Condensed Interim Consolidated Financial Statements

Minsud Resources Corp.

For the Three Months Ended March 31, 2016

Unaudited

INDEX

NOTICE TO READER

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

Minsud Resources Corp.

Condensed Interim Consolidated Statement of Comprehensive Loss
For the Three Months Ended March 31, 2016 and 2015
Unaudited - see Notice to Reader
(All Amounts in Canadian Dollars Unless Otherwise Noted)

	2016	2015
Expenses		
General and administrative	$ 10,108	$ 5,725
Marketing and communications	8,204	13,395
Professional and regulatory fees	67,978	64,428
Stock-based compensation (note 9)	47,220	20,837
Taxes on ownership of subsidiary	6,269	6,168
Write-off of mineral properties (note 6)	-	14,985
Net Loss for the Period	(139,779)	(125,538)
Other Comprehensive Income (Loss)		
Currency translation adjustment	(1,126,748)	330,241
Comprehensive Income (Loss) for the Period	$ (1,266,527)	$ 204,703
Loss per Share - basic and diluted	$ -	$ -
Weighted Average Number of Common Shares Outstanding - basic and diluted	94,798,924	65,104,604
Net Loss for the Period Attributable to:		
Non-controlling interest	$ (350)	$ (691)
Equity shareholders of the Company	(139,429)	(124,847)
	$ (139,779)	$ (125,538)
Comprehensive Loss for the Period Attributable to:		
Non-controlling interest	$ (8,678)	$ 3,003
Equity shareholders of the Company	(1,257,849)	201,700
	$ (1,266,527)	$ 204,703

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

Minsud Resources Corp.

Condensed Interim Consolidated Statement of Financial Position as at March 31, 2016
Unaudited - see Notice to Reader
(All Amounts in Canadian Dollars Unless Otherwise Noted)

	March 31, 2016	December 31, 2015 (Audited)
Assets		
Non-Current Assets		
Mineral properties (note 6)	$ 6,760,232	$ 7,720,254
Property and equipment (note 5)	9,278	4,831
	6,769,510	7,725,085
Current Assets		
Cash and cash equivalents	165,733	559,885
Prepaid expenses and deposits	9,282	12,689
Other receivables	65,717	57,392
	240,732	629,966
	$ 7,010,242	$ 8,355,051
Shareholders' Equity		
Issued capital (note 7)	$ 13,420,207	$ 13,420,207
Share subscriptions payable (note 12)	-	-
Contributed surplus (notes 8 and 9)	4,149,604	4,102,384
Cumulative translation reserve	(6,297,904)	(5,179,484)
Deficit	(5,032,084)	(4,893,658)
Equity attributable to shareholders of the Company	6,239,823	7,449,449
Non-controlling interest (note 1)	40,946	50,627
	6,280,769	7,500,076
Liabilities		
Non-Current Liabilities		
Property acquisition payable (note 6)	45,493	96,803
Trust acquisition payable (note 6)	266,459	283,494
	311,952	380,297
Current Liabilities		
Accounts payable and accrued liabilities	194,256	226,726
Current portion of property acquisition payable (note 6)	90,986	96,803
Current portion of trust acquisition payable (note 6)	74,739	79,517
Other liabilities	57,540	71,632
	417,521	474,678
	$ 7,010,242	$ 8,355,051

Business of the Company (note 1)
Going Concern (note 2b)
Commitments (notes 6 and 11)
Subsequent Event (note 12)

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

Approved on behalf of the Board of Directors

Signed "Carlos A. Massa", Director   Signed "Alberto F. Orcoyen", Director

Minsud Resources Corp.

