

## **MANAGEMENTS DISCUSSION & ANALYSIS**

1.1 May 28, 2009

### **1.2 Overview**

Marifil Mines Limited. (“Marifil” or the “Company”) was incorporated on December 2, 2003 under the Yukon Business Corporation Act and is in the business of acquiring, exploring, and evaluating mineral resource properties in Argentina. The Company is a reporting issuer in the Provinces of Alberta, British Columbia, and Ontario. The Company’s Common Shares trade on the TSX Venture Exchange under the symbol MFM.

The Company operates in Argentina through a wholly-owned subsidiary called Marifil S.A., which is a private corporation incorporated in Rio Negro Province under the laws of Argentina. The Company acquired Marifil S.A. by issuing 5,500,000 of its Common Shares to the Marifil S.A. shareholders when The Company completed its Initial Public Offering (“IPO”) on January 31, 2005.

As of 18 November 2008, The Company controls 18 properties totalling approximately 357,702 hectares located in 7 different provinces of Argentina. The Company acquires properties through applications for mineral rights, purchasing properties, and joint ventures.

The Company’s business model involves identifying good properties: adding value through judicious, cost effective exploration: and then farming out these properties to other, better financed mining companies. Our joint venture business model requires us to maintain a pipeline of new projects to replace those being farmed out.

The Company’s Financial Statements are prepared in Canadian dollars and adhere to Canadian Generally Accepted Accounting Principles.

## **PROPERTY EXPLORATION SUMMARY**

### **High Priority Projects**

#### **1. K-1 , potash, Neuquen Province:**

In April 2008 the Company acquired 127,000 hectares of prospective potash land in the Neuquen Basin of Argentina. This acquisition brought The Company’s total land position in this region to 154,000 hectares. The company also entered into a Letter of Intent with a private company for the sale of all 154,000 hectares.

Company geologists identified a previously unexplored portion of the Neuquen Basin with favorable stratigraphy at depths of about 500 m. This new property

occupies the western half of the basin and is underlain by geology identical to that of the nearby Rio Tinto's Potasio Rio Colorado potash mine which is scheduled to produce 2.4 million tonnes of potash annually.

Following the acquisition, the Company signed a Letter of Intent (LOI) with a private company, Latin American Potash Corp. (LAPC) for the sale of all 154,000 hectares in the Neuquen Basin of Argentina. Under the terms of the Agreement, the Company received \$100,000 in cash, 20% of the shares of LAPC, and retains a 2% Net Smelter Royalty from any potash production from the new property.

Subsequently LAPC was acquired by Allana Resources Inc. ("Allana"), a publicly traded company with a focus on potash. The Company's portion of the purchase price was 600,000 shares of Allana and \$26,000 in cash. The shares are included in Marketable Securities and had a Quarter end value of \$32,890. These shares have been partially liquidated through the quarter and into Q2 2009.

## **2. K-2 potash, Neuquen Province:**

Following the sale of the K-1 project the Company immediately began a search to identify other prospective areas in the Neuquen basin. The Company quickly identified and acquired a second property we named K-2. This 99,964 hectare property is believed to overlie a very large potash deposit. In July the Company completed an NI 43-101 report on the property. This report describes gamma ray, density, resistivity, induction, neutron logs and other analyses from four abandoned oil well holes. The four holes define an area 18 kilometres long in a north-south direction and 13 kilometres wide in an east-west direction. All four holes show excellent stratigraphic correlations with each other.

The study of the four drill logs indicates the presence of sylvinite (potash ore mineral) layers with economic grades and thicknesses similar to those encountered in Rio Tinto's Potasio Rio Colorado Mine. The following conclusions have been made:

- Two sylvinite complexes have been identified in all of the analyzed drill holes.
- The sylvinite mineral occurrences were intercepted in local drill holes between 1300 and 1500 m.
- The lower horizon reported a grade of 21% K<sub>2</sub>O and a maximum thickness of 6 m.
- The upper horizon reported a lower grade of 12% K<sub>2</sub>O over a greater thickness of 10 m.

- The potash horizons show great continuity throughout the basin. Drill intercepts encountered in drill holes spaced up to 18 km apart can be correlated both by stratigraphy and mineralization.

Favorable stratigraphy and structures identified on the Marifil property indicate that potash rich horizons would be preserved at depth in this part of the Neuguen Basin. Marifil geologists have a strong understanding of the basin stratigraphy and will utilize that knowledge in conducting an efficient drilling program. Marifil Mines has no competitor in this part of the basin and no potential conflict with oil companies is expected.

On 8 November, 2008, the Company signed a Definitive Agreement with Oxbow Holdings Corp. (Oxbow), a private Canadian corporation whereby Oxbow can acquire 100% of the K-2 property.

The NI 43-101 report recommends carrying out more geological and interpretative work prior to drilling. This work includes reviewing the surface geology along some geo-traverses coincident with seismic surveys. The report recommends drilling three widely spaced holes totaling 5,000 m. If this work is successful then it is recommended to develop an ore resource by drilling on 500 m centers.

**3. San Roque, epithermal gold-silver-indium, Rio Negro Province:** This 70,500 hectare property contains a bulk tonnage base metal deposit comprising stockwork veinlets of lead and zinc and a number of important gold-silver-indium bearing veins.

Exploration and sampling during early 2007 reveals that the Del Indio vein within the San Roque project contains significant amounts of indium. In 2007, the Company completed a 55-hole program totaling 5,990.5 meters of HQ-sized core drilling.

