

Management's Discussion and Analysis of the Condensed Interim Consolidated Financial Statements

For the Three Months Ended March 31, 2018

**Minsud Resources Corp.**  
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**MINSUD RESOURCES CORP.  
MANAGEMENT'S DISCUSSION & ANALYSIS**

For the Three Months Ended March 31, 2018

**INTRODUCTION**

The following is a Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations of Minsud Resources Corp. (the "Company" or "Minsud") to enable a reader to assess the financial condition and results of operations of the Company for the three months ended March 31, 2018.

This MD&A has been prepared as at May 28, 2018 unless otherwise indicated.

This MD&A should be read in conjunction with the Company's condensed interim consolidated financial statements for the three months ended March 31, 2018 including the related note disclosure (the "Financial Statements"). The Financial Statements are presented on a consolidated basis and include the accounts of the Company, its wholly-owned subsidiary Minsud Argentina Inc. ("MAI"), and MAI's subsidiary Minera Sud Argentina S.A. ("MSA"), an Argentinean company in which MAI has a 99.56% ownership interest. The Financial Statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All dollar figures included therein and in the following MD&A are expressed in Canadian dollars unless otherwise indicated.

The Company's head office and principal business address is 340 Richmond Street West, Toronto, Ontario M5V 1X2. The Company is a reporting issuer in the provinces of British Columbia, Alberta and Ontario and trades its common shares on the TSX Venture Exchange (the "Exchange"), under the symbol MSR. Additional information relevant to the Company's activities, including press releases, can be found on SEDAR at [www.sedar.com](http://www.sedar.com) or [www.minsud.com](http://www.minsud.com).

**MANAGEMENT'S RESPONSIBILITIES FOR FINANCIAL REPORTING**

The Financial Statements have been prepared by management in accordance with IFRS and have been approved by the Company's board of directors (the "Board"). The integrity and objectivity of these Financial Statements are the responsibility of management. In addition, management is responsible for ensuring that the information contained in the MD&A is consistent where appropriate, with the information contained in the Financial Statements.

The Financial Statements may contain certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis to ensure that the Financial Statements are presented fairly in all material respects.

The Board is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board carries out this responsibility principally through its audit committee. The members of the audit committee are appointed by the Board and have sufficient financial expertise to assume this role with the Company. The majority of the audit committee members are independent and not involved in the Company's daily operations.

**CAUTIONARY NOTE ON FORWARD-LOOKING INFORMATION**

This MD&A contains "forward-looking information" and "forward-looking statements" within the meaning of applicable Canadian securities laws (collectively referred to as "forward-looking information") which relate to future events or the Company's future performance and may include, but are not limited to, statements about strategic plans, spending commitments, future operations, results of exploration, anticipated financial results, future work programs, capital expenditures and expected working capital requirements. Often, but not always, forward-looking information can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved.

Readers are cautioned not to place undue reliance on forward looking information and there can be no assurance that forward looking information will prove to be accurate as the Company's actual results, performance or achievements may differ materially from any future results, performance or achievements expressed or implied by such forward-looking information if known or unknown risks, uncertainties or other factors affect the Company's business, or if the Company's estimates or assumptions prove inaccurate. Therefore, the Company cannot provide any assurance that forward-looking information will materialize. Factors that could cause results or events to differ materially from current expectations expressed or implied by the forward-looking information, include, but are not limited to: fluctuations in the currency markets (such as the Canadian Dollar, Argentine Peso and the United States Dollar); changes in national and local government, legislation, taxation, controls, regulations and political or economic developments in Canada and Argentina or other countries in which the Company may carry on business in the future; operating or technical difficulties in connection with exploration and development activities; risks and hazards associated with the business of mineral exploration and development (including environmental hazards or industrial accidents); risks relating to the credit worthiness or financial condition of suppliers and other parties with whom the Company does business; the presence of laws and regulations that may impose restrictions on mining, including those currently enacted in Argentina; employee relations; relationships with and claims by local communities; availability and increasing costs associated with operational inputs and labour; the speculative nature of mineral exploration and development, including the risks of obtaining necessary licenses, permits and approvals from government authorities; business opportunities that may be presented to, or pursued by, the Company; challenges to, or difficulty in maintaining, the Company's title to properties; risks relating to the Company's ability to raise funds; and the factors identified under "Risk Factors" in this MD&A and in the Company's Filing Statement dated April 27, 2011 available under the Company's profile at [www.sedar.com](http://www.sedar.com).

The forward looking information contained in this MD&A are based upon assumptions management believes to be reasonable including, without limitation: financing will be available for future exploration, development and operating activities; the actual results of the Company's development and exploration activities will be favourable or at least consistent with management's expectations; operating, development and exploration costs will not exceed management's expectations; all requisite regulatory and governmental approvals for development projects and other operations will be received on a timely basis upon terms acceptable to the Company, and applicable political and economic conditions will be favourable to the Company such as the continuing support for mining by local governments in Argentina; the price of gold and/or other applicable metals and applicable interest and exchange rates will be favourable to the Company or at least consistent with management's expectations; no title disputes will exist with respect to the Company's properties; debt and equity markets and other applicable economic conditions will be favourable to the Company; the availability of equipment and qualified personnel to advance exploration projects and; the execution of the Company's existing plans and further exploration and development programs for its projects, which may change due to changes in the views of the Company or if new information arises which makes it prudent to change such plans or programs.

All forward-looking-information contained in this MD&A is given as of the date hereof and is based upon the opinions and estimates of management and information available to management as at the date hereof. The Company disclaims any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by law.

## **CORPORATE OVERVIEW**

The Company was incorporated under the *Business Corporations Act* (Ontario) ("OBCA") on October 11, 2007 under the name "Rattlesnake Ventures Inc." and changed its name to "Minsud Resources Corp." on May 10, 2011 upon the completion of its Qualifying Transaction (as defined under the policies of the Exchange through which it ceased being a capital pool company).

As a result of its Qualifying Transaction, the Company acquired all of the issued and outstanding shares of Minsud Resources Inc. ("MSR") by way of a three cornered amalgamation resulting in the amalgamation of MSR and 1830835 Ontario Inc., a wholly owned subsidiary of the Company, to form MAI (the "Minsud Transaction"). At the time of the completion of the Minsud Transaction, MAI became the owner of 95% of the issued outstanding shares of MSA, which was previously held by MSR. As at March 31, 2018, MAI held 121,951,699 of the 122,494,299 outstanding common shares of MSA, representing an ownership interest of 99.56%.

As of the date of this MD&A, the members of the Company's Board of Directors are Alberto Francisco Orcoyen (Non executive - Chairman), Carlos Alberto Massa (President and Chief Executive Officer), Howard Coates (Vice-President-Exploration), Scott White, Diego Perazzo, Hugo Dragonetti (Jr) and Carlos Adamo. As of the date of this MD&A, Mr. Orcoyen, Mr Adamo and Mr. White form the Company's audit committee, and Mr. Orcoyen, Mr Adamo and Mr Perazzo form the compensation committee. All members of the Company's Board of Directors were re-elected as Board members at the annual Shareholders' Meeting held October 3, 2017.

