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**Consolidated Financial Statements**

# **Minsud Resources Corp.**

**For the Years Ended December 31, 2014 and 2013**

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## INDEPENDENT AUDITORS' REPORT

To the Shareholders of **Minsud Resources Corp.**

We have audited the accompanying consolidated financial statements of Minsud Resources Corp. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2014 and December 31, 2013 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### ***Management's responsibility for the consolidated financial statements***

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

### ***Auditors' responsibility***

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

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

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

### ***Opinion***

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Minsud Resources Corp. and its subsidiaries, as at December 31, 2014, and December 31, 2013, its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

### ***Emphasis of matter***

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

*Collins Barrow Toronto LLP*

Licensed Public Accountants  
Chartered Professional Accountants  
April 28, 2015  
Toronto, Ontario

# Minsud Resources Corp.

Consolidated Statements of Loss and Comprehensive Loss

For the Years Ended December 31, 2014 and 2013

(All Amounts in Canadian Dollars Unless Otherwise Noted)

	2014	2013
<b>Expenses</b>		
General and administrative	\$ 32,104	\$ 42,870
Marketing and communications	16,968	14,160
Professional and regulatory fees	235,770	262,373
Stock-based compensation (note 10)	75,973	32,479
Taxes on ownership of subsidiary	25,327	48,024
Less:		
Interest income	(420)	(1,527)
Less:		
Gain on disposition of short-term investments	-	(181,664)
<b>Net Loss for the Year</b>	<b>(385,722)</b>	<b>(216,715)</b>
<b>Other Comprehensive Loss</b>		
Items that will be reclassified to profit and loss:		
Currency translation adjustment	(790,327)	(1,074,732)
<b>Comprehensive Loss for the Year</b>	<b>\$ (1,176,049)</b>	<b>\$ (1,291,447)</b>
<b>Loss per Share - basic and diluted</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>
<b>Weighted Average Number of Common Shares Outstanding - basic and diluted</b>	<b>56,374,979</b>	<b>41,067,452</b>
<b>Net Loss for the Year Attributable to:</b>		
<b>Non-controlling interest</b>	\$ (1,199)	\$ (2,051)
<b>Equity shareholders of the Company</b>	(384,523)	(214,664)
	<b>\$ (385,722)</b>	<b>\$ (216,715)</b>
<b>Comprehensive Loss for the Year Attributable to:</b>		
<b>Non-controlling interest</b>	\$ (10,446)	\$ (19,469)
<b>Equity shareholders of the Company</b>	(1,165,603)	(1,271,978)
	<b>\$ (1,176,049)</b>	<b>\$ (1,291,447)</b>

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)

	2014	2013
<b>Assets</b>		
<b>Non-Current Assets</b>		
Mineral properties (note 6)	\$ 6,750,920	\$ 5,271,150
Property and equipment (note 5)	20,570	41,663
	<u>6,771,490</u>	<u>5,312,813</u>
<b>Current Assets</b>		
Cash and cash equivalents	205,131	205,036
Prepaid expenses and deposits	21,282	11,601
Other receivables	23,235	56,926
	<u>249,648</u>	<u>273,563</u>
	<u>\$ 7,021,138</u>	<u>\$ 5,586,376</u>
<b>Shareholders' Equity</b>		
Issued capital (notes 1 and 7)	\$ 10,669,507	\$ 9,041,202
Contributed surplus (notes 8, 9 and 10)	3,227,757	2,673,844
Cumulative translation reserve	(3,293,847)	(2,500,779)
Deficit	(4,627,928)	(4,236,369)
Equity attributable to shareholders of the Company	<u>5,975,489</u>	<u>4,977,898</u>
Non-controlling interest (note 1)	63,564	74,012
	<u>6,039,053</u>	<u>5,051,910</u>
<b>Liabilities</b>		
<b>Non-Current Liabilities</b>		
Property acquisition payable (note 6)	162,428	223,312
Trust acquisition payable (note 6)	304,553	-
	<u>466,981</u>	<u>223,312</u>
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	272,399	211,136
Current portion of property acquisition payable (note 6)	81,214	74,437
Current portion of trust acquisition payable (note 6)	116,020	-
Other liabilities	45,471	25,581
	<u>515,104</u>	<u>311,154</u>
	<u>\$ 7,021,138</u>	<u>\$ 5,586,376</u>
<b>Business of the Company and Qualifying Transaction (note 1)</b>		
<b>Going Concern (note 2(b))</b>		
<b>Commitments (notes 6 and 16)</b>		
<b>Subsequent Event (note 17)</b>		

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

Approved on behalf of the Board of Directors

Signed "Carlos A. Massa", Director

Signed "Alberto F. Orcoyen", Director

# Minsud Resources Corp.

Consolidated Statement of Changes in Shareholders' Equity

For the Years Ended December 31, 2014 and 2013

(All Amounts in Canadian Dollars Unless Otherwise Noted)

	<b>Number of Common Shares</b>	<b>Issued Capital</b>	<b>Contributed Surplus</b>	<b>Currency Translation Reserve</b>	<b>Non- Controlling Interest</b>	<b>Deficit</b>	<b>Total Equity</b>
Balance at January 1, 2014	43,757,266	\$ 9,041,202	\$ 2,673,844	\$(2,500,779)	\$ 74,012	\$(4,236,369)	\$ 5,051,910
Common shares issued pursuant to property option agreement (note 6)	210,000	21,000	-	-	-	-	21,000
Private placement proceeds (note7)	20,037,338	1,541,078	462,655	-	-	-	2,003,733
Common shares and warrants issued as settlement of accounts payable (note 7)	1,100,000	83,962	26,038	-	-	-	110,000
Share issuance costs (note 7)	-	(36,511)	(11,003)	-	-	-	(47,514)
Stock-based compensation (note 9)	-	-	75,973	-	-	-	75,973
Loss for the year	-	-	-	-	(1,199)	(384,523)	(385,722)
Other comprehensive loss for the year	-	-	-	(781,080)	(9,247)	-	(790,327)
Effects of change in non-controlling interest (note 1)	-	18,776	250	(11,988)	(2)	(7,036)	-
Balance at December 31, 2014	<u>65,104,604</u>	<u>\$10,669,507</u>	<u>\$ 3,227,757</u>	<u>\$(3,293,847)</u>	<u>\$ 63,564</u>	<u>\$(4,627,928)</u>	<u>\$ 6,039,053</u>

