
Consolidated Financial Statements

Minsud Resources Corp.

(formerly Rattlesnake Ventures Inc.)

For the Year Ended December 31, 2011

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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 statement of financial position as at December 31, 2011, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the year 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 audit. We conducted our audit 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 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, 2011, and the results of its operations and its cash flows for the year 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 material uncertainties that cast significant doubt about the Company's ability to continue as a going concern.

Other Matter

The comparative information, which comprise the consolidated statement of financial position as at December 31, 2010, the consolidated statement of comprehensive loss, consolidated statement of changes in equity, and consolidated statement of cash flows for the year ended December 31, 2010, were audited by another auditor who expressed an unmodified opinion on March 13, 2011.

Collins Barrow Toronto LLP

Licensed Public Accountants
Chartered Accountants
April 25, 2012
Toronto, Ontario

Minsud Resources Corp. (formerly Rattlesnake Ventures Inc.)

Consolidated Statement of Comprehensive Loss

For the Years Ended December 31, 2011 and 2010

(All Amounts in Canadian Dollars Unless Otherwise Noted)

	2011	2010
Expenses		
General and administrative	\$ 175,632	\$ 240,113
Investor relations	33,615	-
Professional and regulatory fees	324,336	-
Stock-based compensation (note 10)	425,132	-
Transaction costs	1,395,797	-
Less:		
Interest income	<u>(11,302)</u>	<u>(10,236)</u>
Net Loss for the Year	(2,343,210)	(229,877)
Other Comprehensive Loss		
Currency translation adjustment	<u>(122,263)</u>	<u>(170,040)</u>
Comprehensive Loss for the Year	\$ (2,465,473)	\$ (399,917)
Loss per Share - basic and diluted	\$ (0.08)	\$ (0.02)
Weighted Average Number of Common Shares Outstanding - basic and diluted	<u>27,694,214</u>	<u>13,695,496</u>
Net Loss for the Year Attributable to:		
Non-controlling interest	\$ (4,866)	\$ -
Equity shareholders of the Company	<u>(2,338,344)</u>	<u>-</u>
	<u>\$ (2,343,210)</u>	<u>\$ -</u>
Comprehensive Loss for the Year Attributable to:		
Non-controlling interest	\$ (7,262)	\$ -
Equity shareholders of the Company	<u>(2,458,211)</u>	<u>-</u>
	<u>\$ (2,465,473)</u>	<u>\$ -</u>

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

Minsud Resources Corp. (formerly Rattlesnake Ventures Inc.)

Consolidated Statement of Financial Position as at December 31, 2011

(All Amounts in Canadian Dollars Unless Otherwise Noted)

	December 31, 2011	December 31, 2010
Assets		
Non-Current Assets		
Advances (note 15)	\$ 60,945	\$ 224,628
Mineral Properties (note 6)	3,900,282	1,575,723
Property and Equipment (note 5)	68,975	15,185
	<u>4,030,202</u>	<u>1,815,536</u>
Current Assets		
Cash and cash equivalents	2,445,162	134,780
Due from shareholders	-	46,774
Prepaid expenses and deposits	3,845	-
Other receivables	113,621	7,304
	<u>2,562,628</u>	<u>188,858</u>
	<u>\$ 6,592,830</u>	<u>\$ 2,004,394</u>
Shareholders' Equity		
Issued Capital (notes 1 and 7)	\$ 7,972,902	\$ 3,470,805
Contributed Surplus (notes 1 and 10)	2,202,020	56,843
Cumulative Translation Reserve	(658,676)	(550,011)
Deficit	(3,335,398)	(1,016,987)
Equity Attributable to Shareholders of the Company	<u>6,180,848</u>	<u>1,960,650</u>
Non-Controlling Interest (note 1)	109,717	-
	<u>6,290,565</u>	<u>1,960,650</u>
	<u>\$ 6,592,830</u>	<u>\$ 2,004,394</u>
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	260,868	21,340
Other liabilities	41,397	22,404
	<u>302,265</u>	<u>43,744</u>
	<u>\$ 6,592,830</u>	<u>\$ 2,004,394</u>

Business of the Company and Qualifying Transaction (note 1)

Going Concern (note 2)

Commitments (notes 6 and 15)

Subsequent Event (note 16)

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

Approved on behalf of the Board of Directors

Signed "Carlos A. Massa" , Director

Signed "Scott White" , Director

Minsud Resources Corp. (formerly Rattlesnake Ventures Inc.)

Consolidated Statement of Changes in Equity

For the Years Ended December 31, 2011 and 2010

(All Amounts in Canadian Dollars Unless Otherwise Noted)

	<u>Number of Common Shares</u>	<u>Issued Capital</u>	<u>Contributed Surplus</u>	<u>Currency Translation Reserve</u>	<u>Non- Controlling Interest</u>	<u>Deficit</u>	<u>Total Equity</u>
Balance at January 1, 2011	10,852,000	\$ 3,470,805	\$ 56,843	\$ (550,011)	\$ -	\$ (1,016,987)	\$ 1,960,650
Effects of Qualifying Transaction (note 1)							
Non-controlling interest	(542,600)	(173,540)	(2,842)	33,328	85,133	57,921	-
Common shares issued	24,323,600	5,087,410	-	-	-	-	5,087,410
Warrants issued in connection with Qualifying Transaction (note 8)	-	-	1,790,425	-	-	-	1,790,425
Broker Warrants issued in connection with Qualifying Transaction (note 9)	-	-	137,985	-	-	-	137,985
Share issuance costs	-	(438,313)	(207,251)	-	-	-	(645,564)
Stock option grant (note 10)	-	-	425,132	-	-	-	425,132
Loss for the year	-	-	-	-	(4,866)	(2,338,344)	(2,343,210)
Other comprehensive loss for the year	-	-	-	(119,867)	(2,396)	-	(122,263)
Effects of change in non-controlling interest (note 1)	-	26,540	1,728	(22,126)	31,846	(37,988)	-
Balance at December 31, 2011	<u>34,633,000</u>	<u>\$ 7,972,902</u>	<u>\$ 2,202,020</u>	<u>\$ (658,676)</u>	<u>\$ 109,717</u>	<u>\$ (3,335,398)</u>	<u>\$ 6,290,565</u>

Minsud Resources Corp. (formerly Rattlesnake Ventures Inc.)

