial instruments ("IFRS 9") replaced IAS 39, Financial Instruments: recognition and Measurement. IFRS 9 includes guidance on classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets and new general hedging requirements. The Company adopted IFRS 9 as of January 1, 2018 on a modified retrospective basis.

i) Classification and measurement of financial assets and financial liabilities

IFRS 9 requires financial assets to be classified into three measurement categories on initial recognition: fair value through profit and loss ("FVTPL"), fair value through other comprehensive income ("FVOCI"), or amortized cost. Investments in equity instruments are required to be measured by default at FVTPL. IFRS 9 permit entities to elect into an irrevocable option for equity instruments to report changes in fair value in other comprehensive income.

Classification and measurement of financial assets is dependent on the entity's business model for managing the financial assets and related contractual cash flows. IFRS 9 retains most of the requirements of IAS 39 related to classification and measurement of financial liabilities.

Minsud Resources Corp.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2018 and 2017

(All Amounts in Canadian Dollars Unless Otherwise Noted)

3. Significant Accounting Policies (continued)

Newly Adopted Accounting Policies (continued)

a) Financial Instruments (continued)

i) Classification and measurement of financial assets and financial liabilities (continued)

The following table summarizes the impact of the adoption of IFRS 9 on the classification of the Company's financial assets and liabilities:

Asset/Liability	Classification under IAS 39	Classification under IFRS 9
Other receivables	Loans and receivables	Amortized cost
Cash and cash equivalents	Loans and receivables	Amortized cost
Trust acquisition payable	Other liabilities at amortized cost	Amortized cost
Other liabilities	Other liabilities at amortized cost	Amortized cost
Accounts payable and accrued liabilities	Other liabilities at amortized cost	Amortized cost

ii) Impairment

IFRS 9 introduces a three-stage expected credit loss ("ECL") model for determining impairment of financial assets. The expected credit loss model does not require the occurrence of a triggering event before an entity recognizes credit losses. IFRS 9 requires an entity to recognize expected credit losses upon initial recognition of a financial asset and to update the quantum of expected credit losses at the end of each reporting period to reflect changes to credit risk of the financial asset. The adoption of the ECL model did not have a material impact on the Company's consolidated financial statements.

b) Revenue

IFRS 15 Revenue from Contracts with Customers, ("IFRS 15") replaced all preexisting guidance, including, but not limited to IAS 11 Construction Contracts, IAS 18 Revenue, and IFRIC 15 Agreements for the Construction of Real Estate in IFRS related to revenue. IFRS 15 contains a single control based model (the "model") that applies to contracts with customers and allows entities to recognize revenue at a point in time or overtime. The model consists of a 5 step analysis of transactions to determine whether, how much, and when revenue is recognized. IFRS 15 also includes additional requirements for revenue accounted for under the standard. Adoption of IFRS 15 as of January 1, 2018 did not have an impact on the Company's financial statements.

Minsud Resources Corp.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2018 and 2017

(All Amounts in Canadian Dollars Unless Otherwise Noted)

3. Significant Accounting Policies (continued)

Newly Adopted Accounting Policies (continued)

c) Hyperinflation

During the year ended December 31, 2018, the economic environment in Argentina experienced the acceleration of multiple local inflation indices, a three-year cumulative inflation rate of the local Argentine wholesale price index exceeding 100% in May 2018, and the significant devaluation of the Argentine Peso. As such, Argentina has been designated a hyper-inflationary economy as of July 1, 2018. The functional currency of MSA is the Argentine Peso and the provisions of IAS 29, Financial Reporting in Hyper-Inflationary Economies, ("IAS 29") have been adopted and applied to these consolidated financial statements prospectively, as of July 1, 2018. The Company also followed the interpretive guidance within IFRIC 7, Applying the Restatement Approach under IAS 29 Financial Reporting in Hyper-Inflationary Economies ("IFRIC 7"), as it pertains to the first time adoption of IAS 29. The Company has prepared these consolidated financial statements on the historical cost approach within IAS 29.

IAS 29 applies to the financial statements of an entity whose functional currency is the currency of a hyperinflationary economy. The designation of an economy as hyperinflationary involves the assessment of several factors and requires the Company to make certain estimates and judgments, such as the assessment of historic inflation rates and anticipation of future trends. Changes in such estimates may significantly impact the carrying value of the Company's non-monetary assets or liabilities, and results of operations that are subject to hyper-inflationary adjustments, and the related gains and losses with the consolidated statements of income (loss) and comprehensive income (loss).