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

# Minsud Resources Corp.

Consolidated Statement of Changes in Shareholders' Equity

For the Years Ended December 31, 2014 and 2013

(All Amounts in Canadian Dollars Unless Otherwise Noted)

	<b>Number of Common Shares</b>	<b>Issued Capital</b>	<b>Contributed Surplus</b>	<b>Currency Translation Reserve</b>	<b>Non- Controlling Interest</b>	<b>Deficit</b>	<b>Total Equity</b>
Balance at January 1, 2013	39,738,266	\$ 8,769,179	\$ 2,549,757	\$(1,441,063)	\$ 92,631	\$(4,019,552)	\$ 5,950,952
Common shares issued pursuant to property option agreement (note 6)	419,000	20,950	-	-	-	-	20,950
Private placement proceeds	3,600,000	262,800	97,200	-	-	-	360,000
Share issuance costs	-	(15,347)	(5,677)	-	-	-	(21,024)
Stock-based compensation (note 10)	-	-	32,479	-	-	-	32,479
Net loss for the year	-	-	-	-	(2,051)	(214,664)	(216,715)
Other comprehensive loss for the year	-	-	-	(1,057,314)	(17,418)	-	(1,074,732)
Effects of change in non-controlling interest (note 1)	-	3,620	85	(2,402)	850	(2,153)	-
Balance at December 31, 2013	<u>43,757,266</u>	<u>\$ 9,041,202</u>	<u>\$ 2,673,844</u>	<u>\$(2,500,779)</u>	<u>\$ 74,012</u>	<u>\$(4,236,369)</u>	<u>\$ 5,051,910</u>

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

# Minsud Resources Corp.

Consolidated Statement of Cash Flows

For the Years Ended December 31, 2014 and 2013

(All Amounts in Canadian Dollars Unless Otherwise Noted)

	2014	2013
<b>Cash Provided By (Used In):</b>		
<b>Operating Activities</b>		
Net loss for the year	\$ (385,722)	\$ (216,715)
Gain on disposition of short-term investments	-	(181,664)
Items not affecting cash:		
Stock-based compensation	75,973	32,479
	<u>(309,749)</u>	<u>(365,900)</u>
Net changes in non-cash working capital:		
Other receivables	33,691	(34,243)
Prepaid expenses and deposits	(9,681)	6,644
Accounts payable and accrued liabilities	84,500	41,361
	<u>(201,239)</u>	<u>(352,138)</u>
<b>Financing Activities</b>		
Issuance of share capital	1,541,078	262,800
Issuance of warrants	462,655	97,200
Share issuance costs	(47,514)	(21,024)
	<u>1,956,219</u>	<u>338,976</u>
<b>Investing Activities</b>		
Mineral property expenditures	(1,754,152)	(1,027,386)
Purchase of property and equipment	(733)	-
Net proceeds from short-term investments	-	181,664
	<u>(1,754,885)</u>	<u>(845,722)</u>
<b>Change in Cash and Cash Equivalents</b>	95	(858,884)
<b>Cash and Cash Equivalents - Beginning of Year</b>	<u>205,036</u>	<u>1,063,920</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u>\$ 205,131</u>	<u>\$ 205,036</u>
<b>Supplemental Cash Flow Information</b>		
Interest received	<u>\$ 420</u>	<u>\$ 1,527</u>
<b>Significant Non-Cash Transactions Not Disclosed Above</b>		
Common shares issued pursuant to property option agreement	\$ 21,000	\$ 20,950
Common shares issued pursuant to settlement of accounts payable	\$ 83,962	\$ -
Warrants issued pursuant to settlement of accounts payable	<u>\$ 26,038</u>	<u>\$ -</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, 2014 and 2013

(All Amounts in Canadian Dollars Unless Otherwise Noted)

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## 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 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 December 31, 2014, MAI held 48,195,340 of the 48,737,940 outstanding common shares of MSA, representing an ownership interest of 98.89% (December 31, 2013 - 34,452,185 of the 34,994,785 outstanding common shares of MSA, representing an ownership interest of 98.45%). As at December 31, 2014, the 542,600 shares of MSA not owned by MAI represented a non-controlling interest of 1.11% (December 31, 2013 - 1.55%).



# Minsud Resources Corp.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2014 and 2013

(All Amounts in Canadian Dollars Unless Otherwise Noted)

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## 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 International Financial Reporting Committee ("IFRIC") and were approved by the Company's Board of Directors April 27, 2015.

### 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 financial statements are prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of the business for the foreseeable future. There are material uncertainties regarding the Company's ability to continue as a going concern. The Company has not generated revenue from operations. During the year ended December 31, 2014, the Company incurred a net loss of \$385,722 (2013 - \$216,715) and as of that date, the Company's deficit was \$4,627,928 (2013 - \$4,236,369). As at December 31, 2014, the Company has current assets of \$249,648 (2013 - \$273,563) and current liabilities of \$515,104 (2013 - \$311,154). The Company has a working capital deficiency as at December 31, 2014 of \$265,456 (2013 - working capital deficiency of \$37,591). Subsequent to the year ended December 31, 2014, the Company issued 9,000,000 units pursuant to a non-brokered private placement for gross proceeds of \$900,000 as described in note 17.