Company geologists now believe that the San Roque mineralization may be hosted within a large diatreme or caldera up to 4 kilometers in diameter. We believe that we have discovered a major base metal deposit containing important amounts of lead, zinc, gold, silver, and indium.

Work during the quarter included additional mapping and sampling to refine the ore target. One of the consequences of this work is the identification of new, high grade gold zones located 500 m northwest of the main bulk tonnage target.

The Company is now talking to several companies about a joint venture to fund future development.

**4. Toruel, epithermal silver-copper-gold-lead-zinc Rio Negro Province:** The Toruel property consists of a high grade silver-copper system of veins containing lesser amounts of gold, lead, and zinc. The north end of the main vein contains greater amounts of lead and zinc and lesser amounts of copper. This zoning pattern suggests that the main ore shoots are raking down and to the west. Subsequent drilling will focus on deeper holes as we move progressively west.

The Toruel main vein is one of more than twenty sub-parallel veins located within a structural corridor more than 5 kilometers wide and more than eight kilometers long. To date, the Company has drilled 63 holes at Toruel, nearly all of them along the main vein.

During the past year Company geologists carried out additional mapping and sampling of two large fluorite veins located on both the east and west ends of the vein system. Our target model was to determine if these fluorite veins represent the distal ends or the tops of a system. The mapping and sampling results of the fluorite veins are inconclusive and we expect that drilling will be required to test gold anomalies along these veins.

The Company is now preparing an in-house preliminary assessment to determine the possibility of developing a small direct shipping ore (DSO) project for a pod of high grade copper-silver-indium mineralization centered about drill holes DH-24 and DH-32.

### **Joint Ventured Projects**

**1. Las Aguilas, nickel-copper-cobalt-platinum Project, San Luis Province:** Marifil's Las Aguilas deposit contains an historical resource of 2.2 million tonnes grading about 0.52% nickel, 0.50% copper, 0.04% cobalt and significant amounts of platinum (this is not a National Instrument 43-101 compliant reserve.) This resource was calculated from 10,000 meters of diamond drilling between 1970 and 1984.

The resources are categorized as "historical estimates" and have not been reviewed or verified under National Instrument 43-101. However, the Company believes that the properties have the potential to add significant future development opportunities. The historical exploration data was developed by the Argentine government agency Fabricaciones Militares which conducted an exploration program in the area.

Marifil believes this resource to be relevant to the extent that it shows that significant quantities of disseminated to semi-massive pyrrhotite, pentlandite and chalcopyrite (ores of copper, nickel, cobalt and platinum) are present and

constitute a valid exploration target. This resource occurs within a large fold and mineralization is open-ended down dip along the plunge of the fold in both directions.

On December 13, 2006 Marifil optioned the property to Maximus Resources Ltd., a private company. In March 2007 Maximus, with Marifil's permission, vended the property to Castillian Resources Ltd., a public company. Castillian can earn a 50% interest in the property by spending US\$3,000,000 in exploration and development over a four-year period and making certain payments to Marifil. These payments total US\$475,000 in cash or, at Marifil's discretion, 50% each in cash and common shares in Castillian. Upon earning 50%, Castillian can make a further election to increase its ownership to 60% by spending an additional US\$2,000,000 and providing a bankable feasibility study within six years of the effective date of the agreement and making cash payments of US\$100,000 per year each year beginning on the fourth anniversary of this date. Subsequent to earning a 60% interest, at Marifil's option, Castillian can increase its interest by a further 5% by arranging suitable project financing.

Castillian completed a further 5,000 meter program in 2008. As of the date of this report Castillian is compiling the results for a pending NI 43-101 resource calculation. The latest drilling extended the Las Aguilas (LA) West deposit an additional 100 meters south and 50 meters north-northeast of last year's drilling. The LA West deposit and intrusion have now been intersected by drilling over a length of 500 meters and to a depth of 250 meters.

The LA West deposit is a tabular body contained within a pyroxenitic dike that shows mostly subvertical dips to the east, but in the southern third, the dips change from subvertical to the west to a shallow westerly dip. The mineralized intrusion appears to be cut off to the south by a noritic intrusion.

Hole CTLA08-078 was drilled to test the depth extent of the LA East deposit. The host ultramafic intrusion exhibits a funnel shape at depth, and the mineralized zone has subvertical dips and a steep plunge to the south. Hole CTLA08-078 intersected sulphides over 19.67 meters, confirming the continuity of the deposit downplunge and extending this deposit 70 meters vertically below the deepest intersection drilled in 2007. Hole CTLA08-078 is the deepest intercept of the LA East deposit to date, at an approximate vertical depth of 250 meters, and shows a marked increase in grade in this part of the deposit. The deposit remains open below this intercept.

As with previous analytical results from the 2007 campaign, significant platinum and palladium values were intersected in several holes including the following highlights:

#### Las Aguilas East:

- LA08-078 -- 19.67 meters with 0.58 per cent nickel (Ni), 0.42 per cent copper (Cu), 0.03 per cent cobalt (Co), 0.44 gram per tonne (g/t) platinum (Pt), 0.50 g/t palladium (Pd) and 0.22 g/t gold (Au), including 5.64 meters of 1.05 per cent Ni, 0.62 per cent Cu, 0.04 per cent Co, 0.8 g/t Pt, 0.69 g/t Pd and 0.14 g/t Au.