Condensed Interim Consolidated Statement of Changes in Equity
For the Three Months Ended March 31, 2016 and 2015
Unaudited - see Notice to Reader
(All Amounts in Canadian Dollars Unless Otherwise Noted)

	Number of Common Shares	Issued Capital	Share Subscriptions Payable	Contributed Surplus	Currency Translation Reserve	Non-Controlling Interest	Deficit	Total Equity
Balance at January 1, 2016	94,798,924	$13,420,207	$ -	$ 4,102,384	$ (5,179,484)	$ 50,627	$ (4,893,658)	$ 7,500,076
Continued vesting of stock options (note 9)	-	-	-	47,220	-	-	-	47,220
Loss for the period	-	-	-	-	-	(350)	(139,429)	(139,779)
Other comprehensive loss for the period	-	-	-	-	(1,126,748)	(8,328)	-	(1,135,076)
Effects of change in non-controlling interest (note 1)	-	-	-	-	8,328	(1,003)	1,003	8,328
Balance at March 31, 2016	94,798,924	$13,420,207	$ -	$ 4,149,604	$ (6,297,904)	$ 40,946	$ (5,032,084)	$ 6,280,769

	Number of Common Shares	Issued Capital	Share Subscriptions Payable	Contributed Surplus	Currency Translation Reserve	Non-Controlling Interest	Deficit	Total Equity
Balance at January 1, 2015	65,104,604	$10,669,507	$ -	$ 3,227,757	$ (3,293,847)	$ 63,564	$ (4,627,928)	$ 6,039,053
Private placement proceeds (note 12)	-	-	234,796	-	-	-	-	234,796
Continued vesting of stock options (note 9)	-	-	-	20,837	-	-	-	20,837
Loss for the period	-	-	-	-	-	(691)	(124,847)	(125,538)
Other comprehensive loss for the period	-	-	-	-	326,547	3,694	-	330,241
Balance at March 31, 2015	65,104,604	$10,669,507	$ 234,796	$ 3,248,594	$ (2,967,300)	$ 66,567	$ (4,752,775)	$ 6,499,389

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

Minsud Resources Corp.

Condensed Interim Consolidated Statement of Cash Flows
For the Three Months Ended December 31, 2016 and 2015
Unaudited - see Notice to Reader
(All Amounts in Canadian Dollars Unless Otherwise Noted)

	2016	2015
Cash Provided By (Used In):		
Operating Activities		
Net loss	$ (139,779)	$ (125,538)
Items not affecting cash:		
Stock-based compensation	47,220	20,837
Mineral property write-offs	-	14,985
	(92,559)	(89,716)
Net changes in non-cash working capital:		
Other receivables	(8,325)	(7,720)
Prepaid expenses	-	(7,834)
Accounts payable and accrued liabilities	30,588	40,573
	(70,296)	(64,697)
Financing Activities		
Share subscriptions payable	-	234,796
	-	234,796
Investing Activities		
Mineral property expenditures	(317,417)	(221,808)
Purchase of property and equipment	(6,439)	-
	(323,856)	(221,808)
Change in Cash and Cash Equivalents	(394,152)	(51,709)
Cash and Cash Equivalents - Beginning of Period	559,885	205,131
Cash and Cash Equivalents - End of Period	$ 165,733	$ 153,422
Supplemental Cash Flow Information		
Interest received	$ -	$ -
Significant Non-Cash Transactions Not Disclosed Above		

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

1. Business of the Company

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

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

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

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

As at March 31, 2016, and December 31, 2015, MAI held 69,951,699 of the 70,494,299 outstanding common shares of MSA, representing an ownership interest of 99.23%. As at March 31, 2016, and December 31, 2015, the 542,600 shares of MSA not owned by MAI represented a non-controlling interest of 0.77%.

2. Basis of Presentation and Going Concern

a) Statement of Compliance

The Company's condensed interim consolidated financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting". These condensed interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2015, which were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These condensed interim consolidated financial statements have been prepared following the same accounting policies used in the preparation of the Company's audited consolidated financial statements for the year ended December 31, 2015, and were approved by the Company's Board of Directors on May 30, 2016.