The Board of Director is made up of a majority of independent directors in accordance with the guidance of the Exchange policies. The independent directors are Alberto F. Orcoyen, Scott White, Carlos Adamo and Hugo Dragonetti (Jr).

## **PRINCIPAL BUSINESS OF THE COMPANY**

The Company's principal exploration project is the Chita Valley project consisting of three contiguous core properties, namely, Chita, Brechas Vacas and Minas de Pinto mineral concessions (8,350 ha), and four additional claims adjacent to such properties, in total the company controls an area of 17,400 hectares or 174 square kilometers.

Minsud, through its subsidiary MSA, owns 100% of the Chita property and the four adjacent claims (Chita Este, Brechas Vacas Oeste, Chita Norte, and Chita Sur). Minsud is also the beneficial owner of a 50% interest in the respective trusts that own 100% of the Brechas Vacas property and the Minas de Pinto property. The remaining 50% beneficial interest in each of these properties is subject to exclusive and irrevocable purchase option agreement granted in favour of Minsud by the owner of each 50% of the beneficiary rights. All required payments and terms as per the various ownership agreements are up to date.

A 0.6% net smelter return royalty ("NSR") is payable to the Brechas Vacas property owners, with Minsud having the option to purchase a 0.3% NSR at any time for a one-time payment of US\$400,000. A 2% NSR on future production revenue from the Chita Norte and Chita Sur exploration permits is payable to Troy Resources Argentina Ltd. Minsud has the right to purchase one half or 1% of the NSR royalty by paying US\$750,000.

A gap of 6.6 hectares between the Chita property mining concession and Brechas Vacas property mining concession had been claimed by third parties and was under dispute with the local mining authority. The Graphic Register of Mines (Registro Gráfico de Minas) has denied registration to this third party's claim. This step is in line with the stance of Minsud in the sense that this claim does not have enough surface area for mineral dissemination nor for vein mineralization, according to the Argentine Mining Code. On September 17, 2013, the Legal Department of the Ministry of Mines of San Juan Province issued a legal opinion denying such third-party claims based on the same reasons argued by Minsud. The issue then progressed up to the Mining Council, which issued the final resolution confirming the denial of the claim of third parties and issuing an order to delete it from the Registro Gráfico de Minas. MSA has modified the request for measurement (pedido de mensura) of the Mining Concessions Chita I, II and V up to the western boundaries with Brechas Vacas covering the gap. As requested by the authorities, MSA justified such claim both technically and legally. On December 2017, the Legal department of the Ministry of Mines issued an opinion supporting the stance of MSA, however registration is still pending through the Registro Gráfico de Minas de San Juan.

Thirty hectares within the boundaries of the Chita property mining concession are owned by third parties; however, Minsud does not consider this area as being material to its current exploration activities and is not in the process of acquiring this section.

The Company also owns 100% of the mining rights at La Rosita (5,986 ha) which has progressed to a state that is ready for drilling. The La Rosita Property is a gold and silver prospect located within the Deseado Massif in the Area of Special Mining Interest of Santa Cruz Province. The La Rosita Property consists of the Alfa II and Alfa III mining concessions, however, the majority of the exploration activity carried out by the Company has been on targets located on the the Alfa II (1,992 ha) mining concession.

During September 2017, the Company hired an experienced geologist, to complete a regional sampling study at some of the properties located in Santa Cruz. As a result of this evaluation, on May 9, 2018, the

Company decided to release the Monte Ines's claim and the Alfa mining concession at the La Rosita project. As a result, the project area is reduced to 5,986 ha and now made up of Alfa II and Alfa III mining concessions.

Minsud is concentrating efforts in exploring both Chita and La Rosita, but depending of financial availability. It will also intend to be a more active player in the mining business value chain, either looking for a joint venture partner for existing properties or acquiring new exceptional properties for new discoveries.

## **BUSINESS DEVELOPMENTS DURING THE THREE MONTHS ENDED MARCH 31, 2018**

### **Financing**

Since June 2012, management has been able to raise more than \$10.2 million through ten non-brokered private placements from investors that share the Company's long term vision allowing the Company to continue its work in the field during these very difficult times.

On July 27, 2017, Minsud closed a non-brokered private placement pursuant to which the Company issued 6,500,000 units of the Company for proceeds of \$650,000 at a price of \$0.10 per unit, with each unit consisting of one common share in the capital of the Company and one common share purchase warrant. Each Warrant is exercisable into one Share at \$0.15 until July 27, 2019.

On November 29, 2017, Minsud completed a non-brokered private placement pursuant to which the Company issued 9,449,000 units of the Company for gross proceeds of \$944,900 at \$0.10 per unit, with each unit consisting of one common share of the Company and one common share purchase warrant. Each warrant is exercisable into one share at \$0.15 until November 29, 2019.

On May 16, 2018, the Company announced that it intends to complete, subject to the approval of the Exchange, a non-brokered private placement of units of the Company ("Units") for gross proceeds of up to \$800,000 at \$0.10 per Unit, with each Unit consisting of one common share of the Company and one common share purchase warrant (a "Warrant"). Each Warrant is exercisable into one common share of the Company at \$0.15 per share for a period of two years from the date of issue.

The significant recovery of Cu's price appears to be based on economic fundamentals that in the next months may energize the business chain. Minsud believes that better cash flow generation for the major mineral producers will encourage them to look into new business opportunities to replace resources and reserve consumption during the large cycle of poor metals prices. On the other hand, just a few junior mineral exploration companies have been exploring like Minsud in the Chita Valley Project.

### **Projects**

The mineral potential of the Chita Valley Project as a whole goes far beyond the known Inferred Resources at Chita South Porphyry. Minsud has concentrated financial efforts in the South Porphyry (PSU) but management has already identified highly prospective targets like Minas de Pinto, North Porphyry, Chinchillones and Placetas which management believes have potential to increase the Company's overall resources.

Minsud is also encouraged by the generally consistent elevated concentrations of Cu, Ag and Mo as well as the more localized anomalous Au values. With maximum elevation in the sector below 3,100 m ASL, field conditions are benign on a year-round basis and no active alpine glaciers are possible below approximately 4,100 m ASL.

The metallurgical column tests prepared by BioSigma (Now Codelco Tech) using bioleaching technology for a further SX/EW metallurgical process indicates that such technique is a viable process option for the recovery of copper from medium to low grade sulphide ores at Chita Porphyry.

Minsud plans to continue investigating the commercial possibilities for processing and recovering the key metals, while at the same time, conducting additional outline and definition drilling to further delimit the deposit and evaluate the grade distribution of the mineralization.

The Environmental Impact Reports (“EIR”) for Chita property, Brechas Vacas property and Minas de Pinto property, have recently been renewed for a period of two years ending October 10, 2019, February 27, 2020, and February 16, 2020, respectively. This allows the Company to conduct ongoing multidisciplinary exploration surveys and activities including drilling and mechanical trenching.

On October 13, 2017, Minsud announced a new Diamond Drilling program to continue outlining the Inferred resource of Cu-Mo-Au-Ag. The program was successfully completed and the Company drilled 1,455 HQ metres in the Chita South Porphyry sector of its Chita Valley Project. The program included 8 new holes together with deepening of 7 existing holes. The main objective was to continue outlining Cu-Au-Ag-Mo mineralization and Inferred Resources at relatively shallow depth beneath the zone of surface weathering and oxidation.