#### Las Aguilas West:

- LA08-070 -- 18.95 meters with 0.40 per cent Ni, 0.48 per cent Cu, 0.03 per cent Co, 0.23 g/t Pt and 0.31 g/t Pd;
- LA08-074 -- 15.80 meters with 0.41 per cent Ni, 0.55 per cent Cu, 0.03 per cent Co, 0.40 g/t Pt and 0.38 g/t Pd.

**2. San Luis Exploration Area, nickel-copper-cobalt-platinum, San Luis Province:** Marifil's San Luis exploration area includes about 55,000 hectares of land exclusive of the 3,000 hectares optioned to Castillian as described above.

On May 17, 2007 Marifil announced a second agreement with Castillian Resources. In this agreement Castillian agrees to spend \$3,000,000 on the belt and pay Marifil \$600,000 in cash to earn a 50% interest. Castillian may earn an additional 10% by spending an additional US\$2,000,000 and providing a bankable feasibility study and making cash payments of US\$150,000 per year each year beginning on the fourth anniversary of this date. Subsequent to earning a 60% interest, Castillian can increase its interest by a further 5% by arranging for the total amount of financing to bring the project to commercial production.

Castillian announced a \$3.4 million program to explore this important nickel platinum copper cobalt trend. This work includes drilling at the Las Aguilas deposit (as reported above), geologic mapping, and a 3,250 line kilometer airborne geophysical program.

The airborne geophysical study began on 23 March 2008 and has been completed.

Castillian announced that the airborne program was successful and reveals a number of new anomalies. One of these anomalies, located 6.5 kilometers north-northeast of the Las Aguilas deposit contains a high grade gossan occurrence. A grab sample taken from an outcrop of the new gossan (EF-2) contains 6.71% copper, 2.21% nickel and 0.21% cobalt.

The surface exposure of this occurrence measures 50 meters long and approximately 20 meters wide before it is covered by overburden. Systematic

sampling of this gossan is in progress along with a moving loop ground electromagnetic (EM) survey in preparation for drilling. EF-2 is located 700 meters north of the El Fierro gossan and is hosted within the same mafic and ultramafic intrusion. The El Fierro occurrence has been trenched in the past and outcrops as a 70 meter long gossan in pyroxenite and gabbro with a best analytical result of 0.5% nickel and 0.22% copper from the highly weathered surface material.

Drilling has intercepted sulfide mineralization in this new zone but no assays are available as of the date of this report.

Subsequent to the end of the Quarter, Castillian notified the Company that it is unable to pay the outstanding taxes due and returned the Project to the Company.

**3. Los Menucos, epithermal gold-silver plus base metals, Rio Negro Province, Argentina:** The Los Menucos project is a large claim group covering several epithermal gold silver prospects.

Prior work by IAMGOLD reveals a number of high grade gold targets as well as a large base metal target. Several companies have expressed interest in acquiring this large property position.

The soil samples grade up to 2% zinc. Re-assaying these samples reveals the presence of indium. The Company believes this area is highly prospective for a large disseminated base metal deposit similar to our San Roque deposit. Further analysis of the data shows that the zinc anomalies coincide with a large induced polarization anomaly. The presence of molybdenum anomalies in soils suggest that this area might be the surface expression of a porphyry molybdenum deposit.

**4. Lago Fontana (Ferrocarillera), epithermal gold-silver plus base metals, Chubut Province:** This Project was optioned to Apex Silver Mines Ltd. on April 10, 2006. In 2007 the Province enacted legislation to suspend mining activities along the front of the Andes Mountains from Esquel south to the border with Santa Cruz, which includes the Ferrocarillera project area. As a result, Apex has opted to drop the property. However, the Company does not believe this is a long term problem and several other companies have expressed interest in the project.

## **“Pipeline Projects”**

The following projects are in Marifil’s pipeline and will be moved up the queue as the Company’s advanced stage projects are drilled and then farmed out.

**1. Punta Colorado (Sierra Grande), limestone, Rio Negro Province:** This 900 hectare property is located along the shore next to a \$30 million (1980 dollars) bulk loading dock. The dock extends 1,200 m into the ocean, has a capacity of 1,500 tonnes per hour, and can handle ships up to 60,000 ton capacity.

The Company has actively re-negotiated with the Province to clarify Marifil’s rights to the property and to obtain a right to use the nearby bulk loading dock. The Province agreed to terms and the agreement was signed in October. (See proposed transactions)

The Company’s objective at Punta Colorado is to identify a resource of 100 to 200 million tonnes of cement grade limestone. The Company intends to carry out a comprehensive drilling and sampling program followed by a market study to determine the property value and potential clients. The Company is also investigating the possibility of spinning off the property into a separate company.

**2. Maipu silver-lead-zinc, Santa Cruz Province:** The ore target is a zone 70 to 90 meters wide and exposed for 500 m vertically in a canyon. Similar outcrops occur 2500 m to the south. If mineralization is continuous, this target has the potential of hosting a world class silver-zinc deposit.

Future work on the property is hindered by an access problem, which the Company is working to resolve. As the Provincial government is formulating rules to regulate mining in the Andes, the Mining Department is delaying approval of Marifil’s environmental report. The Company intends to move forward aggressively on this important target as soon as this regulatory delay is resolved.

**3. Codihue, biogenic sulfur deposit, Neuquen Province:** This acquisition is an outgrowth of Marifil’s Neuquén Basin potash program, and involves much the same sedimentary evaporite formations. Marifil’s pioneering work found widespread sedimentary rock outcrops at Codihue that strongly resemble those of the Mishraq sulphur deposit in Iraq. Mishraq is the largest known biogenic sulphur deposit in the world, originally containing about 250 million tons of sulphur.