2. Basis of Presentation and Going Concern (continued)

b) Going Concern

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

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

These condensed interim consolidated financial statements are prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of the business for the foreseeable future. There are material uncertainties regarding the Company's ability to continue as a going concern. The Company has not generated revenue from operations. During the period ended March 31, 2016, the Company incurred a net loss of $139,779 (2015 - $125,538) and as of that date, the Company's deficit was $5,032,084 (December 31, 2015 - $4,893,658). As at March 31, 2016, the Company has current assets of $240,732 (December 31, 2015 - $629,966) and current liabilities of $417,521 (December 31, 2015 - $474,678). The Company has a working capital deficiency as at March 31, 2016 of $176,789 (December 31, 2015 - working capital of $155,288). Subsequent to the period ended March 31, 2016, the Company issued 10,000,000 units pursuant to a non-brokered private placement for gross proceeds of $1,000,000 as described in note 12.

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

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

3. Significant Accounting Policies

The accounting policies are consistent with those of the Company's audited consolidated financial statements for the year ended December 31, 2015.

(All Amounts in Canadian Dollars Unless Otherwise Noted)

4. Significant Accounting Judgments, Estimates and Assumptions

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

5. Property and Equipment

As at March 31, 2016	**Vehicles**	**Office Equipment**	**Other**	**Total**
Cost				
Balance, beginning of period	$ 51,017	$ 12,506	$ 1,441	$ 64,964
Additions	3,654	2,785	-	6,439
Currency translation adjustments	(8,480)	(2,079)	(240)	(10,799)
Balance, end of period	46,191	13,212	1,201	60,604
Accumulated depreciation				
Balance, beginning of period	(47,231)	(11,804)	(1,098)	(60,133)
Depreciation	(1,040)	(218)	(15)	(1,273)
Currency translation adjustments	7,919	1,977	184	10,080
Balance, end of period	(40,352)	(10,045)	(929)	(51,326)
Net carrying amount as at March 31, 2016	$ 5,839	$ 3,167	$ 272	$ 9,278

(All Amounts in Canadian Dollars Unless Otherwise Noted)

5. Property and Equipment (continued)

As at March 31, 2015	**Vehicles**	**Office Equipment**	**Other**	**Total**
Cost				
Balance, beginning of period	$ 65,271	$ 15,661	$ 1,844	$ 82,776
Additions	-	-	-	-
Currency translation adjustments	3,797	911	107	4,815
Balance, end of period	69,068	16,572	1,951	87,591
Accumulated depreciation				
Balance, beginning of period	(47,373)	(13,522)	(1,311)	(62,206)
Depreciation	(3,434)	(398)	(25)	(3,857)
Currency translation adjustments	(2,775)	(789)	(76)	(3,640)
Balance, end of period	(53,582)	(14,709)	(1,412)	(69,703)
Net carrying amount as at March 31, 2015	$ 15,486	$ 1,863	$ 539	$ 17,888

Depreciation expense has been capitalized to mineral properties.

6. Mineral Properties

	San Juan Province Chita Valley			**Santa Cruz Province**			
As at March 31, 2016	**Chita**	**Brechas Vacas**	**Minas de Pinto**	**La Rosita**	**San Antonio**	**Other**	**TOTAL**
Balance, beginning of period	$ 4,641,784	$ 1,341,527	$ 1,182,955	$ 432,152	$ 118,814	$ 3,022	$ 7,720,254
Property rights/exploration agreements	24,961	-	41,215	-	-	-	66,176
Exploration	177,345	(47,477)	18,007	33,085	1,460	312	182,732
Write-offs	-	-	-	-	-	-	-
Currency translation adjustments	(724,007)	(208,148)	(188,583)	(68,603)	(19,066)	(523)	(1,208,930)
Balance, end of period	$ 4,120,083	$ 1,085,902	$ 1,053,594	$ 396,634	$ 101,208	$ 2,811	$ 6,760,232

(All Amounts in Canadian Dollars Unless Otherwise Noted)

6. Mineral Properties (continued)

	San Juan Province Chita Valley			Santa Cruz Province			
As at March 31, 2015	**Chita**	**Brechas Vacas**	**Minas de Pinto**	**La Rosita**	**San Antonio**	**Other**	**TOTAL**
Balance, beginning of period	$ 3,408,026	$ 1,420,431	$ 1,262,637	$ 496,998	$ 159,759	$ 3,069	$ 6,750,920
Property rights/exploration agreements	8,021	-	14,027	-	-	-	22,048
Exploration	130,386	98,702	11,018	10,146	216	1,285	251,753
Write-offs	-	-	-	-	(14,985)	-	(14,985)
Currency translation adjustments	189,435	80,018	69,978	27,272	8,942	186	375,831
Balance, end of period	$ 3,735,868	$ 1,599,151	$ 1,357,660	$ 534,416	$ 153,932	$ 4,540	$ 7,385,567

Brechas Vacas Property

Initial Exploration Agreement

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

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

On September 6, 2011, MSA exercised its option to purchase a 50% ownership interest in these properties for consideration of US$210,000 ($207,748). In order to facilitate this, on December 23, 2011, 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.