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

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

# Minsud Resources Corp.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2014 and 2013

(All Amounts in Canadian Dollars Unless Otherwise Noted)

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## 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, topographical, geological, geochemical and geophysical studies, exploratory drilling, trenching, technical feasibility studies and other costs directly attributable to exploration projects, until such time as the properties are technically feasible, 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, 2014 and 2013

(All Amounts in Canadian Dollars Unless Otherwise Noted)

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## 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 judgments and estimates of the asset's recoverable amount and compares this to the carrying amount as at the reporting date. If the carrying amount exceeds the recoverable amount, an impairment loss is recognized in the statement of loss.

### Property and Equipment

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

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

Depreciation is calculated applying the following useful lives:

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

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

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

### Impairment of Assets

Impairment of mineral properties is assessed in accordance with the criteria noted above under "Mineral properties". For all other non-financial assets, the Company reviews its carrying amount at the end of each reporting period to determine whether there is any indication that those assets have suffered an impairment loss. Where such impairment exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The Company has assessed the assets of all of its operating entities, and has determined that conditions indicating potential impairment of any of the Company's assets were not present as at December 31, 2014 and 2013.

# Minsud Resources Corp.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2014 and 2013

(All Amounts in Canadian Dollars Unless Otherwise Noted)

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## 3. Significant Accounting Policies (continued)

### Deferred Taxes

Deferred taxes are determined, using the asset and liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Tax rates enacted or substantially enacted by the date of the statement of financial position are used to determine the deferred tax expense.

Deferred tax assets are recognized to the extent that it is probable that future taxable income will be available against which temporary differences or unused tax losses can be utilized.

Deferred tax is charged or credited in the statement of loss and comprehensive loss, except when it relates to items credited or charged directly to other comprehensive income or equity, in which case the deferred tax is treated accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to offset current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

### Foreign Currency Translation

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

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

For the purpose of presenting consolidated financial statements, the assets and liabilities of MSA are expressed in Canadian Dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive loss and reported as currency translation reserve in shareholders' equity. The cumulative amount of the exchange differences recognized in other comprehensive income and accumulated as currency translation reserve in shareholders' equity shall be reclassified from equity to profit or loss upon disposal of MSA when a gain or loss on disposal is recognized. During the year ended December 31, 2014, the Company had exchange differences related to its mineral properties of \$829,685 that was included in other comprehensive income. As at December 31, 2014, \$3,182,360 of the total Currency Translation Reserve is a result of cumulative exchange differences related to the Company's mineral properties.

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

# Minsud Resources Corp.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2014 and 2013

(All Amounts in Canadian Dollars Unless Otherwise Noted)

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## 3. Significant Accounting Policies (continued)

### Financial Instruments

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

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

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

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

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

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

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

The Company's financial assets and liabilities recorded at fair value on the statement of financial position or disclosed in the notes have been categorized into three categories based on a fair value hierarchy. Fair value of assets and liabilities included in Level I is determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level II include valuations using inputs other than the quoted prices for which all significant inputs are based on observable market data, either directly or indirectly. Level III valuations are based on inputs that are not based on observable market data. Assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. As at December 31, 2014, the Company's cash and cash equivalents are categorized as Level 1 measurement. The Company does not hold any Level II or III investments.

# Minsud Resources Corp.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2014 and 2013

(All Amounts in Canadian Dollars Unless Otherwise Noted)

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## 3. Significant Accounting Policies (continued)

### Share-Based Payments

The Company offers a share option plan for its directors, officers and employees as described in note 10. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. Fair value of each tranche is measured using the Black-Scholes option pricing model. Compensation expense is recognized over the tranche's vesting period by increasing contributed surplus based on the number of awards expected to vest. Any consideration paid on exercise of share options is credited to share capital. The contributed surplus resulting from share-based compensation is transferred to share capital when the options are exercised.

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

### Non-Controlling Interests

The Company treats transactions with non-controlling interests as transactions with equity owners of the Company. Acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders. Gains or losses on disposals of non-controlling interests are also recorded in equity. Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

### 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, 2014 and 2013, all the outstanding stock options, warrants and brokers' warrants were anti-dilutive.

### Decommissioning, Restoration and Similar Liabilities

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

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

# Minsud Resources Corp.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2014 and 2013

(All Amounts in Canadian Dollars Unless Otherwise Noted)

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## 3. Significant Accounting Policies (continued)

### Segment Reporting

A 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 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

### Future Accounting Pronouncements

IFRS 9 Financial Instruments was issued in final form in July 2014 by the IASB and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 also includes requirements relating to a new hedge accounting model, which represents a substantial overhaul of hedge accounting which will allow entities to better reflect their risk management activities in the financial statements. The most significant improvements apply to those that hedge non-financial risk, and so these improvements are expected to be of particular interest to non-financial institutions. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, however early adoption is permitted.

The Company has not yet completed its evaluations of the effect of adopting the above standard and the impact it may have on its consolidated financial statements

## 4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of income and expenses during the reporting period. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. 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.

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

# Minsud Resources Corp.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2014 and 2013

(All Amounts in Canadian Dollars Unless Otherwise Noted)

## 5. Property and Equipment

### As at December 31, 2014

	Vehicles	Office Equipment	Other	Total
<b>Cost</b>				
Balance, beginning of year	\$ 78,447	\$ 17,923	\$ 2,216	\$ 98,586
Additions	-	733	-	733
Currency translation adjustments	(13,176)	(2,995)	(372)	(16,543)
<b>Balance, end of year</b>	<b>65,271</b>	<b>15,661</b>	<b>1,844</b>	<b>82,776</b>
<b>Accumulated depreciation</b>				
Balance, beginning of year	(41,247)	(14,215)	(1,461)	(56,923)
Depreciation	(13,107)	(1,697)	(95)	(14,899)
Currency translation adjustments	6,981	2,390	245	9,616
<b>Balance, end of year</b>	<b>(47,373)</b>	<b>(13,522)</b>	<b>(1,311)</b>	<b>(62,206)</b>
<b>Net carrying amount as at December 31, 2014</b>	<b>\$ 17,898</b>	<b>\$ 2,139</b>	<b>\$ 533</b>	<b>\$ 20,570</b>

