
Consolidated Financial Statements

Minsud Resources Corp.

For the Years Ended December 31, 2020 and 2019

(All amounts in Canadian Dollars unless otherwise noted)

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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. and its subsidiaries (together the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and December 31, 2019, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in shareholders' equity and consolidated statements of 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 Company as at December 31, 2020 and December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits 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 Company in accordance with the ethical requirements that are relevant to our audits 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 in our audits 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 events and conditions indicating that a material uncertainty exists that may cast significant doubt on the Company'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 information included in the Management's Discussion & Analysis filed with the relevant Canadian securities commissions.

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 audits 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 audits and remain alert for indications that the other information 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 in this auditor's report. 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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 Company'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 Company'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 Company 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 Company 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 Graeme L. Cocke.

Baker Tilly WM LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, B.C.
April 30, 2021

Minsud Resources Corp.

Consolidated Statements of Loss and Comprehensive Loss
For the Years Ended December 31, 2020 and 2019
(All Amounts in Canadian Dollars Unless Otherwise Noted)

	2020	2019
Expenses		
General and administrative	\$ 40,704	\$ 34,849
Marketing and communications	5,975	22,605
Professional and regulatory fees	308,729	335,001
Share-based payments (note 9)	105,506	-
Transaction costs	-	57,872
Taxes on ownership of subsidiary	66,478	21,195
Hyperinflation - monetary loss (note 3)	227,306	62,773
Write-off of mineral properties (note 6)	784,543	3,724
Interest income	(434)	(781)
Net Loss for the Year Before Income Taxes	(1,538,807)	(537,238)
Income Taxes		
Deferred income tax benefit (note 10)	38,376	-
Current income tax expense (note 10)	(194,308)	-
	(155,932)	-
Net Loss for the Year	(1,694,739)	(537,238)
Other Comprehensive Loss		
Items that may be reclassified to profit and loss:		
Currency translation adjustment (note 3)	(396,844)	(896,687)
Comprehensive Loss for the Year	\$ (2,091,583)	\$ (1,433,925)
Loss per Share - basic and diluted	\$ (0.01)	\$ (0.00)
Weighted Average Number of Common Shares Outstanding - basic and diluted	156,210,694	151,163,132
Loss for the Year Attributable to:		
Non-controlling interest	\$ (4,702)	\$ (867)
Equity shareholders of the Company	(1,690,037)	(536,371)
	\$ (1,694,739)	\$ (537,238)
Comprehensive Loss for the Year Attributable to:		
Non-controlling interest	\$ (21,351)	\$ (29,643)
Equity shareholders of the Company	(2,070,232)	(1,404,282)
	\$ (2,091,583)	\$ (1,433,925)

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)

	2020	2019
Assets		
Non-Current Assets		
Other receivables	\$ 24,339	\$ -
Mineral properties (note 6)	13,535,836	12,526,239
Property and equipment (note 5)	19,678	24,794
Deferred tax asset (note 10)	28,324	-
	<u>13,608,177</u>	<u>12,551,033</u>
Current Assets		
Cash and cash equivalents	747,294	712,925
Prepaid expenses and deposits	20,070	15,875
Other receivables	512,534	53,367
Current portion of deferred tax asset (note 10)	7,412	-
	<u>1,287,310</u>	<u>782,167</u>
	<u>\$ 14,895,487</u>	<u>\$ 13,333,200</u>
Shareholders' Equity		
Issued capital (note 2(b) and 7)	\$ 18,098,392	\$ 18,113,596
Contributed surplus (note 2(b), 8 and 9)	5,947,256	5,841,750
Cumulative translation reserve	(5,094,522)	(4,714,327)
Deficit	(8,753,736)	(7,063,717)
Equity attributable to shareholders of the Company	<u>10,197,390</u>	<u>12,177,302</u>
Non-controlling interest (note 2(b))	34,331	40,496
	<u>10,231,721</u>	<u>12,217,798</u>
Liabilities		
Non-Current Liabilities		
Deferred exploration recovery (note 16)	3,850,736	921,204
Trust acquisition payable (note 6)	255,260	-
	<u>4,105,996</u>	<u>921,204</u>
Current Liabilities		
Accounts payable and accrued liabilities (note 11)	178,028	142,761
Income taxes payable	180,939	-
Current portion of trust acquisition payable (note 6)	127,630	-
Other liabilities	71,173	51,437
	<u>557,770</u>	<u>194,198</u>
	<u>\$ 14,895,487</u>	<u>\$ 13,333,200</u>

Business of the Company (note 1)

Going Concern (note 2(c))

Commitments (notes 6 and 15)

South32 Limited Agreement (note 16)

Subsequent Events (note 17)

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

Approved on behalf of the Board of Directors

Signed "Alberto F. Orcoyen", Director

Signed "Paul Andersen", Director

Minsud Resources Corp.

Consolidated Statements of Changes in Shareholders' Equity

For the Years Ended December 31, 2020 and 2019

(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, 2020	156,210,694	\$ 18,113,596	\$ 5,841,750	\$(4,714,327)	\$(7,063,717)	\$ 40,496	\$ 12,217,798
Loss for the year attributable to shareholders of the Company	-	-	-	-	(1,690,037)	-	(1,690,037)
Loss for the year attributable to non-controlling interests	-	-	-	-	-	(4,702)	(4,702)
Other comprehensive loss for the year	-	-	-	(380,195)	-	(16,649)	(396,844)
	156,210,694	18,113,596	5,841,750	(5,094,522)	(8,753,754)	19,145	10,126,215
Stock-based compensation (note 9)	-	-	105,506	-	-	-	105,506
Effects of change in non-controlling interest (note 2)	-	(15,204)	-	-	18	15,186	-
Balance at December 31, 2020	156,210,694	\$ 18,098,392	\$ 5,947,256	\$(5,094,522)	\$(8,753,736)	\$ 34,331	\$ 10,231,721

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

Minsud Resources Corp.