Surface evidence for an underlying sulphur deposit target at Codihue is very strong, and includes a gypsum horizon more than 200 meters thick which projects into the target area, a large collapsed anticlinal structure, karst-collapse

features, deep-seated fractures, sulphurous springs, and outcrops of biogenetically altered evaporates resulting in porous beds of biocalcite; all evidence indicating replacement of gypsum by limestone.

Biogenic sulphur deposits are formed when hydrocarbons react with overlying gypsum deposits in the presence of anaerobic bacteria to reduce the sulphate ions of gypsum to polysulfides and/or hydrogen sulphide gas. The sulfides and hydrogen sulphide gas are oxidized to native sulphur in an anaerobic (oxygen free) environment.

This process results in a 40% volume reduction of the gypsum as it is transformed into beds of biocalcite, or bioepigenetic limestone. The resulting loss of volume creates karsting and collapse features.

Biogenic sulphur deposits are amenable to solvent extraction by the Frasch process whereby hot water plus compressed air are forced down a triple tubed well and molten sulphur is lifted to the surface. The liquid sulphur can be shipped directly to end users. Sulphur's largest end use is in fertilizer but demand for sulphur to make sulphuric acid for leaching oxide copper deposits and uranium is a large and growing market. Argentina does not produce significant sulphur and Chile, Peru and Brazil are net importers.

We are actively seeking a partner to further this project.

**4. Apeleg: epithermal gold-silver, Chubut Province:** Preliminary reconnaissance failed to find any definite targets but the area remains a priority target due to its proximity to the Ferrocarrillera area and to other known properties containing high grade gold and silver.

**5. El Carmen, Oil and Gas prospect, Chubut Province:** A favorable property report was produced by the Company's consultant. We are actively seeking a partner to further this project.

**6. Perdernal: Carlin-type gold target, San Juan Province.** Pedernal comprises 13,287 hectares and is located about 50 km south of San Juan, the capital of the province. San Juan is widely recognized as a very "mine friendly" Province and is also an important gold region containing the 13 million ounce Veladero deposit, the 18 million ounce Pascua-Llama deposits, the +2 million ounce Gualcamayo deposit and a host of smaller high grade gold deposits.

Pedernal is a sediment-hosted "Carlin-type" gold prospect with a number of strong similarities to Yamana's Gualcamayo property, located 250 km to the north in the same group of sedimentary rocks. The target is marked by anomalous amounts of gold, widespread jasperoidal breccias, silica flooding, barite, and significant amounts of the pathfinder elements arsenic, antimony, and mercury.

Owing to a title flaw and certain other considerations in the underlying agreement the Company is negotiating for changes in the purchase agreement.

### **Regional Exploration Projects**

**Regional Exploration Salta Province:** As a result of the Company's evaluation of certain under-explored areas of northern Argentina, Marifil has acquired six properties in Salta totaling 31,904 hectares and exploration is on-going. One of the properties, the Socompa project, is a large copper-gold porphyry system. The Company is now evaluating exploration data from a prior explorer.

### **1.3 Selected Annual Information**

	Year Ended December 31 2006 (audited)	Year Ended December 31 2007 (audited)	Year Ended December 31 2008 (audited)
Total Revenue	\$ 0	\$ 0	\$ 0
Assets	\$ 5,503,095	\$ 7,269,377	\$ 5,721,983
Net Income (Loss)	\$ (1,406,113)	\$ (1,547,717)	\$ (1,980,004)
Basic and Diluted loss per common share	\$(0.07)	\$(0.05)	\$(0.06)
Long-term debt	\$ 0	\$ 0	\$ 0

The Company's financial statements have been prepared in accordance with Canadian GAAP and are stated in Canadian dollars.

### **1.4 Results of Operation**

The preceding table sets forth summary financial information of the Company for the period ending December 31, 2006, 2007 and 2008. This information has been summarized from the Company's audited financial statements for the period ended December 31, 2006, 2007 and 2008. The following table shows the results on a quarterly basis. These summaries of the Company's financial information should only be read in conjunction with the Company's financial statements and related notes for the relevant periods.

The loss for the Year ended December 31, 2008 was \$1,980,004 compared to a loss of \$ \$1,547,717 for the prior year.

### 1.5 Summary of Quarterly Results

	2008		2007	
	Q1	Q4	Q3	Q2
	Mar 31/08	Dec 31/ 07	Sept 30/07	June 30/07
Total Revenues	-	-	-	-
Income (loss)	(144,308)	(295,448)	(174,487)	(885,151)
Per share	(0.005)	(0.05)	(0.01)	(0.03)
Per share, fully Diluted	(0.005)	(0.05)	(0.01)	(0.03)

	2009		2008	
	Q1	Q4	Q3	Q2
	Mar 31, 09	Dec 31/08	Sept 30 /08	June 30/08
Total Revenues	-	-	-	-
Income (loss)	(11,643)	(647,491)	(1,125,552)	(62,653)
Per share	(0.00)	(0.02)	(0.03)	(0.00)
Per share, fully Diluted	(0.00)	(0.02)	(0.03)	(0.00)

### Quarterly Information

The overriding event of the past year was the market instability that has been brought on by the credit crisis. The risks associated with a company operating in foreign jurisdictions have been accented significantly. Large fluctuations in commodity prices, exchange rates and access to capital are magnified in times of financial turmoil. These issues make it very difficult to plan.