Consolidated Statement of Changes in Equity

For the Years Ended December 31, 2011 and 2010

(All Amounts in Canadian Dollars Unless Otherwise Noted)

	<u>Number of Common Shares</u>	<u>Issued Capital</u>	<u>Contributed Surplus</u>	<u>Currency Translation Reserve</u>	<u>Non- Controlling Interest</u>	<u>Deficit</u>	<u>Total Equity</u>
Balance at January 1, 2010	8,000,000	\$ 2,720,271	\$ -	\$ (379,971)	\$ -	\$ (787,110)	\$ 1,553,190
Shares issued for cash	2,852,000	750,534	56,843	-	-	-	807,377
Loss for the year	-	-	-	-	-	(229,877)	(229,877)
Other comprehensive loss for the year	-	-	-	(170,040)	-	-	(170,040)
Balance at December 31, 2010	<u>10,852,000</u>	<u>\$ 3,470,805</u>	<u>\$ 56,843</u>	<u>\$ (550,011)</u>	<u>\$ -</u>	<u>\$ (1,016,987)</u>	<u>\$ 1,960,650</u>

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

Minsud Resources Corp. (formerly Rattlesnake Ventures Inc.)

Consolidated Statement of Cash Flows

For the Years Ended December 31, 2011 and 2010

(All Amounts in Canadian Dollars Unless Otherwise Noted)

	2011	2010
Cash Provided By (Used In):		
Operating Activities		
Net loss	\$ (2,343,210)	\$ (229,877)
Transaction costs	1,395,797	-
Items not affecting cash:		
Amortization	1,155	13,574
Capitalization of property and equipment amortization	-	(10,073)
Stock-based compensation	425,132	-
Mineral property write-offs	-	5,755
Unrealized foreign exchange loss	-	(31,656)
	<u>(521,126)</u>	<u>(252,277)</u>
Net changes in non-cash working capital:		
Other receivables	(52,871)	19,362
Prepaid expenses	(2,903)	-
Accounts payable and accrued liabilities	(36,685)	10,686
Other liabilities	18,993	11,619
	<u>(594,592)</u>	<u>(210,610)</u>
Financing Activities		
Issuance of share capital	-	750,534
Contributed surplus	-	56,843
Cash acquired upon completion of Qualifying Transaction	5,658,434	-
Transaction costs	(602,517)	-
Due from shareholders	46,774	-
	<u>5,102,691</u>	<u>807,377</u>
Investing Activities		
Mineral property expenditures	(2,111,375)	(465,239)
Purchase of property and equipment	(86,342)	(1,670)
	<u>(2,197,717)</u>	<u>(466,909)</u>
Change in Cash and Cash Equivalents	2,310,382	129,858
Cash and Cash Equivalents - Beginning of Year	134,780	4,922
Cash and Cash Equivalents - End of Year	<u>\$ 2,445,162</u>	<u>\$ 134,780</u>
Supplemental Cash Flow Information		
Interest received	<u>\$ 11,302</u>	<u>\$ 10,236</u>
Significant Non-Cash Transactions Not Disclosed Above		
Transaction costs related to commons shares issued in conjunction with a consulting services agreement (note 1)	<u>\$ 100,000</u>	<u>\$ -</u>
Transaction costs related to a fair value adjustment for common shares issued to the Company's shareholders in connection with the Qualifying Transaction (note 1)	<u>\$ 450,042</u>	<u>\$ -</u>
Broker Warrants issued for private placement commissions	<u>\$ 137,985</u>	<u>\$ -</u>

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

Minsud Resources Corp. (formerly Rattlesnake Ventures Inc.)

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2011 and 2010

(All Amounts in Canadian Dollars Unless Otherwise Noted)

1. Business of the Company and Qualifying Transaction

Minsud Resources Corp. (the "Company") was incorporated under the Ontario Business Corporations Act on October 11, 2007. The registered office is located at 56 Temperance Street, Suite 200, Toronto Ontario. The Company was formerly a "Capital Pool Company" ("CPC"), as that term is defined in Policy 2.4 of the TSX Venture Exchange (the "Exchange"). The Company had secured equity financing in 2008 with which it intended to identify and evaluate potential acquisitions of businesses, and once identified and evaluated, to negotiate an acquisition thereof or participation therein subject to receipt of regulatory and, if required, shareholders' approval (a "Qualifying Transaction").

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.

On December 24, 2010, the Company entered into a Letter of Intent with Minsud Resources Inc. ("MSR"), as amended on February 2, 2011, that set out the basic terms and conditions pursuant to which it was intended that the Company and MSR would complete a business combination (the "Minsud Transaction"). On April 27, 2011, each of the Company, MSR and MSA entered into a Definitive Transaction Agreement to effect the Minsud Transaction (the "Definitive Agreement"). The Definitive Agreement provided the mechanism to effect the Minsud Transaction. Pursuant to the terms of the Definitive Agreement, on May 10, 2011, the Company acquired all of the issued and outstanding MSR shares by way of a three-cornered amalgamation, which meant the amalgamation of MSR and the Company's wholly-owned subsidiary, 1830835 Ontario Inc., to form Minsud Argentina Inc. ("MAI"). As a result of the amalgamation, all of the MSR shares were exchanged for an equal amount of the Company's shares. In consideration of the issue by the Company of the Company's shares to the former MSR shareholders, MAI issued to the Company one MAI share for each Company share issued to the MSR shareholders. The Company also received one MAI share in exchange for each issued and outstanding share of 1830835 Ontario Inc. held by the Company. As a result of the foregoing, MAI became a wholly-owned subsidiary of the Company. Approval for the amalgamation was obtained from each of the Company and MSR shareholders by way of a written resolution prior to the closing of the Minsud Transaction. Although the Minsud Transaction resulted in MSR becoming a wholly-owned subsidiary of the Company, the Minsud Transaction constituted a reverse take-over of the Company since the former shareholders of MSR, together with the subscribers in the Brokered Private Placement, as discussed below, became owners of a majority of the outstanding shares of the Company. In accordance with the Definitive Agreement, and as approved by the shareholders of the Company, the name of the Company was changed to "Minsud Resources Corp." and the issued and outstanding Company shares were consolidated on a 2 pre-consolidated for 1 post-consolidated basis (the "Consolidation"). Both these changes took effect on the filing of articles of amendment on the date of closing the Minsud Transaction.