Consolidated Statements of Changes in Shareholders' Equity

For the Years Ended December 31, 2020 and 2019

(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, 2019	146,681,694	\$17,456,648	\$ 5,593,873	\$ (3,843,569)	\$ (6,526,782)	\$ 46,153	\$12,726,323
Loss for the year attributable to shareholders of the Company	-	-	-	-	(536,371)	-	(536,371)
Loss for the year attributable to non-controlling interests	-	-	-	-	-	(867)	(867)
Other comprehensive loss for the year	-	-	-	(867,911)	-	(28,776)	(896,687)
	146,681,694	17,456,648	5,593,873	(4,711,480)	(7,063,153)	16,510	11,292,398
Private placement proceeds (note 7)	9,529,000	697,597	255,303	-	-	-	952,900
Unit issuance costs (note 7)	-	(20,062)	(7,438)	-	-	-	(27,500)
Effects of change in non-controlling interest (note 2)	-	(20,587)	12	(2,847)	(564)	23,986	-
Balance at December 31, 2019	156,210,694	\$18,113,596	\$ 5,841,750	\$ (4,714,327)	\$ (7,063,717)	\$ 40,496	\$12,217,798

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, 2020 and 2019

(All Amounts in Canadian Dollars Unless Otherwise Noted)

	2020	2019
Cash Provided By (Used In):		
Operating Activities		
Net loss for the year	\$ (1,694,739)	\$ (537,238)
Items not affecting cash flows from operating activities:		
Hyperinflation - monetary loss	227,306	62,773
Items not affecting cash:		
Share-based payments (note 9)	105,506	-
Mineral property write-offs (note 6)	784,543	3,724
Deferred tax benefit (expense) (note 10)	(38,376)	-
	<u>(615,760)</u>	<u>(470,741)</u>
Net changes in non-cash working capital:		
Receivables	(24,339)	-
Other receivables	13,119	12,457
Accounts payable and accrued liabilities	56,425	(48,222)
Income taxes payable	180,939	-
	<u>(389,616)</u>	<u>(506,506)</u>
Financing Activities		
Issuance of units	-	952,900
Share issuance costs	-	(27,500)
	<u>-</u>	<u>925,400</u>
Investing Activities		
Mineral property expenditures	(2,495,457)	(884,441)
Purchase of property and equipment (note 5)	(10,090)	(15,310)
Proceeds from deferred exploration recovery (note 16)	2,929,532	921,204
	<u>423,985</u>	<u>21,453</u>
Change in Cash and Cash Equivalents	34,369	440,347
Cash and Cash Equivalents - Beginning of Year	<u>712,925</u>	<u>272,578</u>
Cash and Cash Equivalents - End of Year	<u>\$ 747,294</u>	<u>\$ 712,925</u>
Cash and cash equivalents is comprised of:		
Cash	\$ 670,268	\$ 664,367
Cash equivalents	77,026	48,558
Total	<u>\$ 747,294</u>	<u>\$ 712,925</u>
Supplemental Cash Flow Information		
Interest received	<u>\$ 434</u>	<u>\$ 781</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, 2020 and 2019

(All Amounts in Canadian Dollars Unless Otherwise Noted)

1. Business of the Company

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

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

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. The policies applied in the Company's consolidated financial statements are based on IFRS effective for the year ended December 31, 2020. These consolidated financial statements were authorized for issuance by the Board of Directors of the Company on April xx, 2021.

b) Basis of Consolidation

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").

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, 2020, MAI held 144,951,699 (December 31, 2019 - 144,951,699) of the 145,494,299 (December 31, 2019 - 145,494,699) outstanding common shares of MSA, representing an ownership interest of 99.63% (December 31, 2019 - 99.63%). As at December 31, 2020 and 2019, the 542,600 shares of MSA not owned by MAI represented a non-controlling interests of 0.37%.

Minsud Resources Corp.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2020 and 2019

(All Amounts in Canadian Dollars Unless Otherwise Noted)

2. Basis of Presentation and Going Concern (continued)

b) Basis of Consolidation (continued)

Consolidation of an investee begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. 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 ownership of 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(s); and
- 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.

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 inter-company assets and liabilities, equity, income, expenses and cash flows relating to intercompany transactions are eliminated in full on consolidation.

Minsud Resources Corp.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2020 and 2019

(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. The Company has not generated revenue from operations. During the year ended December 31, 2020, the Company incurred a net loss of \$1,694,739 (2019 - \$537,238) and as of that date, the Company's deficit was \$8,753,736 (December 31, 2019 - \$7,063,717). As at December 31, 2020, the Company has current assets of \$1,287,310 (December 31, 2019 - \$782,167) and current liabilities of \$557,770 (December 31, 2019 - \$194,198). The Company has working capital of \$729,540 as at December 31, 2020 (December 31, 2019 - \$587,969).

On March 11, 2020, the World Health Organization categorized COVID-19 as a pandemic. The potential economic effects within the Company's environment and in the global markets, possible disruption in supply chains, and measures being introduced at various levels of government to curtail the spread of the virus (such as travel restrictions, closures of non-essential municipal and private operations, imposition of quarantines and social distancing) could have a material impact on the Company's operations. The extent of the impact of this outbreak and related containment measures on the Company's operations cannot be reliably estimated at the date these consolidated financial statements which were authorized for issue on April 30, 2021.

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.

The above noted events and condition give rise to a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. 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 was 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.

Minsud Resources Corp.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2020 and 2019

(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, 2020 and 2019

(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 value in use or fair value less costs of disposal, and comparing this to the carrying amount as at the reporting date. If the carrying amount exceeds the recoverable amount, an impairment loss is recognized in profit or loss. See note 6 with respect to the impairment of the Company's La Rosita 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 profit or loss.