In 2016 and 2017 detailed mapping and sampling of epithermal Au/Ag vein areas in the Chita Porphyry was conducted mostly inside the inferred resource wireframe model. The precious metal veins are believed to have potential complementary benefits to the deposit’s economic model either as discrete high-grade areas of direct shipping material or as broader sectors of elevated Au/Ag inside the Cu wireframe. One epithermal prospect, the Condor Vein, shows extensive potential for high grade Au/Ag including a number very high or “Bonanza-type” assays. For more information, please see the Company’s press release dated January 2, 2018 under the Company’s profile at [www.sedar.com](http://www.sedar.com) or at the Company’s website at [www.minsud.com](http://www.minsud.com).

Additional outline drilling is required to fully determine the grade and tonnage potential of the Chita Porphyry area, particularly in the central and northern sectors. Subsequent to the outline drilling, a great deal of infill and definition drilling and various other detailed studies will be required before the resources can be fully upgraded to the Indicated or Measured categories. Completion of all this work would enable Minsud to conduct a NI 43-101 compliant preliminary economic evaluation regarding the deposit’s potential commercial viability as a mining project. The Company’s management believes that this work is fully warranted and justified from the technical point of view, but before incurring in such significant expenses it will intend to increase the overall resources either in the Chita Porphyry, particularly the North sector, or other early stage target sectors like Chinchillones.

#### **EXPLORATION DEVELOPMENTS DURING THE THREE MONTHS ENDED MARCH 31, 2018**

Minsud Resources Corp retained P&E Mining Consultants Inc. of Brampton, ON to complete a NI 43-101 Technical Report and Updated Mineral Resource Estimate on the Chita Valley Project, San Juan Province, Argentina. The report has an effective date of February 17, 2018 and a signing date of March 26, 2018. The reader is referred to this report for both summary and detailed information concerning all technical aspects of the Chita Valley Project as at the effective date of the report. The report may be viewed under the Company’s profile at [www.sedar.com](http://www.sedar.com)

The Chita Valley Property is located within the eastern part of the mountain range known as the Andean Frontal Cordillera. The principal target types sought in the Chita Valley area are porphyry Cu-Mo-Ag-Au and epithermal gold ( $\pm$  Ag and base metals) mineralization.

Geologically, the Chita Valley Project is located within the eastern part of the mountain range known as the Andean Frontal Cordillera. The oldest exposed basement rocks in the Chita Valley region belong to the Upper Carboniferous-Permian age Agua Negra Formation. On the Chita Valley Properties, the Agua Negra units are primarily shallow marine quartzites, lutites and interbedded sandstones and lutites. Permo-Triassic granitoids are exposed on the Chita Valley Properties are predominantly granodioritic in composition and intrude the Agua Negra Formation. All of the above lithologies have been intruded by sub-volcanic andesitic-dacitic porphyry bodies and felsic dykes of Mid- to Upper-Tertiary Age. One of these exposures, the southern sector of Chita Porphyry has been dated as Miocene age (11.7 ma.). Structurally the Chita Valley Project is located along a NW striking valley associated with a regional transfer fault. A complex of sub-volcanic mineralized intrusives are located at the intersection of the NW transfer faults with the N-S faults of the Andean structural system, as is the Chita copper-molybdenum mineralized porphyry complex.

## MINERAL RESOURCES STATEMENT

P&E's NI 43-101 Mineral Resource Estimate for the Chita Deposit includes Indicated Resources of 33.02 million tonnes at a grade of 0.43% Cu and Inferred Resources of 8.59 million tonnes at a grade of 0.40% Cu.

The Mineral Resource Estimate has been prepared in compliance with NI 43-101 and Form 43-101F1 which require that all estimates be prepared in accordance with the "CIM Definition Standards on Mineral Resources and Mineral Reserves as prepared by the CIM Standing Committee on Reserve Definitions" and in effect as of the effective date of this report.

The NI 43-101 Mineral Resource Estimate as of February 7, 2018 in the Indicated and Inferred Resource categories for an open pit cut-off grade of 0.25% Cu is summarized in the following Table.

CHITA PIT CONSTRAINED MINERAL RESOURCE ESTIMATE <sup>(1-5)</sup> at 0.25% Cu Cut-Off						
Category	Tonnes M	Cu %	Contained Cu M lb	Au g/t	Ag g/t	Mo %
<b>Indicated</b>	33.02	0.43	310.8	0.07	2.28	0.018
<b>Inferred</b>	8.59	0.40	75.4	0.07	1.73	0.016

- (1) *Mineral Resources which are not Mineral Reserves do not have demonstrated economic viability. The estimate of Mineral Resources may be materially affected by environmental, permitting, legal, title, taxation, socio-political, marketing, or other relevant issues. It is noted that no specific issues have been identified as yet.*
- (2) *The Inferred Mineral Resource in this estimate has a lower level of confidence that that applied to an Indicated Mineral Resource and must not be converted to a Mineral Reserve. It is reasonably expected that the majority of the Inferred Mineral Resource could be upgraded to an Indicated Mineral Resource with continued exploration.*
- (3) *Mineral Resources were estimated utilizing Gemcom software and conventional block modeling within 3D wireframes defined on a 0.25% Cu cut-off, capped composites and inverse distance grade interpolation.*
- (4) *The Mineral Resources in this report were estimated using the Canadian Institute of Mining, Metallurgy and Petroleum (CIM), CIM Standards on Mineral Resources and Reserves, Definitions and Guidelines prepared by the CIM Standing Committee on Reserve Definitions and adopted by the CIM Council.*
- (5) *The 0.25% Cu Mineral Resource Estimate cut-off grade was derived from the Nov 30/17 two year trailing average Cu price of US\$2.46/lb, 78% process recovery, US\$8/t process cost, and US\$2.50/t G&A cost. An optimized pit shell was utilized for Mineral Resource reporting that utilized a US\$2/t mining cost and 45 degree pit slopes.*

## CONCLUSIONS AND RECOMMENDATIONS

The Chita Valley Project is an early stage prospect with widespread indications of Cu+/-Mo+/-Au+/-Ag mineralization associated with a large Miocene age porphyry/diatreme breccia/epithermal vein complex. The project is a spatially and temporally zoned hydrothermal system that includes an early porphyry style of Cu+Mo mineralization, followed by components of high, intermediate and low sulphidation quartz-base metal +/- Au-Ag mineralization in various igneous and sedimentary lithologies and breccias, and finally a late chalcedony vein event.

The large size of the property package coupled with the complexity of mineralization styles indicates a clear need for a careful and systematic approach to target definition.