Minsud Resources Corp. (formerly Rattlesnake Ventures Inc.)

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2011 and 2010

(All Amounts in Canadian Dollars Unless Otherwise Noted)

1. Business of the Company and Qualifying Transaction (continued)

Prior to the closing of the Minsud Transaction, all of the 511,000 outstanding stock options of the Company were exercised for proceeds of \$51,100. Upon effecting the Consolidation and after the exercise of all the outstanding stock options of the Company, the Company had 2,810,500 shares outstanding and issued an additional 31,822,500 Company shares in connection with the Definitive Agreement. At the time of the completion of the Minsud Transaction, the fair value of the 2,810,500 issued and outstanding shares of the Company exceeded their stated value by \$450,042. This excess has been expensed as a transaction cost. In total, the Company had 34,633,000 common shares issued and outstanding on a post-Consolidation basis upon the completion of the Minsud Transaction.

The Minsud Transaction is the Qualifying Transaction of the Company pursuant to Policy 2.4 of the Exchange and final approval from the Exchange for the Qualifying transaction was received on May 20, 2011. Minsud is a Tier 2 Mining Issuer pursuant to the requirements of the Exchange. The Minsud Transaction was an arm's length transaction.

MSR was a private company headquartered in Toronto, Ontario, and was incorporated on August 12, 2010 under the Business Corporations Act (Ontario). Prior to the completion of the Minsud Transaction, MSR entered into a definitive agreement with the shareholders of MSA, as a result of which the shareholders of MSA exchanged, prior to the closing date, a sufficient amount of their shares of MSA, which amounted to a total of 10,852,000 shares, for shares of MSR so that after the completion of such exchange, MSR became the owner of 10,309,400 (95%) of the total number of issued and outstanding shares of MSA (the "MSA Swap"). Upon completion of the MSA Swap, 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 at the same ratio used for the MSA Swap (790,000 common shares of the Company) at the option of either party. Prior to the closing of the Minsud transaction, MSA was controlled by Compania de Tierras Sud Argentina S.A. ("CTSA") which is a private subsidiary (incorporated in Argentina) wholly-owned by the Benetton family through private Italian holding companies.

The Company issued 18,050,000 of the Company's shares to MSR in exchange for 100% of MSR's issued and outstanding shares. Following the share exchange and the Brokered Private Placement, described further below, approximately 20% of MSR was owned by CTSA at closing. Continuing Company shareholders own approximately 8% of MSR at closing.

The Company was granted by the Exchange an exemption from the sponsorship requirements in connection with the Minsud Transaction. Trading in the Company's common shares was halted or suspended from August 24, 2010 to May 24, 2011 but on May 25, 2011, trading in the Company's shares resumed on the Exchange.

The Company held a Special Meeting of its Shareholders on March 18, 2011 to address matters requiring shareholder approval to advance the Minsud Transaction. All required shareholder approvals requested were obtained.

Minsud Resources Corp. (formerly Rattlesnake Ventures Inc.)

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2011 and 2010

(All Amounts in Canadian Dollars Unless Otherwise Noted)

1. Business of the Company and Qualifying Transaction (continued)

The Minsud Transaction was completed contemporaneously with a brokered equity offering (the "Brokered Offering"). Portfolio Strategies Securities Inc. ("PSSI") had executed a preliminary agreement, which was subject to satisfactory due diligence, and on March 4, 2011 a formal agency agreement was completed (the "Agency Agreement") which documented the agreement of PSSI to act as agent for and on behalf of the Company pursuant to the Brokered Offering to raise, on a commercially reasonable efforts basis, gross proceeds of \$5,000,000 from the sale of units (the "Private Placement Units") at a price of not less than \$0.40 per Private Placement Unit. On April 7, 2011, an Amended and Restated Agency Agreement was entered into to increase the gross proceeds to \$5,509,000. Each Private Placement Unit consists of one common share and one non-transferable common share purchase warrant (a "Warrant"), with each Warrant entitling the holder thereof to purchase one additional common share at \$0.60 per common share for a period of 24 months from the date of the Minsud Transaction. PSSI received a cash commission equal to 8% of the gross proceeds received from the sale of the Private Placement Units as well as Broker Warrants to acquire that number of Private Placement Units equal to 8% of the number of Private Placement Units sold under the Brokered Offering. The Agency Agreement contemplated certain adjustments to the commission rate and the number of Broker Warrants to be granted. These Broker Warrants will have a price equal to the price of the Private Placement Units. PSSI also received reimbursement for its reasonable out-of-pocket fees and expenses in connection with the Brokered Offering and a \$25,000 work and success fee.

On March 4, 2011, the Brokered Offering was partially closed with the first tranche of \$3,700,000 received for subscriptions of 9,250,000 Private Placement Units, of which \$1,202,500 was allocated to Warrants. The second tranche of the Brokered Offering closed on April 7, 2011 with \$1,809,000 received for subscriptions of 4,522,500 Private Placement Units, of which \$587,925 was allocated to Warrants. In total, 13,772,500 Private Placements Units were issued pursuant to the Brokered Offering for gross proceeds of \$5,509,000, of which \$3,718,575 was allocated to share capital and \$1,790,425 was allocated to Warrants (see note 8). Both tranches closed in escrow with the funds released to MSR on closing of the Minsud Transaction. Pursuant to the Agency Agreement, the Company paid cash commissions of \$367,960 and issued 919,900 Broker Warrants with a fair value of \$137,985 to PSSI upon the close of the Brokered Offering. Total issuance costs incurred by the Company in connection with the Brokered Offering were \$645,564, of which \$207,251 was allocated to Warrants.