The carrying values of property and equipment are reviewed for indicators of impairment at the end of each reporting period. If any such indication exists, the recoverable amount of the asset will be estimated. 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 taxes are 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 taxes are not recognized if they arise 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 taxes are 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 tax asset is realized or the deferred tax liability is settled.

Minsud Resources Corp.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2020 and 2019

(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 consolidated 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 consolidated 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 cumulative translation reserve in shareholders' equity. The cumulative amount of the exchange differences recognized in other comprehensive loss and accumulated as cumulative translation reserve in shareholders' equity shall be reclassified from equity to profit or loss upon disposal of MSA (see note 3 - Hyperinflation).

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 loss.

Minsud Resources Corp.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2020 and 2019

(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 market value of the Company's common shares to determine the fair value of the share component, and the Black-Scholes option pricing model to determine the value of the warrants. Transaction costs arising on the issue of Units are recognized in equity as a reduction of the proceeds allocated to issued capital and warrants on a pro-rata basis. Warrants are recorded in contributed surplus.

Non-Controlling Interests

The Company treats acquisitions of and transactions with non-controlling interests as transactions with equity owners of the Company. 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, 2020 and 2019, all the outstanding stock options, warrants and brokers' warrants were anti-dilutive, and as such are excluded from the computation of diluted loss per share.

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.

Notes to the Consolidated Financial Statements

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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 has a share option plan for its directors, officers, employees and selected consultants as described in note 9. Each awarded grant of options is considered as a single tranche with its own vesting period and grant date fair value. Fair values of each tranche are measured using the Black-Scholes option pricing model. Share-based payment 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 payments is transferred to share capital if 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.

Financial Instruments

i) Classification and measurement of financial assets and financial liabilities

Financial instruments are 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, unless the Company elects into an irrevocable option for equity instruments to report changes in fair value as FVOCI.

Classification and measurement of financial assets is dependent on the Company's business model for managing the financial assets and related contractual cash flows.

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortized cost at each subsequent reporting period. All other financial assets are measured at their fair values at each subsequent reporting period, with any changes recorded as FVTPL or FVOCI (which designation is made as an irrevocable election at the time of recognition).

Minsud Resources Corp.

Notes to the Consolidated Financial Statements

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3. Significant Accounting Policies (continued)

Financial Instruments (continued)

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

The following table summarizes the classification of the Company's financial assets and liabilities:

Asset/Liability	Classification
Cash and cash equivalents	Amortized cost
Other receivables	Amortized cost
Trust acquisition payable	Amortized cost
Other liabilities	Amortized cost
Accounts payable and accrued liabilities	Amortized cost

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

Transaction costs that are directly attributable to the acquisition or issuance of a financial asset or financial liability classified as subsequently measured at amortized cost or at FVOCI are included in the fair value of the instrument on initial recognition. Transaction costs for financial assets and financial liabilities classified at FVTPL are expensed in profit or loss as incurred.

Financial instruments subsequent measured at amortized cost utilize the effective interest rate method. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

ii) Impairment

There is 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 the Company recognizes credit losses. The Company is required to recognize ECLs upon initial recognition of a financial asset and to update the quantum of ECLs at the end of each reporting period to reflect changes to credit risk of the financial asset.

Minsud Resources Corp.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2020 and 2019

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3. Significant Accounting Policies (continued)

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 was 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 items of profit or loss that are subject to hyper-inflationary adjustments, and the related gains and losses within the consolidated statements of loss and comprehensive 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 \$227,306 (December 31, 2019 - \$62,773), to adjust transactions recorded during the year into a measuring unit current as of December 31, 2020. The level of the IPC at December 31, 2020 was 385.9 (December 31, 2019 - 283.4), which represents an increase of 36% over the IPC as at December 31, 2019.

For the year ended December 31, 2020, the currency translation adjustment was \$(396,844) (2019 - (896,687)).

4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of these consolidated financial statements in conformity with IFRS requires management to make estimates, assumptions and judgments with respect to future events. These estimates and judgements are based on past experience and other factors, in particular, forecasts of future events that are reasonable in the circumstances. The actual results are likely to differ from the estimates, assumptions and judgements made by management.

The following paragraphs describe the most critical management estimates and assumptions in the recognition and measurement of assets, liabilities and expenses and the most critical management judgments in applying accounting policies.

Minsud Resources Corp.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2020 and 2019

(All Amounts in Canadian Dollars Unless Otherwise Noted)

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

Estimates

i) Share-based payments and fair value of warrants

The estimate of share-based payment costs and of the fair value of warrants requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Company has made estimates as to the volatility of its own shares, the expected life of options and expected extinguishments. The model used by the Company is the Black-Scholes option pricing model. Changes in the subjective input assumptions, such as the expected price volatility, can materially affect the fair value estimate.

Critical Judgements

i) Impairment of mineral properties

Mineral properties are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. When an indicator of impairment is identified, the Company determines the recoverable amount of the mineral property, which is the higher of an asset's fair value less costs of disposal or value in use. An impairment loss is recognized if the carrying value exceeds the recoverable amount. The recoverable amount of a mineral property may be determined by reference to estimated future operating results and discounted net cash flows, current market valuations of similar properties or a combination of the above. In undertaking this review, management of the Company is required to make significant estimates of, amongst other things: reserve and resource amounts, future production and sale volumes, forecast commodity prices, future operating, capital and reclamation costs to the end of the mine's life and current market valuations from observable market data which may not be directly comparable. These estimates are subject to various risks and uncertainties, which may ultimately have an effect on the expected recoverable amount of a specific mineral property asset. Changes in these estimates could have a material impact on the carrying value of the mineral property amounts and the impairment losses recognized.

ii) Deferred tax assets and liabilities

Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply when the temporary differences between accounting carrying values and tax basis are expected to be recovered or settled. The determination of the ability of the Company to utilize tax loss carry forwards and other deferred tax assets to offset deferred tax liabilities requires management to exercise judgment and make certain assumptions about the future performance of the Company. Management is required to assess whether it is probable that the Company will benefit from these prior losses and other deferred tax assets. Changes in economic conditions, commodity prices and other factors could result in revisions to the estimates of the benefits to be realized or the timing of utilizing the losses.

