

**MARIFIL MINES LIMITED**

**REPORT AND CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2010 and 2009



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## Independent Auditors' Report

To the Shareholders  
Marifil Mines Ltd.

We have audited the accompanying consolidated financial statements of Marifil Mines Ltd. and its subsidiaries, which comprise the consolidated balance sheets as at December 31, 2010 and 2009, and the consolidated statements of operations and comprehensive loss, consolidated statements of cash flows, and the changes in shareholders' equity for the years then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, 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.

### Auditor's 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 auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 Marifil Mines Ltd. and its subsidiaries as at December 31, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

### Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the accompanying financial statements which indicates that the company has not yet achieved profitable operations, has a working capital deficiency of \$66,974, and expects to incur further losses in the development of its business. These conditions, along with other matters as set forth in Note 1, indicate the existence of material uncertainty that may cast significant doubt about the entity's ability to continue as a going concern.

*BDO Canada LLP*

Chartered Accountants

Vancouver, Canada  
April 27, 2011

**MARIFIL MINES LIMITED**  
**CONSOLIDATED BALANCE SHEETS**  
December 31, 2010 and 2009

	<u>ASSETS</u>	<u>2010</u>	<u>2009</u>
Current			
Cash		\$ 38,071	\$ 16,471
Marketable securities		-	261,187
HST/GST recoverable		4,361	1,367
Amounts receivable		-	24,129
Advances receivable		15,708	2,804
Prepaid expense		<u>18,322</u>	<u>7,574</u>
		76,462	313,532
Equipment – Note 3		4,965	6,487
Mineral properties – Notes 5 and 7		<u>5,638,802</u>	<u>5,666,011</u>
		<u>\$ 5,720,229</u>	<u>\$ 5,986,030</u>

**LIABILITIES**

Current			
Accounts payable and accrued liabilities – Notes 7 and 8		<u>\$ 143,436</u>	<u>\$ 222,348</u>

**SHAREHOLDERS' EQUITY**

Share capital – Notes 6 and 11			
Authorized:			
Unlimited number of Class A common and Class B preferred shares with no par value			
Issued and outstanding:			
52,146,723 (2009: 48,927,349) Class A common shares		11,758,411	11,495,070
Subscriptions received		7,800	-
Contributed surplus		1,350,289	1,260,989
Deficit		<u>(7,539,707)</u>	<u>(6,992,377)</u>
		<u>5,576,793</u>	<u>5,763,682</u>
		<u>\$ 5,720,229</u>	<u>\$ 5,986,030</u>

Nature of Operations and Ability to Continue as a Going Concern – Note 1  
Subsequent Events – Notes 5 and 11

APPROVED BY THE DIRECTORS:

<u>“John Hite”</u>	Director	<u>“Richard Walters”</u>	Director
John Hite		Richard Walters	

SEE ACCOMPANYING NOTES

**MARIFIL MINES LIMITED**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**  
for the years ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Administrative expenses		
Accounting and audit – Note 7	\$ 179,565	\$ 91,351
Amortization	1,521	2,119
Bank charges and interest	2,166	4,677
Consulting fees – Note 7	62,877	55,559
Directors’ fees – Note 7	11,756	9,345
Filing fees and investor relations	98,120	80,797
Finders fees	3,882	-
General exploration	93,830	-
Insurance	14,036	16,245
Legal fees (recovery)	11,987	(3,148)
Office and miscellaneous	11,249	14,189
Professional fees	-	7,737
Stock-based compensation – Note 6	89,300	-
Travel and promotion	<u>28,715</u>	<u>27,445</u>
Loss before other items	(609,004)	(306,316)
Other items:		
Write-off of mineral properties – Note 5	-	(310,732)
Gain on disposal of marketable securities	7,931	83,911
Write up of marketable securities	-	17,413
Foreign exchange gain (loss)	(51,335)	(103,593)
Interest income	13	12
Other income – Note 5	<u>105,065</u>	<u>299,435</u>
Loss before non-controlling interest	(547,330)	(319,870)
Loss attributed to non-controlling interest – Note 4	<u>-</u>	<u>107,281</u>
Net loss and comprehensive loss for the year	\$ <u>(547,330)</u>	\$ <u>(212,589)</u>
Basic and diluted loss per share	\$ <u>(0.01)</u>	\$ <u>(0.01)</u>
Weighted average number of shares outstanding	<u>51,705,415</u>	<u>43,539,622</u>

SEE ACCOMPANYING NOTES

**MARIFIL MINES LIMITED**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
for the years ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<b>Operating Activities</b>		
Net loss for the year	\$ (547,330)	\$ (212,589)
Add non-cash items:		
Write-off of mineral properties	-	310,732
Write-up of marketable securities	(36,320)	(17,413)
Loss (gain) on disposal of marketable securities	28,389	(83,911)
Amortization	1,521	2,119
Shares issued for employee bonus	6,500	-
Loss attributed to non-controlling interest	-	(107,281)
Unrealized foreign exchange loss (gain)	-	(7,839)
Stock-based compensation	<u>89,300</u>	<u>-</u>
	(457,940)	(116,182)
Changes in non-cash working capital:		
Advances receivable	(12,903)	2,326
HST/GST recoverable	(2,994)	2,057
Amounts receivable	24,129	(24,354)
Prepaid expense	(10,748)	3,370
Accounts payable and accrued liabilities	<u>(78,912)</u>	<u>(77,524)</u>
	<u>(539,368)</u>	<u>(210,307)</u>
<b>Financing Activities</b>		
Shares issued for cash	184,267	546,224
Shares issued for exercise of warrants	72,574	30,000
Share subscriptions received	<u>7,800</u>	<u>(14,000)</u>
	<u>264,641</u>	<u>562,224</u>
<b>Investing Activities</b>		
Proceeds on disposition of marketable securities	269,117	184,343
Proceeds on disposal of equipment	-	2,039
Mineral properties	<u>27,209</u>	<u>(567,992)</u>
	<u>296,326</u>	<u>(381,610)</u>
Increase (decrease) in cash	21,600	(29,693)
Cash, beginning of year	<u>16,471</u>	<u>46,164</u>
Cash, end of year	<u>\$ 38,071</u>	<u>\$ 16,471</u>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid for:		
Interest	<u>\$ -</u>	<u>\$ -</u>
Income taxes	<u>\$ -</u>	<u>\$ -</u>