The proceeds from the Brokered Offering will be used by the Company for exploration of the MSA properties and general working capital requirements. Additional amounts were allocated for costs required to complete the Minsud Transaction and for unallocated working capital. There may be circumstances where, for sound business reasons, a reallocation of funds may be necessary in order for the Company to achieve its business objectives.

Upon completion of the transaction, the former shareholders of MSA became the controlling shareholders of the Company. For accounting purposes, MSA is the deemed acquirer and MSR and the Company the deemed acquired companies, and accordingly, MSA's balances are accounted for at cost and MSR and the Company are accounted for at fair value. Since the operations of MSR and the Company do not constitute a business, this transaction has been accounted for as a reverse takeover that is not a business combination. Therefore, the share capital and deficits of MSR and the Company as at May 10, 2011 (the "Acquisition Date") will be eliminated, the consideration transferred by MSR will be allocated to share capital, the transaction costs will be expensed and \$173,540 will be allocated to non-controlling interest.

Minsud Resources Corp. (formerly Rattlesnake Ventures Inc.)

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2011 and 2010

(All Amounts in Canadian Dollars Unless Otherwise Noted)

1. Business of the Company and Qualifying Transaction (continued)

The Acquisition-Date fair value of the consideration transferred by the Company for its interest in MSR is based on the number of equity interests MSR would have had to issue to give the owners of the Company the same percentage equity interest in the combined entity that results from the transaction described above. The fair value of the number of equity interests calculated in that way is used as the fair value of consideration transferred in exchange for MSR. An adjustment has been booked to adjust the fair market value of the Company's equity interest in MSR accordingly.

The effects of the Qualifying Transaction on the Company's issued capital is as follows:

Issued Capital	Number	Amount
Common shares of MSA outstanding at May 10, 2011	10,852,000	\$ 3,470,805
Issuance of additional shares of MSR to the shareholders of MSA	4,690,600	-
Non-controlling interest (5.0%) of MSA	(542,600)	(173,540)
Common shares of the Company outstanding at May 10, 2011	5,110,000	388,696
Exercise of Company stock options	511,000	51,100
Reduction of Company shares - post consolidation	(2,810,500)	-
Elimination of the Company's share capital at historical cost	-	(439,796)
To record the FMV of shares issued to the Company's shareholders	-	758,835
Common shares of MAI outstanding at May 10, 2011	2,550,000	510,000
Elimination of MAI share capital at historical cost	-	(510,000)
To record the FMV of shares issued to MAI's shareholders	-	510,000
Common shares issued in conjunction with a consulting services agreement	500,000	100,000
Common shares of the Company issued upon completion of Brokered Offering (\$0.40)	13,772,500	3,718,575
Share issuance costs pertaining to the Brokered Offering	-	(345,173)
Share issuance costs pertaining to the fair value of Broker Warrants	-	(93,140)
Balance at May 10, 2011	<u>34,633,000</u>	<u>\$ 7,946,362</u>

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. On May 16, 2011, MAI subscribed for an additional 9,148,000 common shares of MSA for consideration of \$2,169,377. On December 12, 2011, MAI subscribed for an additional 7,740,000 common shares of MSA for consideration of \$1,859,823. As at December 31, 2011, MAI held 27,197,400 of the 27,740,000 outstanding common shares of MSA, representing an ownership interest of 98.04%.

Minsud Resources Corp. (formerly Rattlesnake Ventures Inc.)

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2011 and 2010

(All Amounts in Canadian Dollars Unless Otherwise Noted)

2. Basis of Presentation and Going Concern

a) Statement of Compliance

The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and were approved by the Company's Board of Directors on April 25, 2012.

The comparative figures shown throughout these consolidated financial statements are the historical results of Minera Sud Argentina S.A.

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. 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.

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

3. Significant Accounting Policies

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.

Minsud Resources Corp. (formerly Rattlesnake Ventures Inc.)

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2011 and 2010

(All Amounts in Canadian Dollars Unless Otherwise Noted)

3. Significant Accounting Policies (continued)

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 put into production, sold, determined not to be economically viable or abandoned.

Mineral properties are carried at cost less accumulated impairment losses, if any. The Company assesses the facts and circumstances and determines if there is an indication that the carrying amount of a mineral property may exceed its recoverable amount. One or more of the following facts and circumstances would give rise to the Company testing and evaluating mineral properties for impairment:

- i) the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed.
- ii) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned.
- iii) exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area.
- iv) sufficient data exist 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.

If there is an indication of impairment, the Company determines the recoverable amount of this asset by judgments and estimates of future economic benefits 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.

Minsud Resources Corp. (formerly Rattlesnake Ventures Inc.)

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2011 and 2010

(All Amounts in Canadian Dollars Unless Otherwise Noted)

3. Significant Accounting Policies (continued)

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 estimate accounted for on a prospective basis.

Property and Equipment (continued)

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 to sell and their value in use. Fair value is the amount at which the asset could be bought or sold in a current transaction between willing parties, or transferred to an equivalent party, other than in a liquidation sale. 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 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. During the year ended December 31, 2011, conditions indicating potential impairment of any of the Company's assets were not present.

Minsud Resources Corp. (formerly Rattlesnake Ventures Inc.)

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3. Significant Accounting Policies (continued)

Deferred Taxes

Deferred taxes are determined, using the 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 Argentinean 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. 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.

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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, loans and borrowings 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, which includes other receivables, are recorded at amortized cost less impairment losses.

The 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.

The Company's financial assets include cash and cash equivalents. Cash and cash equivalents are recognized at fair value through profit and loss.

Loans and borrowings, which include accounts payable and accrued liabilities 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 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.

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3. Significant Accounting Policies (continued)

Share-Based Payments

The Company offers a share option plan for its directors, officers, employees and consultants 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.

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 year ended December 31, 2011, all the outstanding stock options, warrants and brokers' warrants were anti-dilutive.