This Technical Report containing a CIM compliant Mineral Resource Estimate was prepared primarily to document what the Company considers to be a material change to Mineral Resources previously published by press release and supported by an earlier Technical Report. The following observations and conclusions are made concerning the updated Mineral Resource Estimate:

- The primary purpose of this Technical Report and the Indicated and Inferred Mineral Resource Estimate therein, is to continue providing the basic foundation for advancing the Chita Valley Project in a logical and systematic manner from its present status, through the various stages of Mineral Resource confidence, and the various stages of economic viability determinations. While commercial success is the obvious main objective, minimizing exploration expenditure losses is equally important in the event of a non-viable project, country or environmental risks.
- It is concluded that the drilling assay database is sufficient for current purposes. However, substantial campaigns of target testing, outline and infill drilling will be required to fully test the whole Chita South and North Porphyry area.
- It is also believed that the preliminary mineralogical and process testwork is sufficiently encouraging to proceed to a Preliminary Economic Assessment.

The Indicated and Inferred Mineral Resource model indicates that (up to a point) higher cut-off and average grades are possible without excessive separation of the potentially open pit mineable areas. Potential stripping ratios are also favourable.

Various other factors including a mining friendly region and province, lack of active glacial features and very low population density are positive for potential mining operations.

In general, it is concluded that the Chita Valley Project is a large, very promising and underexplored region. The Chita Porphyry South Area is the most advanced sector in terms of detailed exploration and drilling.

- **Topographic control:** DGPS surveying has been used to locate all historical and Company drill collars, as well as a variety of topographic features that may be incorporated into a digital terrain model. Downhole inclination and directional surveys have been completed for all Minsud drill holes in the 2014 to 2017 programs. All Minsud work is in the UTM coordinate system WGS84 Zone 19 (Southern Hemisphere) as well as the Gauss Kruger faja 2 – POSGAR94 system used for mineral property boundaries. The current budget provides for DGPS surveying of new drill collars, while downhole surveys are included in the diamond drilling budget.
- **Access roads, road maintenance and drill set-up sites:** The current proposal includes several sites in three general areas. While it is unlikely that all these sites can be drilled now due to likely budget constraints, it is considered prudent to construct the roads and set-ups all at once for logistical purposes. Due to the rugged terrain, access routes and individual set-ups might vary somewhat from the initial plan.
- **Geophysical surveys:** While magnetic and IP/Resistivity surveys have been completed to varying degrees of detail throughout the project area between the Placetas and Minas de Pinto, there are deficiencies for selecting certain specific drilling targets. For example, the N-S oriented magnetic and IP survey lines are inadequate for defining potential epithermal vein structures oriented in similar directions. Line spacings of 200 m in the Chinchillones and Placetas sectors are also too wide for effective detailed interpretation. A modest budget is allocated as warranted for selective infill around drill targets.
- **Diamond drilling program:** There is no specific detailed plan for new drilling at Chita Porphyry or elsewhere. However, the following conceptual plan has been formulated by Minsud management as a compromise between available funding and overall work requirements:
  - **Definition drilling at Chita Porphyry South:** This is a large budget undertaking that is not warranted of justified in the current financial market.
  - **Outline drilling at Chita Porphyry South** This is nearing completion. A few strategically located holes are required to complete outline drilling. This is planned for initial 2018 drilling program.

- **Exploration drilling Chita Porphyry:** This has two aspects; the first to begin testing the northern flank of Chita Porphyry for mineralization similar to that at Chita Porphyry South, and the second to begin testing the Chita Porphyry system for large primary chalcopyrite-bornite mineralization targets. This is planned for initial 2018 drilling program.
- **Exploration drilling outside Chita Porphyry:** Several targets areas are being considered for initial testing, including the Chinchillones Breccia/Porphyry complex, the Placetas Flow Dome Complex and selected areas of Minas de Pinto. This is provisionally planned for the second 2018 drilling program.
- **Mineralogical studies/metallurgical testwork:** Petrographic and SEM studies are planned for selected core samples from the 2018 drilling programs. The Company also plans to continue with the second stage of the CodelcoTec Bioleach SX-EW column testwork.
- **Environmental baseline study:** Water quality monitoring and weather data collection work will continue as previously planned.
- **Report:** An internal report with revisions to geological and alteration maps will be prepared by Minsud technical personnel.

#### **Work Program to the end of First Quarter (“Q1”), 2018:**

During the first month of 2017 geological and support staff were primarily occupied with updating various maps, sections, databases, QA/QC files with the results of the Q4 2017 drilling program.

Later in the quarter, the geological team resumed detailed mapping and sampling various target areas that are accessible by new road construction.

Plans for the remainder of 2018 (subject to financing) include outline and limited infill drilling in the Chita Deposit area to expand overall resources. With the usual mining, processing, infrastructure and environmental studies, etc. the Company intends to assess the economic viability of the deposit as quickly as funding permits. Also, as funding becomes available Minsud will advance the other target areas throughout the Chita Valley Project.

#### **La Rosita Project**

##### **Geological features:**

The Deseado Massif consists of Paleozoic to late Precambrian metamorphic basement unconformably overlain by Middle to Upper Jurassic bimodal andesitic and rhyolitic volcanic and volcanoclastic and epiclastic units. Cretaceous sediments and Tertiary to Quaternary basalts overlie the Jurassic volcanics. The Deseado Massif is an important producer of Ag-Au metals in Argentina. The region boasts over 80 Ag-Au occurrences including; five mines/former producers, seven advanced projects and over seventy known mineral occurrences.

The key part of the paleotectonic setting in terms of Ag-Au mineral deposits potential is the Middle to Upper Jurassic bimodal volcanic suite set in an extensional back-arc environment related to the opening of the Atlantic Ocean. The mineralization is typically low-sulphidation epithermal associated with quartz veins, breccias and widespread silicification. Epithermal precious metals vein systems in the Deseado Massif are located along distinctive WNW and NNW structural trends proximal to rhyolite domes.

#### **Work Program to the end of First Quarter (“Q1”), 2018:**

Initial clear title to the La Rosita property was granted to MSA as an exploration claim (Cateo) in May 2008. Prior to conducting prospecting and exploration activities it was necessary to complete, file and gain regulatory approval for an Environmental Impact Report (“EIR”) which came about on May 2, 2011. After the EIR approval, it was necessary to enter work permit agreements with local surface rights owners. Initial approval for prospecting, geological mapping and geophysical surveying was attained on May 2, 2011 and expanded to include surface mechanical trenching and drilling on November 3, 2011.

The Company has conducted three early stage exploration programs between 2011 and the present; the first during 2011-2012, the second in 2016, and the third in 2017.

During 2011-12 campaign, an early stage exploration program was performed, including:

- a ground magnetometer survey covering some 16 km<sup>2</sup> (320.3 line km),
- detailed surface geological mapping at 1:2,000 scale over an area of approximately 6 km<sup>2</sup>, and
- 3.5 line km of mechanical trenches (51 trenches) to define geological units, alteration features and as an initial test of potentially mineralized structures.
- About 22 km of bush road construction was carried out to allow easy access the main target areas.

Initial reconnaissance work located prospective lithological units, interesting alteration and base/precious mineralized outcrops and float in the Los Mogotes Hill sector. The subaerial felsic volcanoclastic assemblage appears to be vent proximal in general setting, hydrothermally altered, and extensively cut by sub-volcanic felsic domes, volcanic necks and dykes, as well as various breccias.

A ground magnetometer survey was completed in 2011 in the south-western part of the La Rosita exploration claim. The magnetic survey and mapping program has defined a conjugate shear structural system, with maximum extensional effort coincident with the general strike of the outcropping mineralized veins. The magnetic survey also revealed three magnetic moderately high features, possibly linked to mineralized acid domes underlying the Mogotes Hill target.