### As at December 31, 2013

	Vehicles	Office Equipment	Other	Total
<b>Cost</b>				
Balance, beginning of year	\$ 135,718	\$ 22,183	\$ 2,743	\$ 160,644
Additions	-	-	-	-
Disposals	(37,368)	-	-	(37,368)
Currency translation adjustment	(19,903)	(4,260)	(527)	(24,690)
<b>Balance, end of year</b>	<b>78,447</b>	<b>17,923</b>	<b>2,216</b>	<b>98,586</b>
<b>Accumulated depreciation</b>				
Balance, beginning of year	(70,259)	(15,105)	(1,403)	(86,767)
Depreciation	(18,174)	(2,329)	(380)	(20,883)
Disposals	37,368	-	-	37,368
Currency translation adjustment	9,818	3,219	322	13,359
<b>Balance, end of year</b>	<b>(41,247)</b>	<b>(14,215)</b>	<b>(1,461)</b>	<b>(56,923)</b>
<b>Net carrying amount as at December 31, 2013</b>	<b>\$ 37,200</b>	<b>\$ 3,708</b>	<b>\$ 755</b>	<b>\$ 41,663</b>

Depreciation expense has been capitalized to mineral properties.



# Minsud Resources Corp.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2014 and 2013

(All Amounts in Canadian Dollars Unless Otherwise Noted)

## 6. Mineral Properties

As at December 31, 2014	San Juan Province Chita Valley			Santa Cruz Province			TOTAL
	Brechas Vacas	Chita	Minas de Pinto	San Antonio	La Rosita	Other	
Balance, beginning of year	\$1,624,178	\$ 2,039,717	\$ 867,504	\$ 173,547	\$ 566,093	\$ 111	\$ 5,271,150
Property rights/exploration agreements	44,825	76,636	483,385	1,312	-	2,086	608,244
Exploration	17,237	1,600,846	47,282	13,427	21,600	819	1,701,211
Currency translation adjustments	(265,809)	(309,173)	(135,534)	(28,527)	(90,695)	53	(829,685)
<b>Balance, end of year</b>	<b>\$1,420,431</b>	<b>\$ 3,408,026</b>	<b>\$1,262,637</b>	<b>\$ 159,759</b>	<b>\$ 496,998</b>	<b>\$ 3,069</b>	<b>\$ 6,750,920</b>

As at December 31, 2013	San Juan Province Chita Valley			Santa Cruz Province			TOTAL
	Brechas Vacas	Chita	Minas de Pinto	San Antonio	La Rosita	Other	
Balance, beginning of year	\$1,714,751	\$2,142,429	\$ 520,769	\$ 188,523	\$ 669,878	\$ 2	\$ 5,236,352
Property rights/exploration agreements	118,224	94,158	91,477	1,860	-	-	305,719
Exploration	148,551	248,774	407,926	21,444	22,470	131	849,296
Write-offs	-	-	-	-	-	-	-
Currency translation adjustment	(357,348)	(445,644)	(152,668)	(38,280)	(126,255)	(22)	(1,120,217)
<b>Balance, end of year</b>	<b>\$1,624,178</b>	<b>\$2,039,717</b>	<b>\$ 867,504</b>	<b>\$ 173,547</b>	<b>\$ 566,093</b>	<b>\$ 111</b>	<b>\$ 5,271,150</b>

### 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 totalling 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.

# Minsud Resources Corp.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2014 and 2013

(All Amounts in Canadian Dollars Unless Otherwise Noted)

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## 6. Mineral Properties (continued)

### Brechas Vacas Property (continued)

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

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.

The Option is subject to semi-annual staggered payments to the BV Owners of US\$710,000 in aggregate commencing on July 4, 2012, and ending on December 9, 2016, in addition to an aggregate payment of US\$220,000 to be settled by the issuance of an equivalent number of common shares of the Company sometime between June 28, 2013 and December 9, 2016. The Option can be fully exercised by MSA at any time on or before June 7, 2017 (the "Expiration Date"). 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.

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 cash payments and the issuance of such shares is to take place on various dates between December 19, 2014 and June 24, 2019.

# Minsud Resources Corp.

Notes to the Consolidated Financial Statements

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## 6. Mineral Properties (continued)

### Brechas Vacas Property (continued)

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

Year	Payment date	Cash Payments		Payments in Shares			
		\$US	Status	Shares	Price Per Share	\$US	Status
2012	July 4, 2012	\$ 50,000	Paid				
2012	December 28, 2012	50,000	Paid				
2013	June 13, 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 14, 2014	20,000	Paid			-	
2014	December 19, 2014	20,000	Paid			-	
2015	June 15, 2015	25,000				-	
2015	December 19, 2015	25,000				-	
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	
		<u>\$ 710,000</u>		<u>629,000</u>	<u>\$ 0.067</u>	<u>\$ 220,000</u>	

As at December 31, 2014, the Company's obligations pursuant to the Option are as follows:

	Cash	Shares		
	\$US	Shares	Price Per Share	\$US
<b>Settled payments</b>	<u>\$ 210,000</u>	<u>629,000</u>	<u>\$ 0.067</u>	<u>\$ 40,000</u>
<b>Outstanding payments</b>	<u>\$ 500,000</u>	<u>(1)</u>	<u>(1)</u>	<u>\$ 180,000</u>

(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.

# Minsud Resources Corp.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2014 and 2013

(All Amounts in Canadian Dollars Unless Otherwise Noted)

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## 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 December 31, 2014, the Company had made cash payments totalling US\$210,000 (\$218,922) and issued 629,000 common shares of the Company related to four installments to the BV Owners pursuant to the terms of the Option. As at December 31, 2014, 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 3,435 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 totalling 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 rights (Cesion de Manifestaciones de descubrimiento) signed under public notary, which is now registered by the Ministry of Mines in San Juan Province.