The Company calculated the weighted average number of common shares outstanding for the year ended December 31, 2011 as follows:

- i) the number of common shares outstanding from the beginning of the year ended December 31, 2011 is computed on the basis of the weighted average number of common shares of MSA outstanding during the year multiplied by the exchange ratio established in the definitive agreement; and
- ii) the number of common shares outstanding from the Acquisition Date to the end of the year is the actual number of common shares of MSR outstanding.

The loss per share for the year ended December 31, 2010 was calculated as follows:

- i) the profit and loss of MSA attributable to MSA's shareholders;
- ii) the historical weighted average number of common shares of MSA outstanding multiplied by the exchange ratio established in the definitive agreement.

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3. Significant Accounting Policies (continued)

Decommissioning, Restoration and Similar Liabilities

The Company recognizes provision for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of mineral properties and mineral assets under property, plant and equipment 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 balance sheet 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.

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.

Future Accounting Pronouncements

IFRS 9 Financial Instruments was issued by the IASB in October 2010 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 is effective for annual periods beginning on or after January 1, 2015.

IFRS 10 Consolidated Financial Statements was issued by the IASB in May 2011. IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 replaces the consolidation requirements in SIC-12 Consolidation Special Purpose Entities and IAS 27 Consolidated and Separate Financial Statements and is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.

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3. Significant Accounting Policies (continued)

Future Accounting Pronouncements (continued)

IFRS 11 Joint Arrangements was issued by the IASB in May 2011. IFRS 11 provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities. IFRS 11 supersedes IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities - Non-Monetary Contributions by Venturers, and is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.

IFRS 12 Disclosure of Interests in Other Entities was issued by the IASB in May 2011. IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.

IFRS 13 Fair Value Measurement was issued by the IASB in May 2011. IFRS 13 provides a consistent and less complex definition of fair value, establishes a single source of guidance for determining fair value and introduces consistent requirements for disclosures related to fair value measurement. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. The standard is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.

IAS 19, Employee Benefits was issued by the IASB in June 2011. IAS 19 amends the existing standard to eliminate options to defer the recognition of gains and losses in defined benefit plans, requires remeasurement of a defined benefit plan's assets and liabilities to be presented in other comprehensive income and increases the disclosure. This amended standard is effective for annual periods beginning on or after January 1, 2013, Earlier application is permitted.

IFRIC Interpretation 20, Stripping Costs in the Production Phase of a Surface Mine was issued by the IASB in October 2011. IFRIC 20 applies to all types of natural resources that are extracted using the surface mining activity process. IFRIC 20 may represent a change in accounting practice for some Canadian mining entities. Specifically, IFRIC 20 permits capitalization of stripping costs if all of the following three criteria are met:

- i) probability of future economic benefit (improved access to the ore body) flowing to the entity;
- ii) identifiability of the component of the ore body for which access has been improved; and
- iii) measurability of the costs associated to the stripping activity.

Furthermore, where the costs of the stripping activity asset and the inventory produced are not separately identifiable, IFRIC 20 provides a more detailed cost allocation guidance based on a relevant production measure that allows allocation between inventory produced and the stripping activity asset. IFRIC 20 is effective for annual periods beginning on or after January 1, 2013. Early application is permitted.

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3. Significant Accounting Policies (continued)

Future Accounting Pronouncements (continued)

IAS 1 Presentation of Financial Statements was amended by the IASB in June 2011 requires companies to group items presented within Other Comprehensive Income based on whether they may be subsequently reclassified to profit or loss. Items in other comprehensive income will be required to be presented in two categories: items that will be reclassified into profit or loss and those that will not be reclassified. The flexibility to present a statement of comprehensive income as one statement or two separate statements of profit and loss and other comprehensive income remains unchanged. The amendments to IAS 1 are effective for annual periods beginning on or after July 1, 2012. Earlier application is permitted.

The Company has not yet completed its evaluations of the effect of adopting the above standards 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 costs are expensed or deferred, 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.

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5. Property and Equipment

As at December 31, 2011	Vehicles	Office Equipment	Other	Total
Cost				
Balance, beginning of year	\$ 47,869	\$ 14,921	\$ 1,788	\$ 64,578
Additions	74,381	10,379	1,582	86,342
Currency translation adjustments	(5,564)	(871)	(159)	(6,594)
Balance, end of year	116,686	24,429	3,211	144,326
Accumulated depreciation				
Balance, beginning of year	(38,298)	(10,366)	(729)	(49,393)
Amortization	(23,553)	(4,953)	(482)	(28,988)
Currency translation adjustments	2,342	642	46	3,030
Balance, end of year	(59,509)	(14,677)	(1,165)	(75,351)
Net carrying amount as at December 31, 2011	\$ 57,177	\$ 9,752	\$ 2,046	\$ 68,975

As at December 31, 2010	Vehicles	Office Equipment	Other	Total
Cost				
Balance, beginning of year	\$ 52,665	\$ 14,578	\$ 1,967	\$ 69,210
Additions	-	1,670	-	1,670
Currency translation adjustments	(4,796)	(1,327)	(179)	(6,302)
Balance, end of year	47,869	14,921	1,788	64,578
Accumulated depreciation				
Balance, beginning of year	(31,601)	(8,121)	(424)	(40,146)
Amortization	(10,073)	(3,140)	(361)	(13,574)
Currency translation adjustments	3,376	895	56	4,327
Balance, end of year	(38,298)	(10,366)	(729)	(49,393)
Net carrying amount as at December 31, 2010	\$ 9,571	\$ 4,555	\$ 1,059	\$ 15,185

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6. Mineral Properties

As at December 31, 2011	San Juan Province Chita Valley			Santa Cruz Province			TOTAL
	Brechas Vacas	Chita	Minas de Pinto	San Antonio	La Rosita	Other	
Balance, beginning of year	\$ 930,080	\$ 330,558	\$ 63,697	\$ 145,873	\$ 98,496	\$ 7,019	\$ 1,575,723
Property rights/exploration agreements	210,422	44,664	78,430	194	190	8,172	342,072
Exploration	572,525	957,307	276,886	65,706	214,307	10	2,086,741
Currency translation adjustments	(53,139)	(25,288)	(9,157)	(9,576)	(6,682)	(412)	(104,254)
Balance, end of year	\$1,659,888	\$1,307,241	\$ 409,856	\$ 202,197	\$ 306,311	\$ 14,789	\$ 3,900,282