The Company has been forced to react as a result of its limited ability to raise cash from the sale of shares. Marifil has dropped the Amarillo, Valle Daza, and several projects to conserve cash. We have reduced staffing in South America to a bare minimum and will drop other non-core properties as payments come due unless additional funding can be obtained.

The loss for the quarter was \$11,643 as compared to a loss of \$144,308 in the same period last year was primarily due to the write off of the mineral properties in the same period last year the 2008 write off 66,048 as compared to 2009 Nil and an increase in option payments received increasing from 50,247 in 2008 to 76,431 this year

As of the date of this report the Company faces \$254,042 of accounts payable with minimal cash balances. There can be no guarantee that creditors will continue to forbear action. The Company recently (February 2009) settled debts of \$118,525.99 by the issuance of 1,580,346 shares and in addition completed a private placement of 5,376,585 common shares in the amount of \$268,829

Quarterly expenditures reflect the reduced activity levels during the quarter. Stock based compensation is dependent on option grants which also occur at various times.

The Company has significantly curtailed activity while funding is being sought and as a result of the financial crisis. It may be sometime before capital comes available in the market and the ability of the Company to continue could be jeopardized.

The declines in the prices of commodities which the Company has focussed its exploration activities have declined as has been well documented in the financial press this has affected the ability of the Company to pursue its business model of joint venturing properties with others as the ability of potential partners to raise funds has also been affected.

The Company remains optimistic that these commodity markets will rebound which there is no consensus as to when this may occur. As a result we have curtailed activities and will strive to maintain our properties while limiting the expenditure on new properties unless we identify an immediate capable JV partner.

## **1.6 Liquidity**

The Company is in the development stage, dependent primarily on the sale of equity capital to finance its exploration operations, and therefore has no cash inflows from operations. Our cash inflows are limited to property payments received from joint venture partners. The Company receives payments in respect of property options which are credited against accumulated costs, and

once all costs have been recovered, they are shown as other income in the Statement of Loss and Deficit. The Company's main source of cash over the recent quarters was the receipt of cash from JV partners and subsequent to year end a private placement. The Company has reduced expenditures through the reduction in minor property holdings. Joint venture partnerships with other Companies are being sought but all companies are facing the decline in commodity prices and market instability may make this process more difficult.

Receipts from existing ventures may be curtailed as others cut back as was recently the case regarding the Amarillo project and the Company's partner ATW who have decided to drop the option. Our lack of cash caused us to terminate the Amarillo option. The Company is concentrating on activities and farm out arrangements which will yield immediate cash inflows.

The Company's principal source of funds since its incorporation has been from the sale of equity capital. As at March 31, 2009, the Company had 42,351,349 (December 31, 2008 - 35,394,418) Common shares outstanding. In addition to cash coming from option payments from joint-venture partners, the Company expects to seek additional funding through the sale of additional equity.

Payments from optioned properties is not dependable as our partners face similar financial challenges as the Company. The dropping of the San Luis property in Q2 this year is such a situation

During the quarter and to date the Company has been funding itself through the liquidation of its marketable securities that have been received from optionors Allana Resources and Castilian.

## **1.7 Capital Resources**

As of March 31, 2009, the Company had cash of \$70,251 compared to \$231,657 at March 31, 2008. and 46,164 as at December 31 2008

The Company's cash resources increased by \$24,087 during the period as less money was spent on investing in mineral properties and we liquidated some marketable securities. Operations during the year generated cash primarily due to option payments received on joint ventured properties and lower cash expenses as activities were curtailed due to budgetary constraints imposed as a reaction to the financial crisis.

Management is of the view that the Company should have sufficient resources to continue to execute its scaled back business plan for the next quarter and beyond that so long as additional equity capital is raised. Should the necessary equity financings, exercise of warrants and option payments not materialize, activities would be further curtailed. Management is monitoring the capital markets and will move to finance if further opportunities present themselves In addition to the Placement noted below the Company is actively pursuing a further placement.

## **Private Placement**

On February 6, 2009, the Company issued 5,376,585 common shares pursuant to a non-brokered private placement of units of \$0.05 per unit for total proceeds of \$268,829. Each unit consists of one common share and one share purchase warrant entitling the holder thereof to purchase an additional common share for each warrant held for \$0.10 per share for a period of one year. Finders' fees relating to this private placement were cash of \$10,230.

## **Shares for Debt**

On March 4, 2009 the Company issued 1,580,346 common shares at a deemed price of \$0.075 per share (equal to the quoted market price at date of transaction) to settle \$118,525.99 in debt, of which 569,253 common shares were issued to officers of the Company.

### **1.8 Off Balance Sheet Arrangements**

There are no off Balance sheet arrangements.

### **1.9 Transactions with Related parties**

The Company pays for and utilizes the services of its President, Chief Financial Officer and Executive Vice President. These transactions have all occurred at market value and are not outside of the ordinary course of business. The details of these transactions are disclosed in the notes to the financial statements for the period ended December 31, 2008 and December 31, 2007.

### **1.11 Proposed Transactions**

The Company is actively involved in ongoing discussions with regard to a number of possible additional joint ventures and/or option arrangements on several of its properties.

Subsequent to March 31, 2009:

#### **a) K-2 Potash Property**

The transaction with Oxbow had not closed as of the date of this report as there was a delay in transferring title to the property. Management expects the closing to occur soon.

b) San Luis Nickel Property

Subsequent to the quarter end Castilian Resources Ltd. dropped its option on the San Luis Property. The Company will compile the data that Castilian gathered and resume efforts to JV this property

### **1.12 Critical Accounting Estimates**

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Actual results could differ from these estimates.