The 2012 trenches did not encounter any mineralization sections that might be considered commercially significant in grade or thickness. However, the trench analytical data has confirmed the existence of widespread areas of geochemically anomalous silver and gold as well as much larger zones of anomalous base metals (Pb, Zn, Cu) as well as the pathfinders mercury and arsenic.

Field work resumed at La Rosita in the latter part of February 2016. Site reclamation work was completed after a final geological examination of the 51 mechanical trenches. All trenches have been backfilled and the land surface is restored to its original contours.

In May 2016, eleven lines totaling 12 line kilometres of Pole-Dipole IP/Resistivity surveying were completed. The survey identified several target areas that have been assessed in conjunction with previously obtained magnetic, geological, geochemical, structural and alteration data to plan a drilling program. Priority targets with a close spatial relationship with known precious metal mineralization, have been identified.

Finally, a reconnaissance geological mapping and prospecting program was initiated during the quarter ended September 30, 2017 for the remainder of the large area (Alfa III and Alfa) of prospective mineral holdings.

As requested by the Mining authority, MSA engaged a surveyor to accurately locate Alfa II in which most of the targets identified so far are located. The Company completed the field work and filed the corresponding documents in November 2017.

## **Recommendations**

The recommendations for ongoing work on the La Rosita Properties encompass two main exploration/development objectives:

- The main recommendation is the implementation of a diamond drilling program to test the southwestern part of the La Rosita Property where systematic exploration has been completed. The program is designed as an initial test of specific epithermal veins for Ag-Au mineralization and to further define the basic exploration parameters (lithology, alteration, structure, mineralization, whole rock and trace element geochemistry, geophysical properties, etc.). A ten to twelve-hole program with a cumulative total of 3,000 metres is recommended.
- Systematic multidisciplinary exploration is recommended for the remainder of the large area of prospective mineral holdings as funding becomes available.

## SELECTED ANNUAL INFORMATION

The following selected financial data for the Company's most recently completed financial periods are derived from the audited financial statements of the Company.

	<b>As at and for the Year Ended December 31, 2017 (\$)</b>	<b>As at and for the Year Ended December 31, 2016 (\$)</b>	<b>As at and for the Year Ended December 31, 2015 (\$)</b>
<b>Other Income</b>	-		
<b>Net loss for the year</b>	(545,932)	(685,334)	(261,937)
<b>Comprehensive loss for the year</b>	(2,152,577)	(2,128,467)	(2,150,361)
<b>Non-current assets</b>	7,801,802	7,902,515	7,725,085
<b>Current Assets</b>	614,531	994,847	629,966
<b>Non-current liabilities</b>	87,682	174,772	380,297
<b>Current Liabilities</b>	403,785	485,695	474,678
<b>Working Capital</b>	210,746	509,152	155,288
<b>Deferred Income Taxes</b>	Nil	Nil	Nil
<b>Share Capital</b>	16,896,697	15,614,345	13,420,207
<b>Shareholders' Equity</b>	8,416,333	8,236,895	7,500,076

## PROJECT EXPENDITURES

Project expenditures for the three months ended March 31, 2018 are as follows:

Three months ended March 31, 2018	Chita (\$)	Brechas Vacas (\$)	Minas de Pinto (\$)	La Rosita (\$)	San Antonio (\$)	Other (\$)	Total (\$)
Acquisition costs (a)	NIL	NIL	13,495	NIL	NIL	NIL	13,495
Drilling	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Road	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Assays	1,535	NIL	NIL	NIL	NIL	NIL	1,535
Geophysics	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Labour and Technical Fees	52,483	22,652	26,105	1,024	NIL	NIL	102,264
Vehicles and Equipment	2,628	2,552	2,552	NIL	NIL	NIL	7,732
Travel and Lodging	5,146	2,406	2,406	2	NIL	NIL	9,960
Project Management	27,386	17,718	24,768	5,087	1,561	669	77,189
VAT Paid	(186,099)	(1,710)	779	24	NIL	NIL	(187,006)
<b>Current Expenditures</b>	<b>(96,921)</b>	<b>43,618</b>	<b>70,105</b>	<b>6,137</b>	<b>1,561</b>	<b>669</b>	<b>23,608</b>
Currency Translation Adjustment	(219,130)	(43,879)	(39,937)	(19,289)	NIL	(262)	(322,497)
Write-offs	NIL	NIL	NIL	NIL	(1,561)	NIL	(1,561)
<b>Balance – beginning of period</b>	<b>5,330,162</b>	<b>1,032,452</b>	<b>945,334</b>	<b>462,807</b>	<b>NIL</b>	<b>5,620</b>	<b>7,776,375</b>
<b>Balance – end of period</b>	<b>5,014,111</b>	<b>1,032,191</b>	<b>975,502</b>	<b>449,655</b>	<b>NIL</b>	<b>6,027</b>	<b>7,477,486</b>

(a) See Chita Valley Project section “Mining rights” discussed previously and Note 6 to the condensed interim financial statements.

Project expenditures for the three months ended March 31, 2017 are as follows:

<b>Three months ended March 31, 2017</b>	<b>Chita (\$)</b>	<b>Brechas Vacas (\$)</b>	<b>Minas de Pinto (\$)</b>	<b>La Rosita (\$)</b>	<b>San Antonio (\$)</b>	<b>Other (\$)</b>	<b>Total (\$)</b>
Acquisition costs (a)	(1,891)	NIL	(8,653)	NIL	NIL	NIL	(10,544)
Drilling	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Road	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Assays	33,242	NIL	1,004	NIL	NIL	NIL	34,246
Geophysics	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Labour and Technical Fees	68,549	1,840	764	1,301	NIL	NIL	72,454
Vehicles and Equipment	5,377	NIL	NIL	NIL	NIL	NIL	5,377
Travel and Lodging	11,457	9	NIL	NIL	NIL	NIL	11,466
Project Management	67,845	6,339	3,457	8,351	1,558	NIL	87,550
VAT Paid	2,019	131	333	NIL	NIL	NIL	2,483
<b>Current Expenditures</b>	<b>186,598</b>	<b>8,319</b>	<b>(3,095)</b>	<b>9,652</b>	<b>1,558</b>	<b>NIL</b>	<b>203,032</b>
Currency Translation Adjustment	106,302	23,027	21,053	9,564	37	106	160,089
Write-offs	NIL	NIL	NIL	NIL	(1,595)	NIL	(1,595)
<b>Balance – beginning of period</b>	<b>5,199,684</b>	<b>1,131,428</b>	<b>1,052,360</b>	<b>472,326</b>	<b>NIL</b>	<b>4,892</b>	<b>7,860,690</b>
<b>Balance – end of period</b>	<b>5,492,584</b>	<b>1,162,774</b>	<b>1,070,318</b>	<b>491,542</b>	<b>NIL</b>	<b>4,998</b>	<b>8,222,216</b>

(a) See Chita Valley Project section “Mining rights” discussed previously and Note 6 to the condensed interim financial statements.