# Minsud Resources Corp.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2014 and 2013

(All Amounts in Canadian Dollars Unless Otherwise Noted)

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## 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 six payments totalling US\$210,000 (\$218,543) and is in compliance with their payment commitments. The remaining payments of US\$210,000 have been accrued in property acquisition payable. Subsequent to the year ended December 31, 2014, the Company paid US\$35,000 (\$44,467) with respect to the seventh payment.

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

2015	\$	70,000
2016	\$	70,000
2017	\$	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.

# Minsud Resources Corp.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2014 and 2013

(All Amounts in Canadian Dollars Unless Otherwise Noted)

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## 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 totalling 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.

# Minsud Resources Corp.

Notes to the Consolidated Financial Statements

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## 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:

<u>Year</u>	<u>Payment Date</u>	<u>\$US</u>	<u>Status</u>
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
		<u>\$ 252,500</u>	

As at December 31, 2014, the Company had paid US\$252,500 (\$255,093) related to six installments as required by the Minas de Pinto Agreement and the first and second addendums to the Minas de Pinto Agreement. As at December 31, 2014, the Company was in compliance with their staggered payments schedule.

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

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

During the year ended December 31, 2014, the Company made the first payment of US \$50,000 (\$55,165) related to the acquisition of the 50% interest in the Minas de Pinto Trust. The remaining US\$362,500 has been accrued in trust acquisition payable. As at December 31, 2014, the Company was in compliance with their staggered payments schedule.

# Minsud Resources Corp.

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(All Amounts in Canadian Dollars Unless Otherwise Noted)

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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.

### 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.

### Other Properties

During the year ended December 31, 2014, the Company, through MSA, acquired two exploration permits adjacent to the Chita property in exchange for a 2% NSR on future production revenue from the acquired exploration permits. The Company has the right to purchase one half or 1% of the NSR by paying US\$750,000. The Chita Norte property is an exploration permit covering 1,881 hectares and the Chita Sur property is an exploration permit pending approval covering 1,304 hectares.

### Property Agreement Payments

If MSA is unable to obtain sufficient United States Dollars to make the cash payments required by the property agreements as a result of regulations imposed by the Argentine government as they relate to the purchase of foreign currencies, each of MSA's agreements related to the Brechas Vacas and Minas de Pinto properties, as well as the financing obtained for the the acquisition of the Chita property and the 50% interest in the Minas de Pinto Trust, include clauses that allow the payments to be made in an equivalent amount of Argentinean Pesos. Any amounts paid in Argentinean Pesos will be calculated using the official foreign exchange rate of the day immediately prior to the payment date as published by the Banco Nacion Argentina.

## 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, 2014, the Company:

- a) Issued 10,420,004 units (pursuant to a non-brokered private placement) for proceeds of \$1,042,000, of which \$269,520 was allocated to warrants (see note 8).

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

In connection with the private placement, the Company paid legal fees and expenses of \$25,294 of which \$6,541 was allocated to warrants (see note 8).



# Minsud Resources Corp.

Notes to the Consolidated Financial Statements

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## 7. Issued Capital (continued)

- b) Issued 9,617,334 units (pursuant to a non-brokered private placement) for proceeds of \$961,733, of which \$193,135 was allocated to warrants (see note 8).

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

In connection with the private placement, the Company paid legal fees and expenses of \$22,220 of which \$4,462 was allocated to warrants (see note 8).

- c) Issued 1,100,000 units to a vendor at a deemed price of \$0.10 per unit as settlement of accounts payable in the amount of \$110,000. Of this amount, \$26,038 was allocated to warrants (see note 8).

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

- d) Issued 210,000 common shares of the Company pursuant to a mineral property purchase option agreement at a value of \$0.10 per share in settlement of a payment of US\$20,000 (\$21,000) as described in note 6.

During the year ended December 31, 2013, the Company:

- a) Issued 3,600,000 units (pursuant to a non-brokered private placement) for proceeds of \$360,000, of which \$97,200 was allocated to warrants (see note 8).

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

The common shares issued pursuant to the non-brokered private placement were subject to a four month hold period expiring on January 11, 2014.

In connection with the private placement, the Company paid legal fees of \$21,024 of which \$5,677 was allocated to warrants (see note 9).

- b) Issued 419,000 common shares of the Company pursuant to property option agreements as described in note 6.

# Minsud Resources Corp.

Notes to the Consolidated Financial Statements

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## 8. Warrants

	<u>Number</u>	<u>Amount</u>	<u>Weighted Average Exercise Price</u>
<b>Minsud Resources Corp.</b>			
Balance - December 31, 2012	16,325,133	\$ 1,731,900	\$ 0.56
Expired	(13,772,500)	(1,583,174)	(0.60)
Issued for cash	3,600,000	97,200	0.35
Issuance costs	-	(5,677)	-
Balance - December 31, 2013	6,152,633	240,249	0.35
Expired	(2,552,633)	(153,158)	(0.35)
Issued for cash	20,037,338	462,656	0.35
Issued as settlement for accounts payable	1,100,000	26,038	0.35
Issuance costs		(11,003)	
Balance - December 31, 2014	<u>24,737,338</u>	<u>\$ 564,782</u>	<u>\$ 0.35</u>

During the year ended December 31, 2014, the Company:

- i) Issued 10,420,004 warrants (pursuant to a non-brokered private placement) as discussed in note 7. Each warrant entitles the holder to purchase one common share of the Company at a price of \$0.35 per share for a period of 24 months from the date of the private placement.