The most significant assumption is that management is assuming that financings contemplated will be closed in the amounts announced and that capital markets will enable future financing to occur. The statements are prepared on the going concern assumption.

Significant accounts that require estimates as the basis for determining the stated amounts include mineral properties and stock-based compensation.

The Company has adopted depreciation policies, which, in the opinion of management, are reflective of the estimated useful lives and abandonment cost, if any, of its assets. Marifil has not yet recorded any amounts in respect of abandonment, as none of these costs has been identified.

In addition, the Corporation is capitalizing costs related to the development and furtherance of development properties. The recovery of those costs will be dependant on the ability of the Corporation to discover and develop economic reserves and then to develop such projects in an economic fashion. Management believes that costs capitalized in respect of these projects are not impaired and no adjustments to carrying values are required at this time other than those written down in the financial statements.

The Corporation uses the Black Scholes valuation model in calculating stock based compensation expenses. The model requires that estimates be made of volatility, interest rates, and the ensuing results could vary significantly if changes are made in these assumptions.

### 1.13 Changes in Accounting Policies

Effective January 1, 2007, the Company adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1530, *Comprehensive Income*, CICA Handbook Section 3251, *Equity*, CICA Handbook Section 3855, *Financial Instruments - Recognition and Measurement*, CICA Handbook Section 3861, *Financial Instruments - Disclosure and Presentation*, and CICA Handbook Section 3865, *Hedges*. These new Handbook Sections, which apply to fiscal years beginning on or after October 1, 2006, provide comprehensive requirements for the recognition and measurement of financial instruments, as well as standards on when and how hedge accounting may be applied.

Consistent with the requirements of the new accounting standards, the Company has not restated any prior period amounts as a result of adopting the accounting changes. The effect of the adoption of these standards is summarized below:

i) Comprehensive Income, Section 1530

This Section establishes standards for reporting and displaying comprehensive income. Comprehensive income is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income but that are excluded from net income calculated in accordance with generally accepted accounting principles. Adoption of this standard did not result in any comprehensive income for the year.

ii) Financial instruments – Recognition and Measurement, Section 3855

This standard sets out criteria for the recognition and measurement of financial instruments for fiscal years beginning on or after October 1, 2006. This standard requires all financial instruments within its scope, including derivatives, to be included on the balance sheet and measured either at fair value or, in certain circumstances when fair value may not be considered most relevant, at cost or amortized cost. Changes in fair value are to be recognized in either the statements of operations or the statement of comprehensive income.

All financial assets and liabilities are recognized when the Company becomes a party to the contract creating the item. As such, any of the Company's outstanding financial assets and liabilities at the effective date of adoption are recognized and measured in accordance with the new requirements as if these requirements had always been in effect.

Under these new standards, all financial instruments are classified into one of the following five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities.

Initial and subsequent measurement and recognition of changes in the value of financial instruments depends on their initial classification:

- Held to maturity investments, loans and receivables, and other financial liabilities are initially measured at fair value and subsequently measured at amortized cost. Amortization of premiums or discounts and transaction costs are amortized into operations, using the effective interest method.
- Available for sale financial assets are measured at fair value, with unrealized gains and losses recorded in other comprehensive income until the asset is realized, at which time they will be recorded in net earnings.
- Held for trading financial instruments are measured at fair value. All gains and losses resulting from changes in their fair value are included in the statement of operations in the period in which they arise.
- All derivative financial instruments are classified as held for trading financial instruments and are measured at fair value, even when they are part of a hedging relationship. All gains and losses resulting from changes in their fair value are included in the statement of operations in the period in which they arise.

In accordance with this new standard, the Company has classified its financial instruments as follows:

- Cash and cash equivalents are classified as available for sale. They are recorded at fair value at initial recognition. Subsequent revaluation resulting in gains or losses is recorded in the statements of other comprehensive income. There was no impact on the opening balance of accumulated other comprehensive income upon the adoption of these new standards.
- Advances receivable is classified as loans and receivables. They are recorded at cost, which on initial recognition represents their fair value. Subsequent valuations are recorded at amortized cost using the effective interest method. Accounts payable and accrued liabilities are classified as other liabilities. They are initially measured at fair value. Subsequent valuations are recorded at amortized cost using the effective interest method.

- The Company receives shares of other Companies in payment of options on properties which are joint ventured. These shares are classified as Held for Trading and the unrealized gains and losses are assessed at each quarter and the gain or loss is included in income for that period

- iii) Financial Instruments – Disclosure and Presentation, Section 3861  
This standard sets out standards which address the presentation of financial instruments and non-financial derivatives, and identifies the related information that should be disclosed. These standards also revise the requirements for entities to provide accounting policy disclosures, including disclosure of the criteria for designating as held-for-trading those financial assets or liabilities that are not required to be classified as held-for-trading; whether categories of normal purchases and sales of financial assets are accounted for at trade date or settlement date; the accounting policy for transaction costs on financial assets and financial liabilities classified as other than held-for-trading; and provides several new requirements for disclosure about fair value.

The Company has chosen to recognize all transaction costs to the statement of net loss on all financial liabilities that have been designated as other than held for trading.

- iv) Hedging, Section 3865  
This standard specifies the circumstances under which hedge accounting is permissible and how hedge accounting may be performed. The Company currently does not hold any financial instruments designated for hedge accounting.