Minsud Resources Corp.

Notes to the Consolidated Financial Statements

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

Critical judgements (continued)

iii) Going Concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay its ongoing operating expenditures, meet its liabilities for the ensuing year, and to fund planned and contractual exploration programs involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

iv) Functional currency of foreign subsidiaries

Management uses its judgement to determine the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. As part of this approach, management gives priority to indicators like the currency that mainly influences costs and the currency in which those costs will be settled and the currency in which funds from financing activities are generated. Management also assesses the degree of autonomy the foreign operation has with respect to operating activities.

v) Hyper-inflationary accounting

The Company has designated Argentina as a hyper-inflationary economy and has therefore employed the use of the hyper-inflationary accounting to consolidate and report MSA. The determination of whether an economy is hyper-inflationary requires the Company to make certain estimates and judgements, such as an assessment of historic inflation rates and anticipation of future trends. In addition, the application of hyperinflationary accounting requires the selection and use of price indices to estimate the impact of inflation on the non-monetary assets and liabilities, and results of operations of the Company. The selection of price indices is based on the Company's assessment of various available price indices on the basis of reliability and relevance. Changes in any such estimates may significantly impact the carrying value of those nonmonetary assets or liabilities, and results of operations, which are subject to hyper-inflationary adjustments, and the related gains and losses within the consolidated statements of loss and comprehensive loss.

vi) Deferred exploration recoveries

Management considered the facts and circumstances surrounding the receipt of deferred exploration recoveries (note 16), in determining that it represents a liability to the Company. The payment represents a portion of the funding that will form the consideration for South32's investment in MSA, should South32 exercise its right to acquire a 50.1% direct interest in MSA. In management's view, as the Company continues to operate the Chita Valley Project, this payment for the future sale of a controlling interest in MSA is considered to be a present obligation of the Company.

Minsud Resources Corp.

Notes to the Consolidated Financial Statements

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5. Property and Equipment

As at December 31, 2020

	<u>Vehicles</u>	<u>Office Equipment</u>	<u>Other</u>	<u>Total</u>
Cost				
Balance, beginning of year	\$ 90,931	\$ 47,605	\$ 2,781	\$ 141,317
Additions	-	10,090	-	10,090
Aquisition advances	-	(30,085)	(2,846)	(32,931)
Currency translation adjustments	(31,354)	(17,372)	(764)	(49,490)
Effects of hyperinflation	27,082	16,342	829	44,253
Balance, end of year	<u>86,659</u>	<u>26,580</u>	<u>-</u>	<u>113,239</u>
Accumulated depreciation				
Balance, beginning of year	(83,513)	(30,396)	(2,614)	(116,523)
Depreciation	(7,798)	(6,555)	(123)	(14,476)
Disposals	-	30,085	2,795	32,880
Currency translation adjustments	30,419	9,757	734	40,910
Effects of hyperinflation	(25,767)	(9,793)	(792)	(36,352)
Balance, end of year	<u>(86,659)</u>	<u>(6,902)</u>	<u>-</u>	<u>(93,561)</u>
Net carrying amount as at December 31, 2020	<u>\$ -</u>	<u>\$ 19,678</u>	<u>\$ -</u>	<u>\$ 19,678</u>

Minsud Resources Corp.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2020 and 2019

(All Amounts in Canadian Dollars Unless Otherwise Noted)

5. Property and Equipment (continued)

As at December 31, 2019	Vehicles	Office Equipment	Other	Total
Cost				
Balance, beginning of year	\$ 98,620	34,827	3,017	136,464
Additions	-	15,310	-	15,310
Currency translation adjustments	(45,658)	(16,518)	(1,398)	(63,574)
Effects of hyperinflation	37,969	13,986	1,162	53,117
Balance, end of year	90,931	47,605	2,781	141,317
Accumulated depreciation				
Balance, beginning of year	(82,527)	(30,322)	(2,707)	(115,556)
Depreciation	(8,098)	(2,610)	(128)	(10,836)
Currency translation adjustments	40,042	14,471	1,282	55,795
Effects of hyperinflation	(32,930)	(11,935)	(1,061)	(45,926)
Balance, end of year	(83,513)	(30,396)	(2,614)	(116,523)
Net carrying amount as at December 31, 2019	\$ 7,418	\$ 17,209	\$ 167	\$ 24,794

Depreciation expense has been capitalized to mineral properties.

6. Mineral Properties

As at December 31, 2020	San Juan Province Chita Valley			Santa Cruz Province		TOTAL
	Chita	Brechas Vacas	Minas de Pinto	La Rosita	Other	
Balance, beginning of year	\$ 7,230,810	\$ 2,697,438	\$ 1,832,991	\$ 758,203	\$ 6,797	\$12,526,239
Property rights/exploration agreements	-	181,819	661,742	-	-	843,561
Exploration	576,923	1,023,626	6,600	4,737	4,778	1,616,664
Write-offs	-	-	-	(779,615)	(4,788)	(784,403)
Currency translation adjustments	(2,297,162)	(1,207,364)	(762,907)	(195,278)	(1,841)	(4,464,552)
Effects of hyperinflation	1,972,313	988,107	624,318	211,953	1,636	3,798,327
Balance, end of year	\$ 7,482,884	\$ 3,683,626	\$ 2,362,744	\$ -	\$ 6,582	\$13,535,836

Minsud Resources Corp.