As at December 31, 2010	San Juan Province Chita Valley			Santa Cruz Province			TOTAL
	Brechas Vacas	Chita	Minas de Pinto	San Antonio	La Rosita	Other	
Balance, beginning of year	\$ 748,091	\$ 304,855	\$ -	\$ 146,344	\$ 30,557	\$ 12,728	\$ 1,242,575
Property rights/exploration agreements	72,646	25,883	42,133	208	208	968	142,046
Exploration	190,499	30,367	24,884	13,317	74,199	-	333,266
Write-offs	-	-	-	-	-	(5,755)	(5,755)
Currency translation adjustments	(81,156)	(30,547)	(3,320)	(13,996)	(6,468)	(922)	(136,409)
Balance, end of year	\$ 930,080	\$ 330,558	\$ 63,697	\$ 145,873	\$ 98,496	\$ 7,019	\$ 1,575,723

Brechas Vacas Property

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 identified as Proyecto Brechas Vacas, located 35 km from Iglesia in the Chita Valley, in the Province of San Juan, Argentina.

Pursuant to the Brechas Vacas 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 50% ownership interest in these properties pursuant to certain terms and conditions stated in the Brechas Vacas Agreement.

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\$240,000 (\$263,568) within four years of the date of the Brechas Vacas Agreement, and which, as of December 31, 2010, had been paid in full.

Pursuant to the Brechas Vacas Agreement, the Company was required to spend a minimum of US \$600,000 on the properties within three years after executing the agreement. As at December 31, 2010 this obligation had been met.

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6. Mineral Properties (continued)

Brechas Vacas Property (continued)

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). On December 23, 2011, ownership of the properties was transferred to the Brechas Vacas Trust (the "Trust"). MSA simultaneously acquired a 50% beneficial interest in the Trust in exchange for the consideration of US\$210,000 in accordance with the terms of the option agreement dated September 7, 2007, and an extension agreement dated November 23, 2011.

The remaining 50% beneficial interest in the Trust held by the previous owners of the properties (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 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 satisfied 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 final 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. 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.

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.

Once the Option is exercised and the remaining 50% of the beneficial interest in the 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.

Subsequent to the year ended December 31, 2011, approval of the Option was received from the TSX Venture Exchange.

Chita Property

On September 28, 2006, the Company, through MSA, entered into an Exploration Agreement including a Purchase Option (the "Chita Agreement") 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.

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6. Mineral Properties (continued)

Chita Property (continued)

Pursuant to the Chita 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 Chita Agreement.

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\$200,000 within seven years of the date of the Chita Agreement. As at December 31, 2011, the Company had paid US\$130,000 (\$135,563) related to eight instalments as required by the Chita 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\$350,000 at any time during the life of the agreement, but no later than August 31, 2014.

Pursuant to the Chita Agreement, the Company was required to spend US\$30,000 and US\$50,000 in the first and second years, respectively, after executing the agreement. As of December 31, 2011, these obligations have been met.

Minas de Pinto Property

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.

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.

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\$365,000 within four years of the date of the Minas de Pinto Agreement. As at December 31, 2011, the Company had paid US\$115,000 (\$117,141) related to the first, second and third instalments as required by 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\$1,635,000 at any time during the life of the agreement, but prior to November 7, 2014.

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6. Mineral Properties (continued)

La Rosita Property

The La Rosita Property, a gold and silver project in which the Company has a 100% ownership interest, is located within the Area of Special Mining Interest of Santa Cruz Province.

San Antonio Property

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

Summary of Property Agreement Payments

The following chart details the agreed payments to be met before the exercise of the above options (all amounts are in United States Dollars):

Staggered payments	Year	Brechas Vacas	Chita	Minas de Pinto	Total	Brechas Vacas
Payable in:		Cash				Shares
	2012	\$ 100,000	\$ 30,000	\$ 100,000	\$ 230,000	\$ -
	2013	100,000	40,000	150,000	290,000	40,000
	2014	140,000	-	-	140,000	40,000
	2015	170,000	-	-	170,000	60,000
	2016	200,000	-	-	200,000	80,000
Total staggered payments		710,000	70,000	250,000	1,030,000	220,000

Option payments	Year	Brechas Vacas	Chita	Minas de Pinto	Total	Brechas Vacas
Payable in:		Cash				Shares
	2014	-	350,000	1,635,000	1,985,000	-
	2017	535,000	-	-	535,000	535,000
Total option payments		535,000	350,000	1,635,000	2,520,000	535,000
Total property payments		\$ 1,245,000	\$ 420,000	\$ 1,885,000	\$ 3,550,000	\$ 755,000

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.

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8. Warrants

	<u>Number</u>	<u>Amount</u>
Minsud Argentina Inc.		
Balance - January 1, 2011	-	\$ -
Issued for cash pursuant to Brokered Offering	13,772,500	1,790,425
Issuance costs	-	(207,251)
	<u>13,772,500</u>	<u>\$ 1,583,174</u>
Balance - May 10, 2011	<u>13,772,500</u>	<u>\$ 1,583,174</u>
Minsud Resources Corp.		
Balance - January 1, 2011	-	\$ -
Issued to shareholders of Minsud Argentina Inc.	<u>13,772,500</u>	<u>1,583,174</u>
Balance - December 31, 2011	<u>13,772,500</u>	<u>\$ 1,583,174</u>

During the year ended December 31, 2011, Minsud Argentina Inc. issued 13,772,500 Warrants pursuant to the Brokered Offering as discussed in note 1. Each Warrant entitles the holder thereof to purchase one additional common share at \$0.60 per common share for a period of 24 months from the date of the Minsud Transaction. Upon completion of the Minsud Transaction, the Warrants issued by Minsud Argentina Inc. were automatically cancelled and exchanged for Warrants of Minsud Resources Corp. bearing the same terms and conditions.