To measure the impact of inflation on its financial position and results, the Company has elected to use the Wholesale Price Index (Indice de Precios Mayoristas or "IPIM") for periods up to December 31, 2016, and the Retail Price Index (Indice de Precios al Consumidor or "IPC") thereafter. These price indices have been recommended by the Government Board of the Argentine Federation of Professional Councils of Economic Sciences ("FACPCE").

As a result of the change in the IPC during the period, MSA recognized a net expense of \$75,801, to adjust transactions recorded during the period into a measuring unit current as of December 31, 2018. The level of the IPC at December 31, 2018 was 184.2, which represents an increase of 27% over the IPC at July 1, 2018, and an approximate 10% increase over the average level of the IPC during the period.

The application of hyperinflation accounting requires restatement of the Argentine subsidiary's non-monetary assets and liabilities, shareholders' equity and comprehensive loss items from the transaction date when they were first recognized into the current purchasing power which reflects a price index current at the end of the reporting period before being included in the consolidated financial statements. The resulting financial information is considered to be more meaningful, relevant and representative of a measuring unit current as of the reporting date. To measure the impact of inflation on its financial position and results, the Company has elected to use price indices that have been recommended by the Government Board of the Argentine Federation of Professional Councils of Economic Sciences ("FACPCE").

Minsud Resources Corp.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2018 and 2017

(All Amounts in Canadian Dollars Unless Otherwise Noted)

3. Significant Accounting Policies (continued)

Newly Adopted Accounting Policies (continued)

c) Hyperinflation (continued)

The Company, which uses the Canadian Dollar, a stable currency, as its presentation currency has applied IAS 29 on a prospective basis, without restatement of comparative and prior period balances. Accordingly, upon adoption of IAS 29, the Company immediately recognized an adjustment (the "Opening Hyperinflation Adjustment") for the restatement of opening non-monetary assets held by MSA in the amount of \$7,480,143, to reflect the cumulative effects of inflation from the historical dates when they were first recognized to July 1, 2018. The Company has elected, as an accounting policy choice, to recognize the Opening Hyperinflationary Adjustment as an item of other comprehensive income, where it has been combined with the cumulative foreign currency translation adjustments on the consolidated statement of financial position. For the period from July 1, 2018 to December 31, 2018, the Company recognized a gain of \$2,242,872 within other comprehensive income due to the impact of hyperinflation. This amount is primarily the result of further changes to the carrying values of the non-monetary assets owned by MSA from July 1, 2018, as restated by way of the Opening Hyperinflation Adjustment, to December 31, 2018 as a result of hyperinflation.

The comparative period amounts included in these consolidated financial statements do not require restatement as they were presented previously in a stable currency, the Canadian Dollar.

Minsud Resources Corp.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2018 and 2017

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3. Significant Accounting Policies (continued)

Future Accounting Pronouncements

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 year 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 year. 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 being hyperinflationary. Management has determined that judgments, estimates and assumptions reflected in these consolidated financial statements are reasonable.

Minsud Resources Corp.

Notes to the Consolidated Financial Statements

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(All Amounts in Canadian Dollars Unless Otherwise Noted)

5. Property and Equipment

As at December 31, 2018

	Vehicles	Office Equipment	Other	Total
Cost				
Balance, beginning of year	\$ 59,471	\$ 12,801	\$ 911	\$ 73,183
Additions	-	3,687	102	3,789
Currency translation adjustments	(19,954)	(4,556)	(179)	(24,689)
Effects of hyperinflation (note 3c)	59,103	22,895	2,183	84,181
Balance, end of year	98,620	34,827	3,017	136,464
Accumulated depreciation				
Balance, beginning of year	(37,363)	(9,610)	(783)	(47,756)
Depreciation	(5,363)	(1,450)	(39)	(6,852)
Currency translation adjustments	12,113	2,051	112	14,276
Effects of hyperinflation (note 3c)	(51,914)	(21,313)	(1,997)	(75,224)
Balance, end of year	(82,527)	(30,322)	(2,707)	(115,556)
Net carrying amount as at December 31, 2018	\$ 16,093	\$ 4,505	\$ 310	\$ 20,908

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

Depreciation expense has been capitalized to mineral properties.