### **Chita Valley Project (Chita – Brechas Vacas – Minas de Pinto)**

During the three months ended March 31, 2018, the Company spent \$194,296 (net of a VAT recovery of \$190,989) on the continued exploration of the Chita Valley Project, a decrease of \$8,070 when compared to expenditures of \$202,366 during the three months ended March 31, 2017.

Expenditures incurred related to the Chita Valley project during the three months ended March 31, 2018 are primarily related to labour and technical fees as well as project management.

### **La Rosita Property**

During the three months ended March 31, 2018, the Company spent \$6,137 on its La Rosita property. This amount represents a decrease of \$3,515 when compared to expenditures of \$9,652 incurred during the three months ended March 31, 2017. There was no significant work of note performed during the three month periods ended March 31, 2018 and 2017.

### **San Antonio Property**

During the three months ended March 31, 2018, the Company spent \$1,561 on the San Antonio property. As the same indicators of impairment existing at December 31, 2017 are still present at March 31, 2018, the expenditures have been written off. A similar amount was spent during during the three months ended March 31, 2017.

## **OPERATING ACTIVITIES AND FINANCIAL PERFORMANCE**

During the three months ended March 31, 2018, the Company incurred total expenses of \$109,213 representing a decrease of \$55,103 when compared to expenses of \$164,316 for three months ended March 31, 2017. The decrease in total expenses is primarily due to reduced stock based compensation, as well as reduced taxes on the foreign ownership of MSA.

Cash expenses incurred by the Company of \$97,842 for the three months ended March 31, 2018, represent a decrease of \$2,786 when compared to cash expenses of \$100,628 for the three months ended March 31, 2017.

The Argentine tax on ownership payable by investors from abroad was reduced from 0.50% to 0.25% based on any subsidiary assets. Expenses for taxes on the ownership of MSA were \$3,650 for the three months ended March 31, 2018, a reduction of \$2,619 compared to taxes of \$6,269 for the three months ended March 31, 2017.

Professional and regulatory fees include management salaries and fees paid for the services of the CEO and CFO, as well as general accounting, audit, legal and regulatory fees. The Company incurred professional and regulatory fees of \$71,513 during the three months ended March 31, 2018. These expenses represent a decrease of \$1,034, when compared with expenses of \$72,547 incurred during the three months ended March 31, 2017.

The Company incurred marketing and communications expenses of \$9,349 during the three months ended March 31, 2018, which represents an increase of \$1,744 when compared to expenses of \$7,605 incurred during the three months ended March 31, 2017.

The Company incurred general and administrative expenses of \$13,330 during the three months ended March 31, 2018, which was consistent with expenses of \$14,207 incurred during the three months ended March 31, 2017.

The Company also incurred the following non-cash expenses that contributed to the net loss for the three months ended March 31, 2018:

- Expenses related to stock-based compensation for the three months ended March 31, 2018 were \$9,810, a reduction of \$52,283 when compared to stock-based compensation expense of \$62,093 for the three months ended March 31, 2017. The fluctuations in stock-based compensation year-to-year is a factor of the timing related to the vesting of stock options granted during years 2015 and 2016. . There were no stock options granted during fiscal 2017 nor during the three months ended March 31, 2018.
- Write-offs of exploration expenses during the three months ended March 31, 2018 of \$1,561 related to the San Antonio property, as the Company had no further plans to explore the San Antonio property and had to cut out further expenses on the area. The Company had write-offs of \$1,595 during the three months ended March 31, 2017.
- Finally, the significant currency translation adjustments that resulted in an accounting loss of \$316,487 and an accounting gain of \$149,629 during the three month periods ended March 31, 2018 and 2017, respectively, were due to fluctuations in the value of the Argentine Peso against the US Dollar as well as the fluctuation of the Canadian Dollar against the US Dollar.

It should be noted that, historically, the Company's foreign currency translation in accordance with IFRS has had a negative impact on the Canadian Dollar values of the MSA net assets, and the Company has reported losses related to the foreign currency translation on its consolidated statement of comprehensive loss. This negative impact is the result of the habitual trend in Argentina to devalue its currency due to high internal inflation rates. According to the Central Bank of Argentina, the inflation rate for year 2017 was 25% (inflation for year 2016 was 40.9%). The currency translation adjustments discussed above primarily relate to amounts capitalized as mineral properties. The impact of the translation on the Company's liquid assets was minimal.

The exchange rate moved up to AR\$ 25 per US dollar during the second week of May, that is an additional increase of 24% compared with the closing rate of AR\$ 20.15 per US dollar as at the date of the Financial Statements. It is anticipated that during the second fiscal quarter the Company will experience the impact of this on its translation adjustment.

#### SELECTED QUARTERLY INFORMATION

The following table shows selected financial information related to the results of the Company's most recent periods. The information contained in this table should be read in conjunction with the Company's financial statements.

Fiscal Year	2018	2017				2016		
	Mar	Dec	Sep	Jun	Mar	Dec	Sep	Jun
	\$							
Net Revenues	Nil							
Net income (loss) for the period	(109,213)	(107,451)	(115,987)	(159,286)	(163,208)	(309,156)	(113,033)	(123,366)
Comprehensive Income (Loss) for the period	(425,700)	(612,687)	(630,764)	(895,547)	(13,579)	(380,913)	(165,848)	(315,179)
Income (Loss) per share, basic and diluted	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.01)	(0.00)	(0.00)

### **Factors affecting quarterly results**

Fluctuations in quarterly results are primarily caused by exchange rate fluctuation of the Argentine peso and stock-based compensation related to the issuance of stock options. During the quarter ended March 31, 2017, the revaluation of the Argentine Peso resulted in a gain for accounting purposes that is not consistent with historical results.

### **LIQUIDITY AND CAPITAL RESOURCES**

The Company had working capital of \$96,046 as at March 31, 2018, compared to working capital of \$210,746 as at December 31, 2017. As at March 31, 2018 the Company held cash and cash equivalents of \$371,842 versus \$525,517 as at December 31, 2017.

Mineral exploration companies continue to operate under highly stressed market conditions combined with poor venture capital markets. However, since the third quarter of 2016, the prices of base and precious metals have improved, therefore, some green shoots encourage prudent but consistent exploration investments.

The Company has been able to ride out the difficult times following the rule of being prudent with the use of funds while continuing to explore its properties to generate asset value.

Minsud has been able to maintain control of the key properties as well as renegotiating and rescheduling payments as follows:

(i) The acquisition of the 100% of the Chita property with medium-term financing, settled on September of 2017. It should be noted that Chita is the core property on the Chita Valley Project in which the Company has invested the largest portion of its financial resources, and it is now supported by a resource estimation mainly classified in the indicated category.

(ii) The acquisition of the 50% interest in the Minas de Pinto Trust through vendor's financing, which was later negotiated to extend the term of the payments to 2019, as well as the term for exercising the purchase option for the remaining 50% beneficial interest to 2020; and

(iii) The re-scheduled staggered payments and the terms of the option payment on the remaining 50% beneficial interest in the Brechas Vacas Trust to 2022.

For more details, please refer to **COMMITMENTS AND CONTINGENCIES** in this MD&A.