6. Mineral Properties (continued)

Brechas Vacas Property (continued)

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

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

In accordance with the original terms of the Option, the Company paid three instalments totalling US$150,000 and issued 419,000 common shares of the Company to settle and additional payment of US$20,000.

On December 19, 2013, MSA and the BV Owners signed an addendum to the Option that extends the period of time in which the Company is to pay the semi-annual staggered payments of US$560,000 remaining as at the date of the addendum, with the final payment due June 24, 2019. The addendum also extends the period of time in which the Company is to issue an equivalent number of common shares of the Company to settle the balance of US$200,000 remaining as at the date of the addendum. Pursuant to the addendum, the Expiration Date of the Option is extended to December 19, 2019 (the "Expiration Date"). The cash payments and the issuance of such shares is to take place on various dates between December 19, 2014 and June 24, 2019.

The Option's exercise price is US$1,070,000 payable by cash payments of US$535,000 and a payment of US$535,000 to be satisfied by the issuance of an equivalent number of common shares of the Company. The issuance of common shares of the Company is subject to the Exchange's approval and will be issued at the market price as of the date any commitment becomes due. If MSA decides to exercise the Option before the Expiration Date, 75% of any outstanding payments, whether accrued or not, will be added to the final exercise price of the Option.

(All Amounts in Canadian Dollars Unless Otherwise Noted)

6. Mineral Properties (continued)

Brechas Vacas Property (continued)

The staggered payment and share issuance commitments related to the option and the addendum are summarized as follows:

		Cash Payments		Payments in Shares			
Year	**Payment date**	**$US**	**Status**	**Shares**	**Price Per Share**	**$US**	**Status**
2012	July 4, 2012	$ 50,000	Paid				
2012	December 28, 2012	50,000	Paid				
2013	June 28, 2013	50,000	Paid	419,000	$ 0.05	$ 20,000	Issued
2013	December 26, 2013	20,000	Paid	210,000	0.10	20,000	Issued
2014	June 24, 2014	20,000	Paid			-	
2014	December 19, 2014	20,000	Paid			-	
2015	June 24, 2015	25,000	Paid			-	
2015	December 19, 2015	25,000	Paid			-	
2016	June 24, 2016	30,000				-	
2016	December 19, 2016	30,000				-	
2017	June 24, 2017	50,000		[1]	[1]	30,000	
2017	December 19, 2017	60,000		[1]	[1]	30,000	
2018	June 24, 2018	80,000		[1]	[1]	40,000	
2018	December 19, 2018	100,000		[1]	[1]	40,000	
2019	June 24, 2019	100,000		[1]	[1]	40,000	
		$ 710,000		629,000	$ 0.067	$ 220,000	

[1] The number of common shares to be issued by the Company in connection with the payments discussed above is dependent upon the market price of the Company's shares at the time the shares are issued to the BV owners pursuant to the terms of the Option.

As at March 31, 2016, the Company's obligations pursuant to the Option are as follows:

	Cash	Shares		
	$US	**Shares**	**Price Per Share**	**$US**
Settled payments	$ 260,000	629,000	$ 0.067	$ 40,000
Outstanding payments	$ 450,000	[1]	[1]	$ 180,000

6. Mineral Properties (continued)

Brechas Vacas Property (continued)

During the year ended December 31, 2014, the Company issued 210,000 common shares of the Company to the BV Owners at a value of $0.10 per share in settlement of a payment of US$20,000 ($21,000) in connection with the Option discussed above.