Minsud Resources Corp.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2018 and 2017

(All Amounts in Canadian Dollars Unless Otherwise Noted)

6. Mineral Properties

As at December 31, 2018	San Juan Province Chita Valley			Santa Cruz Province			TOTAL
	Chita	Brechas Vacas	Minas de Pinto	La Rosita	San Antonio	Other	
Balance, beginning of year	\$ 5,330,162	\$ 1,032,452	\$ 945,334	\$ 462,807	\$ -	\$ 5,620	\$ 7,776,375
Property rights/exploration agreements	-	88,076	105,830	-	-	-	193,906
Exploration	12,516	149,973	147,687	6,040	6,013	868	323,097
Write-offs	-	-	-	-	(6,013)	-	(6,013)
Currency translation adjustments	(1,651,659)	(280,116)	(339,200)	(131,360)	-	(2,546)	(2,404,881)
Effects of hyperinflation (note 3c)	3,981,523	1,591,416	1,014,708	501,267	-	3,429	7,092,343
Balance, end of year	\$ 7,672,542	\$ 2,581,801	\$ 1,874,359	\$ 838,754	\$ -	\$ 7,371	\$ 12,974,827

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	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

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.

On 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.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2018 and 2017

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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 "Initial 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 Initial 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.

MSA has also agreed to pay semi-annual contingency staggered payments for a total of US\$740,000 in cash and US\$40,000 payable in shares of the Company 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 issuance of a number of common shares of the Company equal to US\$200,000. The issuance of common shares would be subject to the approval of the TSX Venture Exchange and would be issued at the market price 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.

Notes to the Consolidated Financial Statements

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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:

	<u>\$US</u>	<u>Shares</u>	<u>Status</u>
Initial Exploration Agreement	\$ 240,000	-	Paid
Option Exercise (First 50%)	210,000	-	Paid
Brechas Vacas Trust (paid)	410,000	40,000	Paid
Brechas Vacas Trust (outstanding)	330,000	-	
Total Payments	<u>\$ 1,190,000</u>	<u>40,000</u>	

As at December 31, 2018, the Company made cash payments totaling US\$410,000 (\$482,843) and issued 629,000 common shares of the Company related to fourteen installments to the BV Owners pursuant to the terms of the Option. As at December 31, 2018, the Company was in compliance with their staggered payments schedule. The contingency payments still outstanding but not overdue, amount to US\$330,000.

Minas de Pinto Property

On May 7, 2010, the Company, through MSA, entered into an Exploration Agreement including a Purchase Option (the "Initial 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 the 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 respective due dates in accordance with the Initial 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.

Minsud Resources Corp.

Notes to the Consolidated Financial Statements

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6. Mineral Properties (continued)

Minas de Pinto Property (continued)

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.

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

	<u>\$US</u>	<u>Status</u>
Initial Exploration Agreement	\$ 252,500	Paid
Minas de Pinto Trust (paid)	347,500	Paid
Minas de Pinto Trust (outstanding)	<u>70,000</u>	
Total Payments	<u>\$ 670,000</u>	

As at December 31, 2018, the Company had made eight payments totaling US \$347,500 (\$440,077) related to the acquisition of the 50% interest in the Minas de Pinto Trust. As at December 31, 2018, the Company was in compliance with their staggered payments schedule. The remaining payments of US\$70,000 (\$95,396) have been accrued as the current portion of property acquisition payable.

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 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 period ended December 31, 2018, the Company wrote off exploration expenses of \$6,013 (2017 - \$6,497), as it is focused on the exploration and evaluation of the other properties, and has no current plans to explore the San Antonio Property.

Minsud Resources Corp.

Notes to the Consolidated Financial Statements

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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, 2018 the Company issued 8,230,000 units (pursuant to a non-brokered private placement) for proceeds of \$823,000 of which \$220,564 was allocated to warrants (see note 8). Each unit consisted of one common share of the Company and one common share purchase warrant.

The common shares issued pursuant to the non-brokered private placement were subject to a four month hold period that expired October 14, 2018.

In connection with the private placement, the Company paid legal fees and expenses of \$14,363 of which \$3,849 was allocated to warrants (see note 8).

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

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8. Warrants

	Number	Amount	Weighted Average Exercise Price
Balance - January 1, 2017	56,447,650	\$ 1,234,707	\$ 0.30
Expired	(29,694,320)	(769,615)	(0.35)
Issued for cash	15,949,000	384,894	0.15
Issued as settlement for accounts payable	950,440	24,711	0.15
Issuance costs	-	(3,458)	-
Balance - December 31, 2017	43,652,770	\$ 871,239	\$ 0.20
Issued for cash	8,230,000	220,564	0.15
Expired	(26,753,330)	(489,646)	(0.22)
Issuance costs	-	(3,849)	-
Balance - December 31, 2018	25,129,440	\$ 598,308	\$ 0.15

During the year ended December 31, 2018, 26,753,330 warrants expired un-exercised.