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	1.25%
Expected life	2 years
Expected volatility	125%*
Share price	\$0.27

*Based on volatility of comparable companies

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, 2011, the following Warrants were issued and outstanding:

- a) 13,772,500 Warrants entitling the holder to purchase one common share of the Company at \$0.60 per share at any time on or before May 10, 2013.

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9. Broker Warrants

	<u>Number</u>	<u>Amount</u>
Minsud Argentina Inc.		
Balance - January 1, 2011	-	\$ -
Issued pursuant to Brokered Offering	919,900	137,985
	<u>919,900</u>	<u>\$ 137,985</u>
Balance - May 10, 2011	<u>919,900</u>	<u>\$ 137,985</u>
Minsud Resources Corp.		
Balance - January 1, 2011	-	\$ -
Issued to agent of Minsud Argentina Inc.	919,900	137,985
	<u>919,900</u>	<u>\$ 137,985</u>
Balance - December 31, 2011	<u>919,900</u>	<u>\$ 137,985</u>

During the year ended December 31, 2011, Minsud Argentina Inc. issued 919,900 Broker Warrants pursuant to the Brokered Offering as discussed in note 1. Each Broker Warrant entitles the holder thereof to purchase one Private Placement Unit at \$0.40 per Private Placement Unit for a period of 24 months from the date of the Minsud Transaction. Each Private Placement Unit consists of one common share and one non-transferable Warrant, with each Warrant entitling the holder thereof to purchase one additional common share at \$0.60 per common share for a period of 24 months from the date of the Minsud Transaction. Upon completion of the Minsud Transaction, the Broker Warrants issued by Minsud Argentina Inc. were automatically cancelled and exchanged for Broker Warrants of Minsud Resources Corp. bearing the same terms and conditions.

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

Expected dividend yield	Nil
Risk-free interest rate	1.25%
Expected life	2 years
Expected volatility	125%*
Share price	\$0.27

*Based on volatility of comparable companies

The estimated fair value of the broker warrants was allocated as to \$93,140 to share issuance costs and \$44,845 to Warrants. The fair value of the Broker Warrants was measured at the fair value of the equity instrument as the fair value of the services received could not be estimated reliably.

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, 2011, the following Broker Warrants were issued and outstanding:

- a) 919,900 Warrants entitling the holder to purchase one Private Placement Unit of the Company at \$0.40 per Private Placement Unit at any time on or before May 10, 2013.

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10. Stock Option Plan

On August 12, 2010 a new form of stock option plan (the "2010 Plan") was approved by the shareholders at the annual and special meeting of shareholders held that day. The 2010 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 2010 Plan. The 2010 Plan is a rolling plan as the number of options which may be granted pursuant to the 2010 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 2010 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 2010 Plan are non-assignable and non-transferable and may be granted for a term not exceeding ten years. The 2010 Plan is administered by the Company's board of directors or a committee established by the Board of Directors for that purpose (the "Committee"). The 2010 Plan may be amended, subject to regulatory 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 2010 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 2010 Plan. The 2010 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 2010 Plan. Options may be granted under the 2010 Plan only to directors, officers, employees and other service providers of the Company subject to the rules and regulations of applicable regulatory authorities and any Canadian stock exchange upon which the Company's shares may be listed or may trade from time to time.

The aggregate number of the Company's shares which may be reserved for issuance to any one individual under the 2010 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). The aggregate number of the Company's shares which may be reserved for issuance to insiders of the Company under the 2010 Plan, any other employee stock option plans of the Company or any other options for services granted by the Company shall not exceed 10% of the number of the Company's shares outstanding on 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 2010 Plan, any other employee stock option plans of the Company or any other options for services granted by the Company within a 12 month period: (a) to insiders shall not exceed 10% of the number of the Company's shares issued and outstanding on the date of the grant (on a non-diluted basis); (b) to any insider shall not exceed 5% of the number of the Company's shares issued and outstanding on the date of the grant (on a non-diluted basis); (c) 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 (d) 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 of the Company (other than by reason of death), the stock option 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, the option will be exercisable by the personal representatives of the optionee within, but only within, the period of one year next succeeding the

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10. Stock Option Plan (continued)

optionee's death. 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 or as otherwise determined in accordance with the terms of the 2010 Plan. The Company's shares will not be issued pursuant to options granted under the 2010 Plan until they have been fully paid for. The 2010 Plan received Exchange approval on May 10, 2011.

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

The aggregate number of the Company's shares which may be reserved for issuance to any one individual under the 2011 Plan within any 12 month period shall not exceed 5% of the Company's shares issued and outstanding at the date of the grant (on a non-diluted basis). Further, the aggregate number of the Company's shares which may be reserved for issuance under the 2011 Plan: (a) to any consultant to the Company shall not exceed 2% of the number of the Company's shares issued and outstanding on the date of the grant (on a non-diluted basis) and (b) to all employees or consultants who provide investor relations activities shall not exceed 2% of the number of the Company's shares issued and outstanding on the date of the grant (on a non-diluted basis). In the event an optionee ceases to be a service provider or employee of the Company (other than by reason of death), the vested stock options

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10. Stock Option Plan (continued)

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:

	Number of Options	Weighted Average Exercise Price
Balance - January 1, 2011	-	\$ -
Options granted	3,585,000	0.40
Options cancelled	(225,000)	0.40
Balance - December 31, 2011	<u>3,360,000</u>	<u>\$ 0.40</u>

a) On June 9, 2011, the Company granted 3,360,000 stock options to directors, officers, employees and service providers. The options have an exercise price of \$0.40 per share and shall vest as follows: one-quarter on June 9, 2011, one-quarter on December 9, 2011, one-quarter on June 9, 2012 and one-quarter on December 9, 2012. 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	1.21%
Expected life	5.0 years
Expected volatility	125%*
Share price	\$0.22

*Based on volatility of comparable companies

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10. Stock Option Plan (continued)

- b) On October 26, 2011, the Company granted 225,000 stock options to a director. The options have an exercise price of \$0.40 per share and shall vest as follows: one-quarter on October 26, 2011, one-quarter on April 26, 2012, one-quarter on October 26, 2012 and one-quarter on April 26, 2013. 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	0.96%
Expected life	5.0 years
Expected volatility	115%*
Share price	\$0.40

*Based on volatility of comparable companies

- c) On October 10, 2011, one of the Company's directors resigned, resulting in the cancellation of 225,000 stock options which had not vested at the date of resignation. The director has a period of one year following his resignation to exercise 75,000 stock options which had vested as of the date of his resignation.