Once the Option is exercised and the remaining 50% of the beneficial interest in the Brechas Vacas Trust is transferred to MSA, the BV Owners will retain a 1.5% Net Smelter Return ("NSR") on the Brechas Vacas properties with Minsud having the option to purchase a 0.75% NSR, at any time, for a one-time payment of US$750,000.

As at March 31, 2016, the Company had made cash payments totaling US$260,000 ($284,682) and issued 629,000 common shares of the Company related to seven installments to the BV Owners pursuant to the terms of the Option. As at March 31, 2016, the Company was in compliance with their staggered payments schedule.

Chita Property

Initial Exploration Agreement

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

Purchase Option

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

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

6. Mineral Properties (continued)

Chita Property (continued)

In consideration for the transfer of ownership of the Chita Property, the Company is required to pay a total of US$420,000, payable as follows: US$30,000 payable in cash within ten days from the date on which the property owners accepted the Company's offer to exercise the purchase option; US$40,000 payable in cash simultaneously with the execution of the public deed evidencing the transfer of the Chita Property to the Company; and US$350,000 payable in ten semi-annual cash payments of US$35,000 each, the first of which shall be payable six months after the date of execution of the above mentioned public deed. As of the date of these financial statements, the Company has made the first nine payments totaling US$315,000 ($356,307) and is in compliance with their payment commitments. The remaining payments of US$105,000 ($136,479) have been accrued in property acquisition payable, the current portion of which is US $70,000 ($90,986).

The payments related to the exercise of the Purchase Option will be made as follows (all amounts are in United States Dollars):

2016 (September 12)	$ 35,000
2017 (March 12 and September 12)	$ 70,000

The financing of the purchase of the Chita property is without recourse against the Company. Should the Company fail to meet the payment obligations noted above, the purchase agreement stipulates that the Company will retain an ownership interest in the Chita Property proportional to the amounts paid versus the total payments required pursuant to the purchase agreement. The purchase agreement requires the residual ownership interest that is proportional to the unpaid amounts, to be transferred to the original owners of the Chita Property.

Minas de Pinto Property

Initial Exploration Agreement

On May 7, 2010, the Company, through MSA, entered into an Exploration Agreement including a Purchase Option (the "Minas de Pinto Agreement") with the owners of the mining properties identified under the name of Proyecto Minas de Pinto, located 30 km from Iglesia, in the Chita Valley in the Province of San Juan, Argentina. Included in Proyecto Minas de Pinto are the Arqueros, San Marcos, Estrellita, Paulita, Paulita II, Pierina II, Pierina III, San Pablo, San Urbano and Rosita II mining concessions covering 2,445 hectares.

6. Mineral Properties (continued)

Minas de Pinto Property (continued)

Pursuant to the Minas de Pinto Agreement, the owners granted to the Company the irrevocable and exclusive right to evaluate, prospect and explore the properties using any method, and at the Company's sole discretion. In addition to the exploration rights, the owners granted to the Company an irrevocable and exclusive option to purchase a 100% ownership interest in these properties pursuant to certain terms and conditions stated in the Minas de Pinto Agreement.

On September 12, 2012, the first addendum to the Minas de Pinto Agreement was signed to re-structure the payment schedule included in the Minas de Pinto Agreement in light of financial market conditions. Pursuant to the first addendum, in exchange for the right to evaluate, prospect and explore the properties, the Company shall pay to the owners a series of staggered payments totaling US$500,000, with the first payment due May 7, 2013, and the final payment due May 7, 2016 (see the following payment schedule). As at the date of signing the first addendum, the Company had paid US$165,000 ($165,646).

Pursuant to the first addendum of the Minas de Pinto Agreement, if the purchase option relating to the mining properties described above were to be exercised, the Company would be required to make a payment of US$1,335,000 at any time during the life of the agreement, but prior to May 7, 2017.

On November 5, 2013, the Company signed a second addendum to the Minas de Pinto Agreement. Pursuant to the second addendum, the payment of US $75,000 due November 7, 2013 was replaced with a payment of US$37,500 due November 7, 2013, and a payment of US$37,500 due November 7, 2015. The restructured payments are within the terms of the Option Agreement.