During the year ended December 31, 2018, the Company issued 8,230,000 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 June 13, 2020.

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	1.70%
Expected life	2 years
Expected volatility	102%
Share price	\$0.073
*Based on historical volatility of the Company's shares	

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.

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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	

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, 2018, 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>
\$ 0.15	6,500,000	0.57	July 27, 2019
\$ 0.15	9,449,000	0.91	November 29, 2019
\$ 0.15	950,440	0.99	December 28, 2019
\$ 0.15	<u>8,230,000</u>	<u>1.45</u>	June 13, 2020
	<u>25,129,440</u>	<u>1.00</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.

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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, 2017	9,585,000	\$ 0.10
Options expired	(1,190,000)	(0.19)
Balance - December 31, 2017	8,395,000	0.10
Options expired	(405,000)	(0.10)
Balance - December 31, 2018	<u>7,990,000</u>	<u>\$ 0.10</u>

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

Exercise Price	Options Vested	Options Unvested	Remaining Contractual Life (Years)	Expiry Date
\$ 0.10	780,000	-	0.36	May 12, 2019
\$ 0.10	830,000	-	0.89	November 20, 2019
\$ 0.10	2,380,000	-	1.96	December 14, 2020
\$ 0.10	4,000,000	-	2.96	December 15, 2021
	<u>7,990,000</u>	<u>-</u>	<u>2.19</u>	

As at December 31, 2018 the weighted average exercise price of options that had fully vested was \$0.10. As at December 31, 2018, 6,678,169 stock options are available for issuance at the discretion of the Company's Board of Directors pursuant to the Company's 2011 Plan. Stock-based compensation expense of \$17,984 for the year ended December 31, 2018 and \$165,546 for the year ended December 31, 2017 relate to the continued vesting of stock options granted during the years ended December 31, 2016 and 2015. As at December 31, 2018, the exercise price of these options was below the market price of the Company's common shares.

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10. Income Taxes

a) Income Taxes

	2018	2017
Loss before income taxes	\$ (386,280)	\$ (545,932)
Statutory rate (combined federal and provincial rate)	26.5%	26.5%
Expected income tax recovery at statutory rate	(102,364)	(144,672)
Non-deductible expenses	42,812	60,622
Expiry of non-capital losses in foreign jurisdiction and other adjustments	(40,612)	250,675
Share issuance costs incurred	(3,806)	(3,960)
Effects of foreign exchange differences	(3,761)	(10,850)
Change in future tax rates	63,825	-
	(43,906)	151,815
Change in deferred tax assets not recognized	43,906	(151,815)
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, 2018 and 2017 are as follows:

	2018	2017
Non-capital loss carry forwards	\$ 939,250	\$ 1,058,018
Share issuance costs and other	6,601	7,724
Transaction costs	242,364	242,364
Mineral properties	(219,368)	(460,789)
	968,847	847,317
Deferred tax assets not recognized	(968,847)	(847,317)
Net expected deferred income tax recovery	\$ -	\$ -

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

Minsud Resources Corp.

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10. Income Taxes (continued)

c) Non-Capital Losses

The Company has non-capital losses carried forward of approximately \$3,456,047 (2018 - \$3,573,965) available to reduce future years' taxable income. These losses will expire as follows:

	<u>Canada</u>	<u>Argentina</u>	<u>Total</u>
2019	-	65,996	65,996
2020	-	145,676	145,676
2021	-	219,425	219,425
2022	-	207,734	207,734
2023	-	223,871	223,871
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
2038	135,878	-	135,878
	<u>\$ 2,404,919</u>	<u>\$ 862,702</u>	<u>\$ 3,267,621</u>

11. Related Party Transactions and Balances

During the year ended December 31, 2018, the Company incurred the following related party transactions:

i) Transactions

- A total of \$140,000 of salary and directors' fees of MSA (2017 - \$140,000) was charged by the CEO of the Company.
- A total salary of \$78,647 (2017 - \$78,015) was charged by an individual related to the Company's CEO.
- A total of \$41,053 (2017 - \$41,201) of accounting and regulatory compliance fees and \$21,000 (2017 - \$21,000) of CFO fees was charged by an accounting firm in which the Company's CFO is a partner.
- A total of \$84,000 (2017 - \$89,000) of professional fees and \$7,224 (2017 - \$12,555) of mineral property exploration expenses were charged by the Company's Vice-President (Exploration). These amounts have been capitalized to mineral properties.