After negotiating these key agreements, Minsud's management believes that it is in a much better position to continue with its systematic exploration approach to work on the consolidated Chita Valley Project.

In the long term, the Company is dependent on obtaining future financing for the exploration and development of its properties and for any new projects. The Company's ability to obtain future financings may be affected by several factors including the sustainability of commodity prices and the economic recovery of worldwide capital markets for mining businesses.

On May 16, 2018, the Company announced that it intends to complete, subject to the approval of the Exchange, a non-brokered private placement of units of the Company ("Units") for gross proceeds of up to \$800,000 at \$0.10 per Unit, with each Unit consisting of one common share of the Company and one common share purchase warrant (a "Warrant"). Each Warrant is exercisable into one common share of the Company at \$0.15 per share for a period of two years from the date of issue.

It is worth mentioning that, as of the date of this MD&A, the Company has closed ten non-brokered private placements. Management is permanently looking for new potential investors with long term vision to support its intention of continue advancing the Chita Valley Project and La Rosita.

## Share Capital

As at the date of this MD&A the Company's share position consists of:

Shares outstanding	138,451,694
Options outstanding	8,395,000
Warrants	33,652,770
Put and Call Option	790,000
<b>TOTAL</b>	<b>181,289,464</b>

## Stock Options Outstanding

As at the date of this MD&A the following options are issued and outstanding:

Exercise Price	Options Vested	Options Unvested	Remaining Contractual Life (Years)	Expiry Date
\$0.10	405,000	-	0.35	October 3, 2018
\$0.10	780,000	-	0.96	May 12, 2019
\$0.10	830,000	-	1.48	November 20, 2019
\$0.10	2,380,000	-	2.55	December 14, 2020
\$0.10	3,00,000	1,000,000	3.55	December 15, 2021
	<u>7,395,000</u>	<u>1,000,000</u>	<u>2.67</u>	

## Warrants Outstanding

As at the date of this MD&A the following warrants are issued and outstanding:

Exercise Price	Warrants Outstanding	Remaining Contractual Life (Years)	Expiry Date
\$0.15	15,192,000	0.27	September 2, 2018
\$0.15	1,561,330	0.48	November 21, 2018
\$0.15	6,500,000	1.16	July 27, 2019
\$0.15	9,449,000	1.51	November 29, 2019
\$0.15	950,440	1.59	December 28, 2019
	<u>33,652,770</u>	<u>0.84</u>	

## Put and Call Option

Upon completion of the Minsud Transaction, the Company entered into a put and call option agreement with Compañía de Tierras Sud Argentino S.A. in connection with the 542,600 shares of MSA not acquired by the Company (which represented 5% of the total number of issued and outstanding shares of MSA at the time of acquisition) which included 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, at any time.

## COMMITMENTS AND CONTINGENCIES

### Mineral Property Commitments

A summary of the Company's outstanding mineral property commitments, as of the date of this MD&A is as follows (all amounts are in United States Dollars):

Staggered payments	Year	50% BV Trust (Contingency payments)		50% Minas de Pinto Trust	TOTAL
		Cash	Shares	Cash	
		US\$	US\$	US\$	US\$
	2018	60,000	-	35,000	95,000
	2019	85,000	-	70,000	155,000
	2020	125,000	-	-	125,000
	2021	120,000	-	-	120,000
<b>Total staggered payments</b>		<b>390,000</b>	<b>-</b>	<b>105,000</b>	<b>495,000</b>

  

Option payments	Year	50% Brechas Vacas		50% Minas de Pinto Trust	TOTAL
		Cash	Shares	Cash	Cash
		US\$	US\$	US\$	US\$
	2020	-	-	1,335,000	1,335,000
	2022	535,000	200,000		535,000
<b>Total Option payments</b>		<b>535,000</b>	<b>200,000</b>	<b>1,335,000</b>	<b>1,870,000</b>

  

<b>Total payments</b>		<b>925,000</b>	<b>200,000</b>	<b>1,440,000</b>	<b>2,365,000</b>
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The financing of the acquisition of the first 50% interest in the Minas de Pinto Trust is an obligation without recourse. Accordingly, if Minsud cannot satisfy future payments, it will only result in MSA 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. This condition has already been fulfilled.

Further information is disclosed in Note 6 of the Financial Statements and in the PRINCIPAL BUSINESS OF THE COMPANY section in this MD&A.

### Services agreement with the Company's President and CEO:

On April 18, 2017, the Company entered into a new services agreement with its President and CEO. Pursuant to the services agreement, an annual fee of \$140,000, consisting of salary and director's fees of MSA, was paid in monthly instalments by MSA. The services agreement continued in effect until December 31, 2017 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.

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.

On January 12, 2018, the Company and the Company's President and CEO entered into a new services agreement for an annual fee of \$140,000, consisting of salary and director's fees of MSA, which will be paid in monthly instalments by MSA. The new agreement continues in effect until December 31, 2018 and contains provisions similar to those included in the services agreement that expired December 31, 2017.

Consulting agreement with the Company's Vice-President (Exploration):

On July 1, 2017, the Company and the Company's Vice-President (Exploration) signed a new consulting agreement for a fixed monthly fee of \$7,000 until June 30, 2018. The agreement provides that, in the event the Company does not renew the consulting agreement, all unvested stock options granted to the Vice-President (exploration) will vest immediately and will remain exercisable for the full exercise period as stated in the original stock option agreement. The agreement did 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.

**RELATED PARTY TRANSACTIONS**

During the three months ended March 31, 2018, the Company incurred the following related party transactions:

**i) Transactions**

- a. A total of \$35,000 (2017 - \$35,000) was charged by Carlos Massa, the CEO of the Company.
- b. A total salary of \$20,627 (2017 - \$18,358) was charged by Ramiro Massa, an individual related to the Company's CEO, for financial and operational management services in his role as Controller of the Company's subsidiary MSA.
- c. A total of \$9,553 (2017 - \$9,540) of accounting and regulatory compliance fees and \$5,250 (2017 - \$5,250) of CFO fees were charged by Forbes Andersen LLP, an accounting firm in which Paul Andersen, the Company's CFO, is a partner.
- d. A total of \$21,000 (2017 - \$21,000) of professional fees were charged by Howard Coates, the Company's Vice-President (Exploration).
- e. The amount of stock-based compensation expense for the three months ended March 31, 2018 related to the continued vesting of stock options issued to key members of management was \$7,564 (2017 - \$47,383).
- f. Director's fees of \$3,000 (2017 - \$Nil) were charged by members of the Company's Board of Directors.

**ii) Period-end Balances**

- a. As at December 31, 2017, accounts payable and accrued liabilities included \$4,271 (December 31, 2017 - \$3,071) payable to the CEO of the Company.
- b. As at December 31, 2017, accounts payable and accrued liabilities included \$9,608 (December 31, 2017 - \$12,660) payable to Forbes Andersen LLP, an accounting firm in which Paul Andersen, the Company's CFO, is a partner.

- c. As at December 31, 2017, accounts payable and accrued liabilities included \$15,251 (December 31, 2017 - \$9,464) payable to Howard Coates, the Company's Vice-President (Exploration).
- d. As at December 31, 2017, accounts payable and accrued liabilities included \$65,700 (December 31, 2017 - \$59,700) of accrued director's fees payable to members of the Company's Board of Directors.