Notes to the Consolidated Financial Statements

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6. Mineral Properties (continued)

As at December 31, 2019	San Juan Province Chita Valley			Santa Cruz Province			TOTAL
	Chita	Brechas Vacas	Minas de Pinto	La Rosita	San Antonio	Other	
Balance, beginning of year	\$ 7,358,980	\$ 2,521,527	\$ 1,843,766	\$ 811,277	\$ -	\$ 7,371	\$12,542,921
Property rights/exploration agreements	-	118,092	32,698	-	-	-	150,790
Exploration	408,878	246,516	94,242	6,708	3,589	-	759,933
Write-offs	-	-	-	-	(3,589)	-	(3,589)
Currency translation adjustments	(3,174,258)	(1,140,840)	(819,051)	(354,696)	-	(3,413)	(5,492,258)
Effects of hyperinflation	2,637,210	952,143	681,336	294,914	-	2,839	4,568,442
Balance, end of year	\$ 7,230,810	\$ 2,697,438	\$ 1,832,991	\$ 758,203	\$ -	\$ 6,797	\$12,526,239

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 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.

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

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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 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.

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, 2022.

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.

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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.

As at December 31, 2020, the Company made cash payments totaling US\$620,000 (\$758,847) (December 31, 2019 - US\$495,000 (\$594,694)) and issued 629,000 common shares of the Company related to the fifteen installments to the BV Owners pursuant to the terms of the Option.

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 (First 50%)	210,000	-	Paid
Brechas Vacas Trust	620,000	40,000	Paid
Brechas Vacas Trust	120,000	-	Outstanding
Total Payments	<u>\$ 1,190,000</u>	<u>\$ 40,000</u>	

During the year ended December 31, 2020, the Company paid installments of US\$125,000 (\$164,153). As at December 31, 2020, the Company was in compliance with its staggered payments schedule. The contingency payments still outstanding, but not overdue, amount to US\$120,000.

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 in the Chita Valley in the Province of San Juan, Argentina. Included in Proyecto Minas de Pinto are the Arqueros, Don Marcos, Estrellita, Paulita, Paulita II, Pierina II, Pierina III, San Pablo, and San Urbano mining concessions.

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 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.

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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.

As at December 31, 2019, the Company had made all required payments totalling US\$417,500 (\$533,608) related to the acquisition of the 50% interest in the Minas de Pinto Trust.

During the year ended December 31, 2020, MSA entered into a Transfer Agreement, pursuant to which MSA acquired an additional 15% interest in the Minas de Pinto Trust in exchange for aggregate cash payments of US\$400,000, payable in eight semi-annual payments of US\$50,000 starting on May 7, 2020 until November 7, 2023. Furthermore, the parties entered into a second addendum to the Option, which would allow MSA to purchase the remaining 35% interest in the Minas de Pinto Trust by paying US\$935,000 on or before April 7, 2024.

The following table summarizes the payments made related to the Minas de Pinto property to December 31, 2020:

	\$US	Status
Initial Exploration Agreement	\$ 252,500	Paid
Minas de Pinto Trust- 50% interest	417,500	Paid
Minas de Pinto Trust- 15% interest	100,000	Paid
Minas de Pinto Trust- 15% interest	300,000	Outstanding
Total Payments	<u>\$ 770,000</u>	
Minas de Pinto Trust (Outstanding)	<u><u>\$ 300,000</u></u>	

During the year ended December 31, 2020, the Company paid an installment of US\$100,000 (\$135,875). As at December 31, 2020, the Company was in compliance with their staggered payments schedule. Payments related to the Transfer Agreement that are outstanding, but not yet overdue, amount to US\$300,000 (\$382,890), of which US\$100,000 (\$127,630) is repayable during the year ended December 31, 2021.

Minsud Resources Corp.

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6. Mineral Properties (continued)

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 mine and Alfa III mining concession, however, the majority of the exploration activity carried out by the Company has been on the Alfa II mine.

During the year ended December 31, 2020, the Company did not make any investments to this property, at which time the cumulative capitalized mineral property costs were expensed as an impairment loss in profit or loss.

San Antonio Property

During the year ended December 31, 2019, the Company decided to abandon this property.

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, 2020, the Company did not issue any common shares.

During the year ended December 31, 2019, the Company issued 5,278,000 units in March, and 4,251,000 units in December (pursuant to aggregate non-brokered private placements) for proceeds of \$527,800 and \$425,100 respectively. Of the proceeds of \$952,900, a total of \$255,303 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 March 13, 2021 and December 10, 2021.

In connection with the private placement, the Company paid legal fees and expenses of \$27,500 of which \$7,438 was allocated to warrants (see note 8).

8. Warrants

	Number	Amount	Weighted Average Exercise Price
Balance - January 1, 2019	25,129,440	\$ 598,308	\$ 0.15
Expired	(16,899,440)	(409,605)	0.15
Issued for cash	9,529,000	255,303	0.15
Issuance costs		(7,438)	
Balance - December 31, 2019	17,759,000	436,568	0.15
Expired	(8,230,000)	(220,564)	(0.15)
Balance - December 31, 2020	9,529,000	\$ 216,004	\$ 0.15

Minsud Resources Corp.

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8. Warrants (continued)

During the year ended December 31, 2020, 8,230,000 warrants expired un-exercised.

During the year ended December 31, 2019, 16,899,440 warrants expired un-exercised.

During the year ended December 31, 2019, the Company issued 9,529,000 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 March 13, 2021 and December 10, 2021 respectively.