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11. Related Party Transactions and Balances (continued)

- e) The amount of stock-based compensation expense for the year ended December 31, 2018 related to the continued vesting of stock options issued to key members of management was \$17,984 (2017 - \$125,168).
 - f) Pursuant to a decision made by the Company's Board of Directors on November 16, 2018, accrued director's fees in the amount of \$67,200 was reversed during the year ended December 31, 2018, resulting a net expense recovery of \$64,200 for the year ended December 31, 2018. During the year ended December 31, 2017, director's fees of \$3,000 were charged by the Company's Board of Directors.
- ii) Year-end balances
- a) As at December 31, 2018, accounts payable and accrued liabilities included \$5,152 (2017 - \$3,071) payable to the CEO of the Company.
 - b) As at December 31, 2018, accounts payable and accrued liabilities included \$26,168 (2017 - \$12,660) payable to an accounting firm in which the Company's CFO is a partner.
 - c) As at December 31, 2018, accounts payable and accrued liabilities included \$7,910 (2017 - \$9,464) payable to the Company's Vice-President (Exploration).

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

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 trust acquisition payable is 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, 2018. 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.

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12. Financial Instruments (continued)

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, 2018, the Company has current assets of \$432,292 (2017 - \$614,531) and current liabilities of \$269,798 (2017 - \$403,785). All of the Company's current financial assets and liabilities, with the exception of the current portion of trust 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, \$47,698 is due in May 2019 and \$47,698 is due in November 2019. The Company has working capital as at December 31, 2018 of \$162,494 (2017 - \$210,746).

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.

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.

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12. Financial Instruments (continued)

Sensitivity Analysis

As at December 31, 2018, cash and cash equivalents includes 570,223 Argentinean Pesos and 1,447 United States Dollars, other receivables includes 2,369,210 Argentinean Pesos, accounts payable and accrued liabilities includes 1,234,925 Argentinean Pesos, and trust acquisition payable includes 70,000 United States Dollars.

At December 31, 2018, 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 \$9,342 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 \$6,161 lower (higher). If the Canadian Dollar had weakened (strengthened) 10 percent against the Argentinean Peso with all other variables held constant, other comprehensive loss would have been \$1,202,909 lower (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.

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, 2018 and 2017.

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14. Segmental 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.

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:

	As at December 31, 2018			As at December 31, 2017		
	Canada	Argentina	Total	Canada	Argentina	Total
Non-current Assets	\$ -	\$12,995,735	\$12,995,735	\$ -	\$7,801,802	\$7,801,802
Current assets	\$ 296,121	\$ 136,171	\$ 432,292	\$ 518,419	\$ 96,112	\$ 614,531
Non-current Liabilities	\$ -	\$ -	\$ -	\$ -	\$ 87,682	\$ 87,682
Current Liabilities	\$ 179,350	\$ 90,448	\$ 269,798	\$ 146,437	\$ 257,348	\$ 403,785
Working capital (deficiency)	\$ 116,771	\$ 45,723	\$ 162,494	\$ 371,982	\$ (161,236)	\$ 210,746
	Year Ended December 31, 2018			Year ended December 31, 2017		
	Canada	Argentina	Total	Canada	Argentina	Total
Net loss	\$ (247,016)	\$ (139,264)	\$ (386,280)	\$ (189,999)	\$ (355,933)	\$ (545,932)

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15. Commitments

- a) On April 18, 2017, 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, paid in monthly installments by MSA. The services agreement continued in effect until December 31, 2017 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 January 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 installments 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.

On January 4, 2019, the Company and the Company's President and CEO entered into a new services agreement for a fee of \$70,000, consisting of salary and director's fees of MSA, which will be paid in monthly installments by MSA. The new agreement continues in effect until June 30, 2019 and contains provisions similar to those included in the services agreement that expired December 31, 2018.

- 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.

On July 1, 2018, the Company and the Company's Vice-President (Exploration) signed a new consulting agreement for a fixed monthly fee of \$7,000 until March 31, 2019 containing similar provisions to those included in the previous agreement.

Either party can terminate the agreement 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.

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16. Subsequent Event

- a) On March 13, 2019, the Company issued 5,278,000 Units for gross proceeds of \$527,800 pursuant to a non-brokered private placement. Each Unit was comprised of one common share in the capital of the Company and one common share purchase warrant. Each warrant is exercisable into one common share of the Company at \$0.15 per share until March 13, 2021. The securities issued in the non-brokered private placement are subject to a four month hold period ended July 14, 2019.

An additional subsequent event is disclosed in note 15(a).