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

Expected dividend yield	Nil
Risk-free interest rate	1.00%
Expected life	2 years
Expected volatility	130%*
Share price	\$0.074

\*Based on volatility of comparable companies

# Minsud Resources Corp.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2014 and 2013

(All Amounts in Canadian Dollars Unless Otherwise Noted)

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## 8. Warrants (continued)

- ii) Issued 9,617,334 warrants (pursuant to a non-brokered private placement) as discussed in note 7. Each warrant entitles the holder to purchase one common share of the Company at a price of \$0.35 per share for a period of 24 months from the date of the private placement, provided that in the event that the 20 day closing price of the common shares on the TSX Venture Exchange or such other stock exchange that the common shares may then be listed on is greater than \$0.35, the Company shall be entitled to accelerate the exercise period of the warrants to a period of not less than 10 days after written notice is deemed to have been received by the holders of the warrants from the Company regarding same.

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

Expected dividend yield	Nil
Risk-free interest rate	1.01%
Expected life	2 years
Expected volatility	110%*
Share price	\$0.08

\*Based on volatility of comparable companies

- iii) Issued 1,100,000 warrants pursuant to the settlement of an amount owing to a supplier. Each warrant is exercisable into one common share of the Company at \$0.35 for a term of two years from the date of issue, provided that in the event that the 20 day closing price of the common shares on the TSX Venture Exchange or such other stock exchange that the common shares may be then listed on is greater than \$0.35. the Company shall be entitled to accelerate the exercise period of the warrants to a period of not less than 10 days after written notice is deemed to have been received by the holders of the warrants from the Company regarding same. The common shares and warrants issued will be subject to a four month hold period expiring March 21, 2015.

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

Expected dividend yield	Nil
Risk-free interest rate	0.98%
Expected life	2 years
Expected volatility	122%
Share price	\$0.076

\*Based on volatility of comparable companies

- iv) 2,552,633 warrants expired unexercised.

# Minsud Resources Corp.

Notes to the Consolidated Financial Statements

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## 8. Warrants (continued)

During the year ended December 31, 2013:

- i) The Company issued 3,600,000 warrants (pursuant to a non-brokered private placement) as discussed in note 7. Each warrant entitles the holder to purchase one common share of the Company at a price of \$0.35 per share for a period of 24 months from the date of the private placement.

The fair value of \$0.027 per warrant was estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions:

Expected dividend yield	Nil
Risk-free interest rate	1.10%
Expected life	2 years
Expected volatility	135%*
Share price	\$0.073

\*Based on volatility of comparable companies

- ii) 13,772,500 warrants expired unexercised.

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

As at December 31, 2014, the following Warrants were issued and outstanding:

<u>Exercise Price</u>	<u>Warrants Outstanding</u>	<u>Remaining Contractual Life (Years)</u>	<u>Expiry Date</u>
\$ 0.35	3,600,000	0.69	September 10, 2015
\$ 0.35	10,420,004	1.14	February 21, 2016
\$ 0.35	9,617,334	1.66	August 28, 2016
\$ 0.35	1,100,000	1.89	November 20, 2016
	<u>24,737,338</u>	<u>1.32</u>	

# Minsud Resources Corp.

Notes to the Consolidated Financial Statements

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## 9. Broker Warrants

	<u>Number</u>	<u>Amount</u>	<u>Weighted Average Exercise Price</u>
Balance - December 31, 2012	919,000	\$ 137,985	\$ 0.40
Expired	(919,000)	\$ (137,985)	\$ (0.40)
Balance - December 31, 2013 and 2014	-	\$ -	\$ -

During the year ended December 31, 2013, 919,900 Broker Warrants expired unexercised.

## 10. Stock Option Plan

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

# Minsud Resources Corp.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2014 and 2013

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## 10. Stock Option Plan (continued)

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

i) Movements in stock options during the year:

	<b>Number of Options</b>	<b>Weighted Average Exercise Price</b>
Balance - December 31, 2012	3,795,000	\$ 0.37
Options granted	580,000	0.10
Balance - December 31, 2013	4,375,000	0.37
Options granted	2,180,000	0.10
Options expired	(160,000)	(0.32)
Balance - December 31, 2014	<u>6,395,000</u>	<u>\$ 0.26</u>

# Minsud Resources Corp.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2014 and 2013

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## 10. Stock Option Plan (continued)

During the year ended December 31, 2014, the Company:

- a) Granted 1,040,000 stock options to directors, officers, employees and service providers. The options have an exercise price of \$0.10 per share and shall vest as follows: one-quarter on May 12, 2014, one-quarter on November 12, 2014, one-quarter on May 12, 2015 and one-quarter on November 12, 2015. 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	0.98%
Expected life	5.0 years
Expected volatility	127%*
Share price	\$0.06

\*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.

- b) Granted 1,140,000 stock options to directors, officers, employees and service providers. The options have an exercise price of \$0.10 per share and shall vest as follows: one-quarter on November 20, 2014, one-quarter on May 20, 2015, one-quarter on November 20, 2015 and one-quarter on May 20, 2016. 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	0.98%
Expected life	5.0 years
Expected volatility	122%*
Share price	\$0.07

\*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.

# Minsud Resources Corp.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2014 and 2013

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## 10. Stock Option Plan (continued)

During the year ended December 31, 2013, the Company:

- a) Granted 580,000 stock options to directors, officers, employees and non-employees. The options have an exercise price of \$0.10 per share and shall vest as follows: one-quarter on October 3, 2013, one-quarter on April 3, 2014, one-quarter on October 3, 2014 and one-quarter on April 3, 2015. The options have a term of five years from October 3, 2013, the date of grant.

The fair value of \$0.0497 per option 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	1.03%
Expected life	5.0 years
Expected volatility	133%*
Share price	\$0.06

\*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.

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

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

<b>Exercise Price</b>	<b>Options Vested</b>	<b>Options Unvested</b>	<b>Remaining Contractual Life (Years)</b>	<b>Expiry Date</b>
\$ 0.40	2,960,000	-	1.44	June 9, 2016
\$ 0.40	225,000	-	1.82	October 26, 2016
\$ 0.19	450,000	-	2.63	August 17, 2017
\$ 0.10	435,000	145,000	3.76	October 3, 2018
\$ 0.10	520,000	520,000	4.36	May 12, 2019
\$ 0.10	285,000	855,000	4.89	November 20, 2019
	<u>4,875,000</u>	<u>1,520,000</u>	<u>2.83</u>	

As at December 31, 2014 the weighted average exercise price of options that had fully vested was \$0.30 (2013 - \$0.37).