The fair value of the Warrants issued pursuant to the March 2019 private placement was estimated at the grant date based on the Black-Scholes option pricing model, using the following assumptions:

Expected dividend yield	Nil
Risk-free interest rate	1.75%
Expected life	2 years
Expected volatility	98%*
Share price	\$0.074
Exercise price	\$0.15
*Based on historical volatility of the Company's shares	

The fair value of the Warrants issued pursuant to the December 2019 private placement was estimated at the grant date based on the Black-Scholes option pricing model, using the following assumptions:

Expected dividend yield	Nil
Risk-free interest rate	1.75%
Expected life	2 years
Expected volatility	106%*
Share price	\$0.072
Exercise price	\$0.15
*Based on historical volatility of the Company's shares	

As at December 31, 2020, the following Warrants were outstanding:

<u>Exercise Price</u>	<u>Warrants Outstanding</u>	<u>Remaining Contractual Life (Years)</u>	<u>Expiry Date</u>
\$ 0.15	5,278,000	0.20	March 13, 2021
\$ 0.15	<u>4,251,000</u>	<u>0.94</u>	December 10, 2021
	<u>9,529,000</u>	<u>0.53</u>	

Subsequent to the year ended December 31, 2020, 5,278,000 warrants expired un-exercised.

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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.

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.

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9. Stock Option Plan (continued)

i) Movements in stock options during the period:

	Number of Options	Weighted Average Exercise Price
Balance - January 1, 2019	7,990,000	\$ 0.10
Options expired	<u>(1,610,000)</u>	<u>(0.10)</u>
Balance - December 31, 2019	6,380,000	0.10
Options granted	1,400,000	0.10
Options expired	<u>(2,380,000)</u>	<u>(0.10)</u>
Balance - December 31, 2020	<u>5,400,000</u>	<u>\$ 0.10</u>

During the year ended December 31, 2020, the Company:

- a) Granted 1,400,000 stock options to a former officer and director and a former director of the Company. The options have an exercise price of \$0.10 per share and vested immediately upon grant. 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 assumptions:

Expected dividend yield	Nil
Risk-free interest rate	0.24%
Expected life	5.0 years
Expected volatility	103%*
Share price	\$0.10
Exercise price	\$0.10

*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.

During the year ended December 31, 2019, the Company did not grant any stock options.

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9. Stock Option Plan (continued)

ii) Stock options outstanding at the end of the period

<u>Exercise Price</u>	<u>Options Vested</u>	<u>Options Unvested</u>	<u>Remaining Contractual Life (Years)</u>	<u>Expiry Date</u>
\$ 0.10	4,000,000	-	0.96	December 15, 2021
\$ 0.10	1,400,000	-	4.54	July 16, 2025
	<u>5,400,000</u>	<u>-</u>	<u>1.89</u>	

As at December 31, 2020, 10,221,069 stock options are available for issuance at the discretion of the Company's Board of Directors pursuant to the Company's 2011 Plan.

10. Income Taxes

a) **Income Taxes**

	<u>2020</u>	<u>2019</u>
Loss before income taxes	\$ (1,538,807)	\$ (537,238)
Statutory rate (combined federal and provincial rate)	26.5%	26.5%
Expected income tax recovery at statutory rate	(407,784)	(142,368)
Non-deductible expenses	621,520	47,377
Expiry of non-capital losses in foreign jurisdiction and other adjustments	-	(31,100)
Share issuance costs incurred	(3,333)	(7,288)
Deduction of prior year losses	(163,259)	-
Effects of foreign exchange differences	20,705	(2,087)
Current period deductions deferred to future periods	(33,899)	-
	<u>33,950</u>	<u>(135,466)</u>
Change in deferred tax assets not recognized	121,982	135,466
Net expected current and deferred income tax expense	<u>\$ 155,932</u>	<u>\$ -</u>

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10. Income Taxes (continued)

b) Deferred Income Tax Assets

The tax effects of temporary differences that give rise to the deferred income tax assets at December 31, 2020 and 2019 are as follows:

	2020	2019
Non-capital loss carry forwards	\$ 871,777	\$ 1,126,866
Share issuance costs and other	6,687	10,020
Transaction costs	242,364	242,364
Mineral properties	380,796	(266,773)
	<u>1,501,624</u>	<u>1,112,477</u>
Deferred tax assets not recognized	(1,501,624)	(1,112,477)
Net expected deferred income tax recovery	<u>\$ -</u>	<u>\$ -</u>

The Company has a deferred tax asset balance of 35,736 as at December 31, 2020 (2019 - \$Nil) and an income tax provision of \$155,932 (2019 - \$Nil).

c) Non-Capital Losses

The Company has non-capital losses carried forward of approximately \$3,449,000 (2019 - \$3,536,315) available to reduce future years' taxable income. These losses will expire as follows:

	Canada	Argentina	Total
2021	-	-	-
2027	5,755	-	5,755
2028	20,965	-	20,965
2029	58,790	119,113	177,903
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	135,877	-	135,877
2039	388,875	-	388,875
	<u>\$ 2,793,793</u>	<u>\$ 119,113</u>	<u>\$ 2,912,906</u>

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11. Related Party Transactions and Balances

During the year ended December 31, 2020, the Company incurred the following related party transactions:

i) Transactions

- a) A total of \$Nil of salary and directors' fees of MSA (2019 - \$140,000) was charged by the former CEO of the Company. These amounts have been expensed to professional fees.
- b) A total salary of \$132,129 (2019 - \$82,127) was charged by the Company's current CEO. This individual is also a director and was the controller of MSA prior to his appointment as President and CEO of the Company during the year ended December 31, 2020. These amounts have been expensed to professional fees.
- c) A total of \$41,000 of accounting and regulatory compliance fees (2019 - \$41,000) and \$21,000 of CFO fees (2019 - \$21,000) was charged by an accounting firm in which the Company's CFO is a partner. These amounts have been expensed to professional fees.
- d) A total of \$3,500 (2019 - \$84,000) of professional fees and \$163 (2019 - \$16,752) of mineral property exploration expenses were charged by the Company's former Vice-President (Exploration). These amounts have been capitalized to mineral properties.
- e) A total of \$40,370 of professional fees (2019 - \$Nil) and \$1,018 (2019 - \$Nil) of mineral property exploration expenses were charged by the Company's current Vice-President (Exploration). These amounts have been capitalized to mineral properties.