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

<u>Exercise Price</u>	<u>Options Vested</u>	<u>Options Unvested</u>	<u>Remaining Contractual Life (Years)</u>	<u>Expiry Date</u>
\$ 0.40	1,530,000	1,530,000	4.44	June 9, 2016
\$ 0.40	75,000	-	0.77	October 10, 2012
\$ 0.40	56,250	168,750	4.83	October 26, 2016
	<u>1,661,250</u>	<u>1,698,750</u>	<u>4.38</u>	

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11. Income Taxes

a) Income Taxes

	2011	2010
Loss before income taxes	\$ (2,343,210)	\$ (229,877)
Statutory rate	28.25%	35.00%
Expected income tax recovery	(661,957)	(80,457)
Non-deductible expenses	256,862	648
Share issuance costs and transaction costs	(138,081)	-
Tax assets acquired in RTO	(69,710)	-
Change in tax rate and other	34,925	-
	(577,961)	(79,809)
Change in deferred tax assets not recognized	577,961	79,809
Net expected 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, 2011 and 2010 are as follows:

	2011	2010
Non-capital loss carry forwards	\$ 531,551	\$ 229,971
Share issuance costs and other	157,450	-
Transaction costs	224,026	-
Mineral properties	(102,301)	-
	810,726	229,971
Deferred tax assets not recognized	(810,726)	(229,971)
Net expected deferred income tax recovery	\$ -	\$ -

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

c) Non-Capital Losses

The Company has non-capital losses carried forward of approximately \$1,705,115 (2010 -\$657,060) available to reduce future years' taxable income. These losses will expire as follows:

2012	\$ 91,494
2013	\$ 175,503
2014	\$ 146,849
2015	\$ 216,731
2016	\$ 422,150
2028	\$ 26,720
2029	\$ 58,790
2030	\$ 40,121
2031	\$ 526,757

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12. Related Party Transactions and Balances

During the year ended December 31, 2011, the Company incurred the following related party transactions:

i) Transactions

- a) A total of \$27,562 in office rent expense and other minor expenses was charged by a shareholder of the Company.
- b) During the year ended December 31, 2011 the Company borrowed, and repaid in full, 800,000 Argentine Pesos (approximately \$191,278) plus accrued interest and related expenses of 33,071 Argentine Pesos (approximately \$7,843) to a shareholder of the Company.
- c) A total of \$176,510 was charged by the acting CEO of the Company. Included in this amount is a one-time bonus payment of \$75,000.
- d) A total of \$41,205 was charged by an individual related to the Company's CEO.
- e) A total of \$41,167 of accounting and regulatory compliance fees and \$15,333 of CFO fees was charged by an accounting firm in which the Company's CFO is a partner.
- f) During the year ended December 31, 2011, the Company granted 2,950,000 stock options to key members of management. The amount of stock-based compensation expense for the year ended December 31, 2011 related to these options was \$373,910.

ii) Period-end balances

- a) As at December 31, 2011, accounts payable and accrued liabilities included \$5,400 payable to the acting CEO of the Company.
- b) As at December 31, 2011, accounts payable and accrued liabilities included \$30,210 payable to an accounting firm in which the Company's CFO is a partner.

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

13. Financial Instruments

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, 2011, the Company's cash and cash equivalents are categorized as Level 1 measurement.

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13. Financial Instruments (continued)

Fair Values

The carrying amounts for the Company's financial instruments approximate their fair values because of the short-term nature of these items.

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

Credit Risk

The Company is not exposed to any significant credit risk as at December 31, 2011. The Company's cash and cash equivalents are on deposit with highly rated financial institutions in Canada and Argentina.

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, 2011, the Company has current assets of \$2,562,628 and current liabilities of \$302,265. Current working capital of the Company is \$2,260,363 as at December 31, 2011.

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. The Company's market risk consists of risks from changes in foreign exchange rates, interest rates and market prices that affect its financial liabilities, financial assets and future transactions.

Interest rate risk

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

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.

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13. Financial Instruments (continued)

Sensitivity Analysis

As at December 31, 2011, cash and cash equivalents includes 1,375,901 Argentinean Pesos, other receivables includes 16,276 Argentinean Pesos and accounts payable and accrued liabilities includes 3,950 United States Dollars, and 769,403 Argentinean Pesos.

At December 31, 2011, 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 \$402 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 \$74,713 lower (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;
- (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.

The Company does not have any externally imposed capital requirements.

There were no changes to the Company's approach to capital management during the year ended December 31, 2011.

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15. Commitments

- a) On December 21, 2010 MSA entered into an exploration and drilling framework agreement with a drilling contractor (the "Contractor"), under which the Contractor agreed to make available to MSA the equipment, machinery and workforce necessary to drill up to a total amount of 6,000 meters in the mining properties to be identified by MSA. MSA has already made an advance payment of \$224,628 (the "Advance Payment"). The Advance Payment shall be proportionally offset with any invoices issued by the Contractor. As at December 31, 2011, the Company has drilled 3,360 meters and the outstanding balance of the advance payment has been reduced to \$60,945.

- b) On December 26, 2011, the Company entered into a services agreement with an effective date of June 1, 2011, 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, will be paid in monthly instalments by MSA until the expiry of the contract on May 31, 2012, at which point the Company's Board of Directors may extend the agreement at their discretion. 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.

Additional commitments are disclosed in note 6.

16. Subsequent Event

On January 24, 2012, the Company entered into a consulting agreement with a director to become the Company's Vice-President (Exploration) in exchange for an hourly fee of \$150 for office-based work on the Company's exploration program and a daily fee of \$1,000 for exploration field work. The agreement expires January 1, 2013, and can be extended at the discretion of the Company's Board of Directors.