The Minas de Pinto Trust

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

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

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 favor 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.

(All Amounts in Canadian Dollars Unless Otherwise Noted)

6. Mineral Properties (continued)

Minas de Pinto Property (continued)

The staggered payments related to the original Minas de Pinto Agreement following the addendum are summarized as follows:

Year	Payment Date	$US	Status
2010	May 7, 2010	$ 20,000	Paid
2010	November 7, 2010	20,000	Paid
2011	November 7, 2011	75,000	Paid
2012	September 13, 2012	50,000	Paid
2013	May 7, 2013	50,000	Paid
2013	November 7, 2013	37,500	Paid
		$ 252,500	

The staggered payments related to the acquisition of the 50% interest in the Minas de Pinto Trust are summarized as follows:

Year	Payment Date	$US	Status
2014	April 24, 2014	$ 50,000	Paid
2015	May 7, 2015	50,000	Paid
2015	November 7, 2015	50,000	Paid
2016	May 7, 2016	57,500	
2017	May 7, 2017	75,000	
2018	May 7, 2018	130,000	
		$ 412,500	

As at March 31, 2016, the Company had paid US $150,000 ($182,570) related to the acquisition of the 50% interest in the Minas de Pinto Trust. The remaining US$262,500 ($341,198) has been accrued in trust acquisition payable, the current portion of which is US$57,500 ($74,739). As at March 31, 2016, the Company was in compliance with their staggered payments schedule. Subsequent to the period ended March 31, 2016, the Company paid the fourth instalment in the amount of US$57,500 ($74,002).

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.

San Antonio Property

The San Antonio Property, a prospect in which the Company has a 100% ownership interest, is located within the Deseado Massif and the Area of Special Mining Interest of Santa Cruz Province.

(All Amounts in Canadian Dollars Unless Otherwise Noted)

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.

8. Warrants

	Number	Amount	Weighted Average Exercise Price
Balance - January 1, 2015	24,737,338	$ 564,782	$ 0.35
Expired	(3,600,000)	(97,200)	(0.35)
Issued for cash	27,904,775	723,651	0.35
Issued as settlement for accounts payable	1,789,545	45,964	0.35
Issuance costs		(2,236)	
Balance - December 31, 2015	50,831,658	$ 1,234,961	$ 0.35
Expired	(10,420,004)	(269,521)	(0.35)
Balance - March 31, 2016	40,411,654	$ 965,440	$ 0.35

During the period ended March 31, 2016 10,420,004 warrants expired un-exercised.

As at March 31, 2015, the following Warrants were issued and outstanding:

Exercise Price	Warrants Outstanding	Remaining Contractual Life (Years)	Expiry Date
$ 0.35	9,617,334	0.41	August 28, 2016
$ 0.35	1,100,000	0.64	November 20, 2016
$ 0.35	9,000,000	1.02	April 9, 2017
$ 0.35	13,124,775	1.39	August 20, 2017
$ 0.35	5,780,000	1.46	September 15, 2017
$ 0.35	1,789,545	1.73	December 21, 2017
	40,411,654	1.08	

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.

(All Amounts in Canadian Dollars Unless Otherwise Noted)

9. Stock Option Plan (continued)

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

i) Movements in stock options during the period:

	Number of Options	Weighted Average Exercise Price
Balance - January 1, 2015	6,395,000	$ 0.26
Options granted	2,740,000	0.10
Balance - December 31, 2015	9,135,000	$ 0.21
Options expired	(130,000)	(0.23)
Balance - March 31, 2016	9,005,000	$ 0.21

ii) Stock options outstanding at the end of the period

Exercise Price	Options Vested	Options Unvested	Remaining Contractual Life (Years)	Expiry Date
$ 0.40	2,910,000	-	0.19	June 9, 2016
$ 0.40	225,000	-	0.57	October 26, 2016
$ 0.19	435,000	-	1.38	August 17, 2017
$ 0.10	560,000	-	2.51	October 3, 2018
$ 0.10	1,020,000	-	3.12	May 12, 2019
$ 0.10	836,250	278,750	3.64	November 20, 2019
$ 0.10	685,000	2,055,000	4.71	December 14, 2020
	6,671,250	2,333,750	2.53	

As at March 31, 2016 the weighted average exercise price of options that had fully vested was $0.25.