- v) Accounting Changes, Section 1506  
Section 1506 revised the standards on changes in accounting policy, estimates or errors to require a change in accounting policy to be applied retrospectively (unless doing so is impracticable or is specified otherwise by a new accounting standard), changes in estimates to be recorded prospectively, and prior period errors to be corrected retrospectively. Voluntary changes in accounting policy are allowed only when they result in financial statements that provide reliable and more relevant information. In addition, these revised standards call for enhanced disclosures about the effects of changes in accounting policies, estimates and errors on the financial statements. The impact of this new standard cannot be determined until such time as the Company makes a change in accounting policy, other than the

changes resulting from the implementation of the new CICA Handbook standards discussed in this note.

vi) Capital Disclosures Effective January 1, 2008, the Company adopted CICA Handbook Section 1535 “Capital Disclosures”,

Section 1535 “Capital Disclosures” requires the Company to provide disclosures about the capital of the Company and how it is managed.

The capital structure of the Company consists of shareholders’ equity, long-term debt and cash and cash equivalents as noted below:

	March 31, 2009	December 31, 2008
Components of Capital:		
Shareholders’ equity	\$ 5,652,003	\$ 5,295,521
Long – term debt	Nil	Nil
Less:		
Cash	70,251	46,164
	\$ 5,581,752	\$ 5,249,357

- to manage capital in a manner which balances the interest of equity holders;
- to manage capital in a manner that will maintain compliance with its financial covenants; and
- to maintain a capital base so as to maintain investor, creditor and market confidence and to sustain future development.

The Company manages its capital structure as determined by management and approved by the board of directors. The Company’s policy is to make adjustments to its capital structure based on changes in economic conditions and planned requirements. The Company has the ability to adjust its capital structure by issuing new equity or debt, selling assets to reduce debt or balance equity, and making adjustments to its capital expenditures program.

vii) International Financial Reporting Standards

The Company will be required to report utilizing IFRS effective with the first quarter report of 2011. In order to accomplish this, the Company will need to have a comparative statement prepared utilizing IFRS available for Q1 2010 (March 31 2010). Effectively this means that IFRS will need to be implemented January 1, 2010 with an opening balance sheet.

Changeover in Argentina may not require as much work as might be the case if we operated outside Argentina as our accounting contractor in Argentina is already familiar with IFRS as IFRS is GAAP in Argentina already. They have staff who are knowledgeable. We have provided them with notification of the changeover timetable and will be coordinating with them throughout the process.

The Company's CFO is beginning to familiarize himself with IFRS and has participated in several seminars and one CICA sponsored course to date with more planned. He also participates in a mining industry group which has several times has had IFRS discussions with more expected.

The Company's audit committee is financially literate and one member is a CPA who works with a Canadian reporting company and as a result he expects to be attending seminars and possibly courses on IFRS. The Company's audit Committee will also determine whether training for the Board and Audit Committee is appropriate.

During the first and second quarter of 2009 we will determine which International Accounting Standards will affect our financial statements and if there are any choices to be made in the adoption of the new standards. We expect to report initially on specifics with of Q2 2009 (June 30 2009) interim report with follow up with our Q3 report (September 30 2009) interim report.

It appears that IFRS 6 and possible changes thereto will be the area of most impact relating to the financial statements.

### Accounting Changes

As noted the Company will soon become subject to International Financial Reporting Standards ("IFRS"). There may be a significant impact on how exploration and evaluation expenses are classified and how they appear in the Financial statements.

Currently the Company capitalizes costs related to exploration and evaluation of mineral rights and properties. Such capitalized costs are written off when there is an impairment in value or the property is abandoned sold or active exploration is not being pursued actively.

The IFRS framework does not deal with the issues around exploration and evaluation of prospects because these deferred expenses are unlikely in most cases to meet the definition of an asset. IFRS 16

Property Plant and Equipment and IFRAS 38 Intangible Assets specifically exclude exploration activities from their scope.

In order to deal with this matter the IASB adopted IFRS 6 as an interim approach to dealing with these costs. IFRS 6 is expected to change in the foreseeable future because the IASB is conducting a research project into extractive industries; Mining and Oil & Gas. The project is primarily aimed at answering the question as to whether and how to define, recognize and measure and disclose reserves and resources in financial statements.

At the date of transition to IFRS the Company will need to choose the approach to take. Either expensing exploration and evaluation expenses using a historical cost model on a similar basis that we now use or moving to a regime where costs are expenses as incurred until development starts and costs incurred post feasibility being capitalized until production commences then amortizing them over the reserves. These costs would be subject to impairment analysis. Management will monitor the progress of the research project and will make decisions at that time.

#### **1.14 Financial Instruments and Other Instruments**

The Company's financial instruments consist of cash and cash equivalents, amounts receivable, marketable securities and accounts payable. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The Company classifies' it marketable securities as held for trading and as such marks to market at each period end including the gain or loss in income for that period.

#### **1.15 Other MD&A Requirements**

##### Additional Disclosure for Venture Issuers without Significant Revenue

As the Company has not had significant revenue from operations in either of its last two financial years, the following is a breakdown of the material costs incurred:

	Year ended December 31, 2008	Year ended December 31, 2007	Year ended December 31, 2006
Capitalized or Expensed Exploration and Development Costs	\$1,503,682	\$2,427,402	\$630,717
General and Administration Expenses	\$613,875	\$1,591,735	\$660,532
Write-off of mineral properties	\$1,877,914	\$47,194	\$865,515
Loss (gain) on disposal of marketable securities	\$(3,218)	\$2,256	
Write down of marketable securities	\$204,000	-	-

### **Authorized and Issued Share Capital**

The authorized share capital of the Company consists of an unlimited number of Class "A" Common Shares without par value (the "Common Shares") and an unlimited number of Class "B" Preference Shares without par value (the "Preference Shares"). As of March 31, 2009, 42,351,349 (December 31, 2008, 35,394,418) Common Shares were issued and outstanding as fully paid and non-assessable shares and no Preference Shares were issued and outstanding.