ii) Year-end balances

- a) As at December 31, 2020, accounts payable and accrued liabilities included \$Nil (December 31, 2019 - \$4,805) payable to the Company's former CEO.
- b) As at December 31, 2020, accounts payable and accrued liabilities included \$6,130 (December 31, 2019 - \$Nil) payable to the Company's current CEO.
- c) As at December 31, 2020, accounts payable and accrued liabilities included \$12,923 (December 31, 2019 - \$10,555) payable to an accounting firm in which the Company's CFO is a partner.
- d) As at December 31, 2020, accounts payable and accrued liabilities included \$Nil (December 31, 2019 - \$7,910) payable to the Company's former Vice-President (Exploration).

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, other receivables, accounts payable and accrued liabilities, other liabilities, and trust acquisition payable approximate their fair values because of the short-term nature or immaterial interest rate risk of/for these items.

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, 2020. The Company's maximum exposure is limited to its cash and cash equivalents and other receivables as presented in the consolidated statements of financial position. The Company's cash and cash equivalents are on deposit with highly rated financial institutions in Canada and Argentina. The Company's other receivables are mainly comprised of Value-Added Tax ("VAT") credits in which were paid due to mineral properties and operating expenses on expenditures made in Argentina. The Company considers the VAT receivable to be recoverable in full.

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, 2020, the Company has current assets of \$1,287,310 (December 31, 2019 - \$782,167) and current liabilities of \$557,770 (2019 - \$194,198). The Company has a working capital balance as at December 31, 2020 of \$729,540 (December 31, 2019 - \$587,969). 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.

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 carrying 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 significant 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, 2020, cash and cash equivalents includes 7,554,275 Argentinean Pesos, other receivables includes 577,292 United States Dollars, accounts payable and accrued liabilities includes 36,164,567 United States Dollars, and 5,297,734 Argentinean Pesos and trust acquisition payable includes 300,000 United States Dollars.

At December 31, 2020, 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 (\$35,305) 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 \$58,273 lower (higher). If the Canadian Dollar had weakened (strengthened) 10 percent against the Argentinean Peso with all other variables held constant, the other comprehensive loss for the year would have been \$1,252,485 lower (higher).

13. Capital Disclosures

The Company includes equity, comprised of issued capital, 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;
- (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, 2020 and 2019.

14. 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, and as such, it does not have distinguishable business segments to report. The Company has identified two geographical segments, Canada and Argentina.

The Company's non-current assets and net loss relate to the following areas:

	As at December 31, 2020			As at December 31, 2019		
	Canada	Argentina	Total	Canada	Argentina	Total
Non-current assets	\$ -	\$13,608,177	\$13,608,177	\$ -	\$12,551,033	\$ 12,551,033
Current assets	\$ 207,901	\$ 1,079,409	\$ 1,287,310	\$ 297,608	\$ 484,559	\$ 782,167
Non-current liabilities	\$ -	\$ 4,105,996	\$ 4,105,996	\$ -	\$ 921,204	\$ 921,204
Current liabilities	\$ 97,677	\$ 460,093	\$ 557,770	\$ 105,543	\$ 88,655	\$ 194,198
	Year Ended December 31, 2020			Year ended December 31, 2019		
	Canada	Argentina	Total	Canada	Argentina	Total
Net loss	\$ (424,987)	\$ (1,269,752)	\$ (1,694,739)	\$ (302,889)	\$ (234,349)	\$ (537,238)

15. Commitments

During the year ended December 31, 2019, the Company entered into a services agreement with a director and Controller of MSA for an aggregate monthly fee of US\$6,500 to be paid by MSA. The services agreement is to continue in effect as long as the individual remains a director of MSA. The individual can terminate the agreement without consequence by giving 30 days advance notice to the Company and MSA. Should the Company terminate the agreement without cause, the individual would be entitled to a payment of US\$78,000. This agreement was cancelled as of July 1, 2020 when the individual became president and CEO of the Company.

During the year ended December 31, 2020, the Company entered into a services agreement with a consultant for the position of Vice-President (Exploration) for a monthly fee of US\$2,500. The services agreement has a term of one year expiring January 24, 2021. Either party can terminate the agreement without consequence by giving 60 days advance notice to the Company.

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15. Commitments (continued)

Subsequent to the year ended December 31, 2020, the services agreement with the Vice-President (Exploration) was renewed until January 24, 2022.

Additional commitments related to the Company's mineral properties are disclosed in note 6.

16. South32 Limited Agreement

During the year ended December 31, 2019, the Company, MAI, and MSA, signed an earn-in agreement (the "Earn-in Agreement") with South32 Aluminium (Holdings) Pty Ltd ("South32"), a wholly-owned subsidiary of South32 Limited, to explore the Chita Valley Project, located in the San Juan Province, Argentina (the "Project"). The Company, MAI, MSA and South32 are together referred to as the "parties".

South32 Limited is a globally diversified mining and metals company producing bauxite, alumina, aluminum, energy and metallurgical coal, manganese, nickel, silver, lead and zinc at its operations in Australia, Southern Africa and South America.

The Company received TSX Venture Exchange final acceptance and the requisite shareholder approval to complete the transactions contemplated under the Earn-in Agreement during the year ended December 31, 2019.