10. Related Party Transactions and Balances

During the period ended March 31, 2016, the Company incurred the following related party transactions:

i) Transactions

a) A total of $35,000 of salary and directors' fees of MSA (2015 - $35,000) was charged by the CEO of the Company.

c) A total salary of $16,195 (2015 - $20,797) was charged by an individual related to the Company's CEO.

d) A total of $9,553 of accounting and regulatory compliance fees (2015 - $9,500) and $5,250 of CFO fees (2015 - $5,250) was charged by an accounting firm in which the Company's CFO is a partner.

e)A total of $21,000 of professional fees (2015 - $21,000) and $5,640 of mineral property exploration expenses (2015 - $730) were charged by the Company's Vice-President (Exploration). These amounts have been capitalized to mineral properties.

f) The amount of stock-based compensation expense for the period ended March 31, 2016 related to the continued vesting of stock options issued to key members of management was $33,105 (2015 - $13,981).

ii) Period-end balances

a) As at March 31, 2016, accounts payable and accrued liabilities included $17,843 payable to the CEO of the Company.

b) As at March 31, 2016, accounts payable and accrued liabilities included $4,782 payable to an individual related to the Company's CEO.

b) As at March 31, 2016, accounts payable and accrued liabilities included $3,125 payable to an accounting firm in which the Company's CFO is a partner.

c) As at March 31, 2016, accounts payable and accrued liabilities included $9,716 payable to the Company's Vice-President (Exploration).

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

11. Commitments

a) On March 25, 2015, the Company entered into a new services agreement with its President and CEO. Pursuant to the services agreement, an annual fee of $140,000, consisting of salary and director's fees of MSA, was paid in monthly instalments by MSA. The services agreement continued in effect until December 31, 2015 and provided that the President and CEO may pursue outside business interests or directorships in other industries that did not interfere or conflict with his ability to carry out his duties as an officer and director of the Company and MSA. The services agreement contained a change of control provision, where “change of control” was defined as: (a) the acquisition by a person, group of persons or person acting jointly or in concert, or persons associated or affiliated within the meaning of the Securities Act (Ontario) with any such person, group of persons or any of such persons acting jointly or in concert, of more than 50% of the votes attaching to all shares in the capital of the Company that may be cast to elect directors of the Company; or (b) the election at any meeting of shareholders of a majority of directors not recommended by management. If, within six months following a "change of control", employment of the President and CEO was terminated by the Company without cause, the President and CEO would have been entitled to a lump sum severance payment of $280,000 and the immediate vesting of all unvested stock options.

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

   On March 11, 2016, the Company and the Company's President and CEO entered into a new services agreement for an annual fee of $140,000, consisting of salary and director's fees of MSA, which will be paid in monthly instalments by MSA. The new agreement expires December 31, 2016 and contains provisions similar to those included in the services agreement that expired December 31, 2015.

b) During the year ended December 31, 2015, the Company and the Company's Vice-President (Exploration) signed a new annual consulting agreement for a fixed monthly fee of $7,000 until December 31, 2015. The agreement does not provide for any payments in the event of a change of control or termination.

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

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

Additional commitments are disclosed in note 6.

12. Subsequent Events

Subsequent to the period ended March 31, 2016, the Company issued 10,000,000 units pursuant to a non-brokered private placement for gross proceeds of $1,000,000. Each unit consists of one common share and one warrant. Each warrant entitles the holder to purchase one common share of the Company at a price of $0.35 per share for a period of 24 months from the date of the private placement, provided that in the event that the 20 day closing price of the common shares on the TSX Venture Exchange or such other stock exchange that the common shares may be then listed on is greater than $0.35, the Company shall be entitled to accelerate the exercise period of the warrants to a period of not less than 10 days after written notice is deemed to have been received by the holders of the warrants from the Company regarding same.

An additional subsequent event is disclosed in note 6.