### **Common Shares**

The holders of the Common Shares are entitled to receive notice of and to attend and vote at all meetings of the shareholders of the Company and each Common Share shall confer the right to one vote in person or by proxy at all meetings of the shareholders of the Company. The holders of the Common Shares, subject to the prior rights, if any, of any other class of shares of the Company, are entitled to receive such dividends in any financial year as the board of directors of the Company may by resolution determine. In the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, the holders of the Common Shares are entitled to receive, subject to the prior rights, if any, of the holders of any other class of shares of the Company, the remaining property and assets of the Company.

### **Preference Shares**

The Preference Shares may be issued in one or more series having those rights and restrictions as the Board of Directors of the Company determines by resolution prior to the issuance of any Preference Shares of a series. The Preference Shares of any series shall rank in parity with the Preference Shares of any other series in respect of the payment of dividends and the distribution of

assets in the event of the liquidation, dissolution or winding up of the Company and shall be entitled to a preference, over the Common Shares and the shares of any other class ranking junior to the Preference Shares.

## **Risks**

### General Risk Associated with the Mining Industry

The Company is engaged in the exploration for and development of mineral deposits. These activities involve significant risks which careful evaluation, experience and knowledge may not, in some cases eliminate. The commercial viability of any mineral deposit depends on many factors not all of which are within the control of management. Some of the factors that affect the financial viability of a given mineral deposit include its size, grade and proximity to infrastructure, government regulation, taxes, royalties, land tenure, land use, environmental protection and reclamation and closure obligations, have an impact on the economic viability of a mineral deposit.

Management attempts to mitigate its exploration risk by maintaining a diversified portfolio, our strategy of joint ventures with other companies on a number of properties is a factor which balances risk while at the same time allowing properties to be advanced.

### Political Risk

Recently three provinces in Argentina have placed or proposed to place restrictions on the mining industry.

Chubut Province has passed a law but not yet promulgated regulations in respect to the mining industry which proposes to limit the use on open pit methods and the use of cyanide. Mining activity has been suspended in an area south of L 42<sup>0</sup> and North of S L 33<sup>0</sup> 33'. Bounded by W 70<sup>0</sup> 33' and the Chile border. This has affected Marifil's Lago Fontana (Ferrocarillera) project as the option agreement signed with Apex Silver and our APG claims have been terminated and the property returned to Marifil.

Rio Negro Province has banned the use of cyanide and mercury in mining processes. This will not affect Toruel or San Roque as these projects would produce concentrate from a mill, a process that would not involve the use of cyanide.

Mendoza Province has proposed suspending mining activity but this proposal was rejected by the state senate.

Santa Cruz Province is currently formulating policies to reconcile tourism and mining until this policy is completed a delay in the Maipu Project may occur.

Management believes that the Company's diverse portfolio across a large number of provinces reduces Marifil's exposure to provincial governments in Argentina that may be considering changing their mining and environmental laws.

The Company's Management has discussed such proposed changes with legal counsel and has received advice that such provincial regulatory changes are or would be unconstitutional given that the regulation of the mining industry is a federal responsibility. Marifil is closely monitoring the situation and may adjust its future plans accordingly. In addition, evidence of federal government support and recent policy initiatives designed to encourage uranium mining and nuclear electricity generation leads Management to believe that these are short term issues. In the event that environmental standards are adjusted to reflect public concerns, the Company would have no difficulty in complying.

#### Foreign Currency Risk

The Company conducts its operations in Argentina advancing amounts as required. Cash balances are kept primarily in Canadian dollars and to a lesser extent in US dollars. The prices of commodities mined are primarily in US dollars as are the Capital costs of development and equipment. As a result, the fluctuations in the local currency tend to have less financial impact than if inputs and outputs are priced in the local currency. Argentina is currently undergoing an increase in inflation and we will continue to monitor the potential effects on our operations.

#### Equity Market Risk

The Company raises money in the equity markets which can fluctuate significantly. If the appetite for equity financing is curtailed it may be difficult or impossible to raise additional equity. This could have a negative effect on the Company. These factors are beyond the control of management.

#### **Other Information**

Other information can be found at the following websites [www.sedar.com](http://www.sedar.com) or [www.marifilmines.com](http://www.marifilmines.com).

This Management Discussion and Analysis has been reviewed and approved by Mr. John Hite, President and CEO of Marifil Mines Limited, under whose direction the Company's operations are being carried out. Mr. Hite is a Qualified Person as defined by National Instrument 43-101.

## **Forward Looking Statements**

Certain statements contained in this MD&A constitute forward-looking statements which may relate to future events and performance; all statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often but not always identified by the use of such words as “seek”, “anticipate”, “Plan”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “predict”, “potential”, “targeting”, “intend”, “could”, “might”, “should”, “believe”, and similar expressions. These statements involve known and unknown risks and uncertainties and other factors, which may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Corporation believes that the expectations reflected in these forward looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward looking statements included herein should not be unduly relied upon. These statements speak only as of the date of this MD & A. The Corporation does not assume any obligation to update these forward-looking statements.

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