All related party transactions were in the normal course of operations and all services provided by related parties were made on terms equivalent to those that prevail with arm's length transactions.

#### **OFF-BALANCE SHEET TRANSACTIONS**

The Company currently has not entered into any off-balance sheet arrangements.

#### **BASIS OF PRESENTATION**

The Company's Financial Statements have been prepared in accordance with IFRS as issued by the IASB.

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. Accordingly, 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.

#### **ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES**

The preparation of the Company's Financial Statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. Critical accounting estimates used in the preparation of the Condensed interim financial statements are related to the recoverable value of the Company's mineral properties, as well as the value of stock-based compensation. These estimates involve considerable judgment and are, or could be, affected by significant factors that are out of the Company's control.

The Company records all of its property acquisition costs and direct exploration costs as an asset until the properties are placed into production, sold or abandoned, at which time the costs will either be amortized on a units-of-production basis or fully charged to operations. Management reviews the carrying value of the mineral properties for impairment or permanent declines in the value of the property, such as abandonment, and the related project balances are then written off.

Estimates related to stock-based compensation include the volatility of the Company's stock price, as well as when stock options may be exercised. The timing of exercise of stock options is out of the Company's control and depends on various factors including the market value of the Company's shares and the financial objectives of the holders of stock options.

## **RISK FACTORS**

The Company is engaged in exploring and developing mining projects and as such, it is exposed to a number of risks and uncertainties that affect similar companies that carry out activities in the same industry. Some of these possible risks include:

### Commodities Price Risk

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.

### Environmental Risk and Regulation

The Company should comply with environmental regulations governing water and air quality as well the impact on soils and grant third parties and the government the possibility of environmental claims. Therefore, the Company seeks to operate within environmental protection standards that comply with or exceed existing legal requirements. Current and present environmental regulations could however affect the Company's operations. Likewise, environmental costs could increase in the future due to change in regulations. Exploration programs could then be postponed or banned in some areas. Although to date, environmental remediation costs are minimal, they are a component of exploration expenses.

### Licenses and Permits

Company operations require obtaining various licenses and permits from governmental agencies. There is no certainty as to whether the company will obtain those permits and licenses required to continue its exploration and project development activities in the future.

The Company's activities are subject to a wide array of laws and provision that govern, among others, aspects such as health and safety of employees, employment standards, waste disposal, and environmental protection, protection of historic and archeological sites, mine development and preservation of endangered or protected species. Likewise, the Company should obtain a wide range of permits from governmental authorities and enforcement authorities to carry out its activities. These permits virtually refer to each aspect of the mining exploration and exploitation. Changes in some of these regulations or their interpretation could adversely affect the Company's current or future operations.

### Exploration and Exploitation Business Risks

Mining exploration and exploitation involve a high-risk level. Only some properties (projects) that are explored end up turning into a productive mine. Unusual or unexpected geological formations, fires, labor claims, floods, explosions, ground movement and the impossibility of obtaining the adequate machinery, equipment or adequate workers are only some of the risks involved in the mining exploration and exploitation activities. Additionally, to establish or determine mineral and resource reserves, significant disbursements are required, such as drilling, developing metallurgic processes to extract the ore and in some properties (projects) developing accesses and mining infrastructure and production required or upgrading or modernizing the existing infrastructure and accesses. There is no certainty as to whether funds required for exploiting mineral reserves or resources discovered by the Company will be obtained in due course or at some time at all.

### Mining Properties

Acquiring the title to the mining property is a very detailed and prolonged process. Title may be challenged or be subject to legal disputes. Although the Company has researched in the most diligent and fullest possible manner the title to its mining properties, there is no certainty that its title will not be disputed or challenged in the future.

### Currency Risk

The Company's primary operations are located in Argentina. The Company raises funds in Canadian dollars and pays most of its Argentinean costs in United States Dollars or Argentinean Pesos, and is therefore subject to foreign exchange risk on this payment stream. As the proceeds from financings are often immediately converted to Argentinean Pesos, these cash reserves are subject to foreign exchange risk.

### Liquidity Risk

Liquidity risk is the risk that the Company will be unable to meet the obligations associated with its working capital. The Company has sufficient funds to settle its short-term working capital requirements. The Company's ability to manage liquidity risk in the future will be dependent on, but not limited to, its ability to raise financing necessary to fund its exploration programs, defend its mineral properties concession rights, discharge its liabilities as they become due and generate positive cash flows from operations.

### Credit Risk Management

The Company's main credit risk arises from its cash deposits with banks. The Company limits its counterparty risk on its deposits by dealing only with financial institutions with high credit ratings. The Company is also exposed to credit risk on its financial assets.

### Capital Risk Management

The Company defines capital as total equity. The Company manages its capital to ensure that funds are available or are scheduled to be raised to provide adequate funds to carry out the Company's defined exploration programs, meet its ongoing administrative costs, property maintenance and option payments.

This is achieved by the Board's review and acceptance of exploration budgets that are achievable using existing resources and the matching and timely release of the next stage of expenditures with the resources made available from private placements or other fundraising. There can be no assurance that the Company will be able to continue using equity capital in this manner.

The Company is not subject to any externally imposed capital requirements.

Additional risk factors relevant to the Company are included in the Filing Statement dated April 27, 2011 which is available under the Company's profile on [www.sedar.com](http://www.sedar.com)

## **CHANGES IN ACCOUNTING POLICIES EFFECTIVE JANUARY 1, 2018**

### Financial Instruments

IFRS 9 financial instruments ("IFRS 9") replaced IAS 39, Financial Instruments: recognition and Measurement. IFRS 9 includes guidance on classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets and new general hedging requirements.

i. Classification and measurement of financial assets and financial liabilities

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

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

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

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

ii. Impairment

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

Share-based payments (Amendments to IFRS 2)

In June 2016, the IASB issued amendments to IFRS 2 that clarify how to account for certain types of share-based payment transactions.

The amendments provide requirements related to accounting for:

- i. the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- ii. share-based payment transactions with a net settlement feature for withholding tax obligations; and
- iii. the effect of a modification of the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity settled.

Adoption of the amendments to IFRS 2 did not have an impact on the Company’s financial statements.

Revenue

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

**RECENT ACCOUNTING PRONOUNCEMENTS**

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

## **QUALIFIED PERSONS**

The scientific and technical data included in this MD&A has been reviewed by Mr. Howard Coates, Professional Geoscientist, Director and Vice President (Exploration) of the Company and a geological consultant. Mr. Coates is a Qualified Person as defined by National Instrument 43-101 – *Standards of Disclosure for Mineral Projects*.

## **DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING**

Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and include controls and procedures designed to ensure that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to the Company's management, including its CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with International Financial Reporting Standards. However, due to inherent limitations, internal control over financial reporting may not prevent or detect all misstatements or fraud. There have not been any changes in the Company's disclosure controls and procedures and the internal control over financial reporting that occurred during the year ended December 31, 2016 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

### ***Limitations of controls and procedures:***

The Company's management believes that any disclosure controls and procedures or internal control over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any control system also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

## **ADDITIONAL INFORMATION**

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com)