# Minsud Resources Corp.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2014 and 2013

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## 11. Income Taxes

### a) Income Taxes

	2014	2013
Loss before income taxes	\$ (385,722)	\$ (216,715)
Statutory rate	26.5%	26.5%
Expected income tax recovery	(102,222)	(57,429)
Non-deductible expenses	66,199	37,318
Expiry of non-capital losses in foreign jurisdiction and other adjustments	(4,861)	18,122
Share issuance costs and transaction costs	(12,591)	(5,571)
True-up adjustments of prior years	-	(63,712)
Effects of foreign exchange difference	12,655	97,734
Change in tax rate and other, net	(4,558)	(3,870)
	(45,378)	22,592
Change in deferred tax assets not recognized	45,378	(22,592)
Net expected current and deferred income tax recovery	\$ -	\$ -

### b) Deferred Income Tax Assets

The tax effects of temporary differences that give rise to the deferred income tax assets at December 31, 2014 and 2013 are as follows:

	2014	2013
Non-capital loss carry forwards	\$ 794,401	\$ 754,926
Share issuance costs and other	33,512	52,941
Transaction costs	247,310	247,310
Mineral properties	(223,405)	(248,736)
	851,818	806,441
Deferred tax assets not recognized	(851,818)	(806,441)
Net expected deferred income tax recovery	\$ -	\$ -

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

# Minsud Resources Corp.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2014 and 2013

(All Amounts in Canadian Dollars Unless Otherwise Noted)

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## 11. Income Taxes (continued)

### c) Non-Capital Losses

The Company has non-capital losses carried forward of approximately \$2,622,463 (2013 - \$2,548,655) available to reduce future years' taxable income. These losses will expire as follows:

	<u>Canada</u>	<u>Argentina</u>	<u>Total</u>
2015	-	117,688	117,688
2016	-	229,148	229,148
2017	-	343,631	343,631
2018	-	238,446	238,446
2019	-	241,077	241,077
2027	5,755	-	5,755
2028	20,965	-	20,965
2029	58,790	-	58,790
2030	89,095	-	89,095
2031	436,237	-	436,237
2032	428,874	-	428,874
2033	209,610	-	209,610
2034	203,147	-	203,147
	<u>\$ 1,452,473</u>	<u>\$ 1,169,990</u>	<u>\$ 2,622,463</u>

# Minsud Resources Corp.

Notes to the Consolidated Financial Statements

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(All Amounts in Canadian Dollars Unless Otherwise Noted)

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## 12. Related Party Transactions and Balances

During the year ended December 31, 2014, the Company incurred the following related party transactions:

### i) Transactions

- a) During the year ended December 31, 2014, the Company borrowed and repaid 500,000 Argentine Pesos (approximately \$72,539) (2013 - \$Nil) plus accrued interest and related expenses of 9,293 Argentine Pesos (approximately \$1,348) (2013 \$Nil) to a shareholder of the Company.
- c) A total of \$84,000 (2013 - \$112,000) was charged by the CEO of the Company.
- d) A total salary of \$37,123 (2013 - \$43,672) and a bonus payment of \$3,067 (2013 - \$Nil) was charged by an individual related to the Company's CEO.
- e) A total of \$35,853 of accounting and regulatory compliance fees (2013 - \$41,117) and \$18,000 of CFO fees (2013 - \$21,000) was charged by an accounting firm in which the Company's CFO is a partner.
- f) A total of \$60,000 of professional fees (2013 - \$74,125) and \$22,103 (2013 - \$8,716) of mineral property exploration expenses were charged by the Company's Vice-President (Exploration). These amounts have been capitalized to mineral properties.
- g) During the year ended December 31, 2014, the Company granted 1,470,000 (2013 - 390,000) stock options to key members of management. The amount of stock-based compensation expense for the year ended December 31, 2014, related to stock options granted to key members of management was \$51,238 (2013 - \$17,285).

### ii) Year-end balances

- a) As at December 31, 2014, accounts payable and accrued liabilities included \$1,631 (2013 - \$1,871) payable to the Company's CEO.
- b) As at December 31, 2014, accounts payable and accrued liabilities included \$53,264 (2013 - \$30,638) payable to an accounting firm in which the Company's CFO is a partner.
- c) As at December 31, 2014, accounts payable and accrued liabilities included \$6,870 (2013 - \$7,150) payable to the Company's Vice-President (Exploration).

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

# Minsud Resources Corp.

Notes to the Consolidated Financial Statements

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## 13. Financial Instruments

### Fair Values

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

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

### Credit Risk

The Company is not exposed to any significant credit risk as at December 31, 2014. The Company's cash and cash equivalents are on deposit with highly rated financial institutions in Canada and Argentina. The Company's other receivables represent refundable sales taxes paid to the government of Canada.

### Liquidity Risk

Liquidity risk is the risk that an entity will not be able to meet its financial obligations as they come due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2014, the Company has current assets of \$249,648 (2013 - \$273,563) and current liabilities of \$515,104 (2013 - \$311,154). All of the Company's current financial assets and liabilities, with the exception of the current portion of property acquisition payable, have contractual maturities of less than 30 days and are subject to normal trade terms. Of the current portion of property acquisition payable, \$40,607 is due in March 2015 and \$40,607 is due in September 2015. Of the current portion of trust acquisition payable, \$58,010 is due in May 2015 and \$58,010 is due in November 2015. The Company has a working capital deficiency as at December 31, 2014 of \$265,456 (2013 - \$37,591) (see note 17).

### Market Risk

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

### Interest rate risk

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

# Minsud Resources Corp.

Notes to the Consolidated Financial Statements

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## 13. 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.