Earn-in Agreement

The Earn-in Agreement grants to South32 the right to acquire up to a 50.1% direct interest in MSA at the end of the earn-in period.

Under the Earn-in Agreement, South32 will provide up to \$14 million in capital contributions to MSA over a period of 4 years, as follows: (i) not less than \$3.5 million by December 31, 2020; (ii) not less than an aggregate of \$7 million by December 31, 2021; (iii) not less than an aggregate of \$10.5 million by December 31, 2022; and (iv) not less than an aggregate of \$14 million by December 31, 2023. South32 has the right to withdraw at the end of each year. Once South32 has complied with its funding obligations, South32 may exercise its right to acquire a 50.1% direct interest in MSA by electing to subscribe for MSA shares equal to 10% of MSA's shares, in consideration for its funding, and acquire the remaining 40.1% of MSA's shares from MAI for a consideration of \$14 million.

During the year ended December 31, 2020, MSA received payments translated for financial reporting purposes at the period end foreign exchange rate of \$2,929,532 (2019 - \$921,204) related to the first tranche of payments. Actual cash received and translated at the foreign exchange rate at the date of receipt were \$3,230,740 (2019 - \$907,411). These payments have been deferred as a liability and represents a portion of the funding that will form the consideration for South32's investment in MSA, should South32 exercise its right to acquire a 50.1% direct interest in MSA as discussed above.

Shareholders' Agreement

Upon the exercise of South32's right to acquire a 50.1% direct interest in MSA, the Company and South32 will sign a Shareholders' Agreement to govern the management and operation of MSA and, if warranted, further exploration, development and exploitation of the Project. The Shareholders' Agreement provides for the following phases.

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16. South32 Limited Agreement (continued)

Prefeasibility Study Election – “PFS funding”

South32 may undertake to complete a prefeasibility study ("PFS"), in which case it shall be entitled to subscribe for 50.1% of MSA's shares and shall have the right to acquire an additional 19.9% in MSA as described below exercisable on completion of the PFS.

If South32 has elected to fund a PFS at the end of the earn-in period, then, on or before the fifth anniversary of that election, South32 must deliver a PFS that complies with National Instrument 43-101 and CIM Definition Standards on Mineral Resources and Reserves by funding a minimum amount of \$55 million less any amount contributed during the earn-in period. Upon delivering the PFS, South32 may either elect to (i) pay to MAI \$20 million to acquire 19.9% of MSA's shares or (ii) fund a bankable feasibility study ("BFS"), in which case it shall be entitled to subscribe for 19.9% of MSA's shares (such that in either case South32 shall, following the relevant election, own 70% of MSA's shares and Minsud shall own 30% of such shares).

If South32 opts neither to fund the BFS nor to purchase MSA's shares from MAI, its ownership in MSA will be reduced to 49.0% and MAI's interest shall be 51%.

Bankable Feasibility Study Election – "BFS funding"

If South32 has elected to fund a BFS, as long as such BFS is delivered on or before the third anniversary of that election and with effect from the BFS's date of approval by the Board of Director of MSA, South32 will have the sole, exclusive and irrevocable right to subscribe for, be issued and to acquire an additional 10% of the shares of MSA such that, in aggregate, it will hold 80% of the shares. If the BFS is delivered by South32 after the date which is the fourth anniversary but on or before the fifth anniversary of such election, the additional MSA shares to be issued and subscribed or acquired by South32 will be reduced to 5%. In this case, the aggregated participation will be 75%. If the BFS is delivered by South32 after the date which is the fifth anniversary but on or before the sixth anniversary of such election, South32's interest in MSA will remain at 70%. South32 must deliver a BFS that complies with National Instrument 43-101 and the CIM Definition Standards on Mineral Resources and Reserves.

Purchase Election

If South32 has elected to purchase MSA's shares from MAI at the end of the earn-in period, each party shall be obliged to contribute to approved annual programs and budgets in proportion to its participating interest. If a party does not elect to contribute, it will be diluted on a straight-line basis. In the case that the Company is reduced to less than ten percent (10%), it will be entitled to a two percent (2%) net smelter returns royalty on the Project in exchange for its remaining interest in MSA, pursuant to the terms of a royalty agreement.

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16. South32 Limited Agreement (continued)

Purchase Election (continued)

In the five years following the purchase by South32 from MAI of MSA shares (pursuant to the elections referred to above), MAI will have a one-time right, exercisable by notice to South32, to elect not to contribute to the approved annual program and budget and to suspend dilution of its equity interest in MSA for the duration of such program while it seeks a third party to acquire its interest in MSA (the "sale period"). During the sale period, South32 will contribute 100% to any approved program and budget but, should Minsud fail to find a third-party buyer for its interest, the Company will have the right to claw back its participation as at the beginning of the sale period by paying 1.5 times the amount of the funding contributed by South32 during that period. Dilution will otherwise be applied retrospectively. Any shareholder holding at least 20% participation has a right of first refusal to match any third-party proposal.

17. Subsequent Events

Subsequent to the year ended December 31, 2020:

- a) South32 gave notice of its intention to fund exploration activities in 2021 as per the earn-in agreement.
- b) the Company has granted options to purchase an aggregate of 539,000 incentive stock options under the Company's stock option plan to certain officers. The stock options are exercisable at a price of \$0.15 per share, all of which shall vest as to one-quarter on February 12, 2021, one quarter on August 12, 2021, one-quarter on February 12, 2022 and one quarter on August 12, 2022, and shall be exercisable for a period of five years from the date of issuance.
- c) the Chief Operating Officer of MSA resigned, resulting in the expiry of 92,250 of the options discussed above.
- d) 400,000 stock options issued to a former officer and director expired un-exercised.

Additional subsequent events are disclosed in note 8 and note 15.