### Sensitivity Analysis

As at December 31, 2014, cash and cash equivalents includes 782,569 Argentinean Pesos and 14,115 United States Dollars, accounts payable and accrued liabilities includes 355,736 Argentinean Pesos and 494 United States Dollars, property acquisition payable includes 210,000 United States Dollars and trust acquisition payable includes 362,500 United States Dollars.

At December 31, 2014, 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 \$64,835 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 \$5,792 lower (higher). If the Canadian Dollar had weakened 10 percent against the Argentinean Peso with all other variables held constant, other comprehensive loss would have been \$644,141 lower and if the Canadian Dollar had strengthened 10 percent against the Argentinean Peso with all other variables held constant, other comprehensive loss would have been \$644,141 higher.

## 14. Capital Disclosures

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

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

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

The Company manages its capital structure and makes adjustments to it, based on the general economic conditions, the Company's short term working capital requirements, and its planned exploration and development program expenditure requirements.

As the Company is in the development 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.

# Minsud Resources Corp.

Notes to the Consolidated Financial Statements

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## 14. 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, 2014 and 2013.

As at December 31, 2014, cash and cash equivalents included \$Nil (2013 - \$25,000) held in a short-term money market instrument that has been pledged as collateral against the Company's outstanding credit card balances. As at December 31, 2014, the outstanding balances on the Company's credit cards was \$Nil (2013 - \$1) as the cards were cancelled during the year ended December 31, 2014.

## 15. Segmental Reporting

The Company has identified one business segment, the acquisition and exploration and evaluation of mineral properties located in Argentina, and two geographical segments, Canada and Argentina. The Company's non-current assets and gain on disposition of short-term investments relate to the following areas:

	As at December 31, 2014			As at December 31, 2013		
	Canada	Argentina	Total	Canada	Argentina	Total
Non-current Assets	\$ -	\$6,771,490	\$6,771,490	\$ -	\$5,312,813	\$5,312,813
Current assets	\$ 123,402	\$ 126,246	\$ 249,648	\$ 247,101	\$ 26,462	\$ 273,563
Non-current Liabilities	\$ -	\$ 466,981	\$ 466,981	\$ -	\$ 233,312	\$ 233,312
Current Liabilities	\$ 224,133	\$ 290,971	\$ 515,104	\$ 160,633	\$ 150,521	\$ 311,154
Working capital (deficiency)	\$ (100,731)	\$ (164,725)	\$ (265,456)	\$ 86,468	\$ (124,059)	\$ (37,591)
	Year Ended December 31, 2014			Year ended December 31, 2013		
	Canada	Argentina	Total	Canada	Argentina	Total
Gain on disposition of short-term investments	\$ -	\$ -	\$ -	\$ 181,664	\$ -	\$ 181,664
Net loss	\$ (277,723)	\$ (107,999)	\$ (385,722)	\$ (84,363)	\$ (132,352)	\$ (216,715)

## 16. Commitments

- a) On June 30, 2014, the Company entered into a new services agreement with its President and CEO. Pursuant to the services agreement, an annual fee of \$84,000, consisting of salary and director's fees of MSA, will be paid in monthly instalments by MSA. The services agreement continues in effect until December 31, 2014 and provides that the President and CEO may pursue outside business interests or directorships in other industries that do 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 contains a change of control provision, where "change of control" is 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 is terminated by the Company without cause, the President and CEO shall be entitled to a lump sum severance payment of \$280,000 and the immediate vesting of all unvested stock options.

# Minsud Resources Corp.

Notes to the Consolidated Financial Statements

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## 16. Commitments (continued)

### a) (continued)

The President and CEO can terminate the agreement without consequence by giving 90 days previous notice to the Company and MSA. Should the Company choose to terminate the agreement without cause, the President and CEO shall be entitled to a payment of \$140,000.

Subsequent to the year ended December 31, 2014, 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, 2015 and contains provisions similar to those included in the services agreement that expired December 31, 2014.

### b) On August 14, 2014, the Company and the Company's Vice-President (Exploration) signed a new semi-annual consulting agreement for a fixed monthly fee of \$5,000 until December 31, 2014. The agreement does not provide for any payments in the event of a change of control or termination.

Subsequent to the year ended December 31, 2014, the Company and the Company's Vice-President (Exploration) signed a new 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.

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

### c) Subsequent to the year ended December 31, 2014, the Company signed a professional services letter of engagement with a consulting firm to prepare a National Instrument 43-101 Mineral Resource Estimate and Technical Report for the Chita Valley Project. The estimated cost to the Company to complete the engagement is \$56,673, with an initial retainer of \$20,000 due upon signing of the agreement and a second retainer of \$15,000 due by April 15, 2015. As of the date of these financial statements, the Company has paid the initial retainer.

The agreement can be terminated by either party at any time in the event of the failure of the other party to comply with any of the provisions of the agreement upon such other party being notified in writing by the party alleging such failure and failing to commence to (or completely) remedy such failure within 7 days of receiving such notice. Either party may otherwise terminate the agreement by providing the other party with at least 30 days prior written notice of termination.

Additional commitments are disclosed in note 6.

# **Minsud Resources Corp.**

Notes to the Consolidated Financial Statements

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## **17. Subsequent Events**

Subsequent to the year ended December 31, 2014, the Company issued 9,000,000 units (pursuant to a non-brokered private placement) for proceeds of \$900,000. Each unit consists of one common share and one warrant. Each warrant is exercisable into one common share of the Company at \$0.35 for a term of two years from the date of issue, provided that in the event that the 20 day closing price of the common shares on the TSX Venture Exchange or such other stock exchange that the common shares may be then listed on is greater than \$0.35, the Company shall be entitled to accelerate the exercise period of the warrants to a period of not less than 10 days after written notice is deemed to have been received by the holders of the warrants from the Company regarding same. The common shares and warrants issued will be subject to a four month hold period expiring August 10, 2015.

Additional subsequent events are disclosed in notes 6 and 16.