SEE ACCOMPANYING NOTES

**MARIFIL MINES LIMITED**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
for the years ended December 31, 2010 and 2009

	Class A Common <u>Number</u>	<u>Amount</u>	Subscriptions <u>Received</u>	Contributed <u>Surplus</u>	<u>Deficit</u>	<u>Balance</u>
Balance, December 31, 2008	35,394,418	\$ 10,800,320	\$ 14,000	\$ 1,260,989	\$ (6,779,788)	\$ 5,295,521
For cash						
For private placement - at \$0.05 each	5,376,585	268,829	(9,000)	-	-	259,829
Less: share issue costs	-	(10,230)	-	-	-	(10,230)
For private placement - at \$0.05 each	6,276,000	313,800	-	-	-	313,800
Less: share issue costs	-	(26,175)	-	-	-	(26,175)
For debt settlement - at \$0.075 each	1,580,346	118,526	-	-	-	118,526
Exercise of warrants - at \$0.10 each	300,000	30,000	-	-	-	30,000
Share subscription refunded	-	-	(5,000)	-	-	(5,000)
Net loss for the year ended December 31, 2009	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(212,589)</u>	<u>(212,589)</u>
Balance, December 31, 2009	48,927,349	11,495,070	-	1,260,989	(6,992,377)	5,763,682
For cash						
For private placement - at \$0.08 each	2,456,250	196,500	-	-	-	196,500
Less: share issue costs	-	(12,233)	-	-	-	(12,233)
Exercise of warrants - at \$0.10 each	350,000	35,000	-	-	-	35,000
Exercise of warrants - at \$0.12 each	313,124	37,574	-	-	-	37,574
From treasury (employee bonus) – at \$0.065 each	100,000	6,500	-	-	-	6,500
Stock-based compensation	-	-	-	89,300	-	89,300
Share subscription received	-	-	7,800	-	-	7,800
Net loss for the year ended December 31, 2010	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(547,330)</u>	<u>(547,330)</u>
Balance, December 31, 2010	<u>52,146,723</u>	<u>\$ 11,758,411</u>	<u>\$ 7,800</u>	<u>\$ 1,350,289</u>	<u>\$ (7,539,707)</u>	<u>\$ 5,576,793</u>

SEE ACCOMPANYING NOTES

**MARIFIL MINES LIMITED**  
**CONSOLIDATED SCHEDULE OF MINERAL PROPERTIES**  
December 31, 2010

	Las Aguilas, San Luis Province	Toruel (Davicino), Rio Negro Province	San Roque, Rio Negro Province	Other Properties	Total
Balance, December 31, 2009	\$ -	\$ 1,706,410	\$ 2,517,774	\$ 924,855	\$ 5,149,039
Property payments	19,022	9,493	-	27,106	55,621
General exploration	-	-	-	-	-
Administrative and general	-	535	723	1,651	2,909
Contract and consultants	1,168	5,975	13,285	30,138	50,566
Drilling	-	4,944	-	-	4,944
Geochemical	-	-	-	3,375	3,375
Field support	5,870	2,510	5,541	9,136	23,057
Travel and accommodation	-	-	2,041	1,317	3,358
Land environment	-	-	-	-	-
Deduct: option and joint venture payments received	<u>(25,043)</u>	<u>-</u>	<u>(104,181)</u>	<u>(38,005)</u>	<u>(167,229)</u>
	<u>1,017</u>	<u>23,457</u>	<u>(82,591)</u>	<u>34,718</u>	<u>(23,399)</u>
Balance before IVA paid, December 31, 2010	<u>\$ 1,017</u>	<u>\$ 1,729,867</u>	<u>\$ 2,435,183</u>	<u>\$ 959,573</u>	5,125,640
Accumulated IVA paid, net of recoveries					<u>513,162</u>
Balance after IVA paid, December 31, 2010					<u>\$ 5,638,802</u>

SEE ACCOMPANYING NOTES

**MARIFIL MINES LIMITED**  
**CONSOLIDATED SCHEDULE OF MINERAL PROPERTIES**  
December 31, 2010

	Las Aguilas, San Luis Province	Toruel (Davicino), Rio Negro Province	San Roque, Rio Negro Province	Other Properties	Total
Balance, December 31, 2008	\$ -	\$ 1,645,617	\$ 2,496,722	\$ 851,325	\$ 4,993,664
Acquisition	-	-	-	101,631	101,631
Property payments	14,721	9,430	-	37,995	62,146
General exploration	19,046	30,492	8,296	136,982	194,816
Administrative and general – Note 8	3,150	10,759	2,923	42,858	59,690
Contract and consultants	54	1,677	5,896	46,721	54,348
Geochemical	-	-	-	6,779	6,779
Field support	-	6,225	850	11,210	18,285
Travel and accommodation	-	189	3,087	22,940	26,216
Land environment	-	2,021	-	2,429	4,450
Deduct: option payments received	-	-	-	(25,283)	(25,283)
Deduct: shares received (option payments)	(36,971)	-	-	-	(36,971)
Deduct: write-down	-	-	-	(310,732)	(310,732)
	<u>-</u>	<u>60,793</u>	<u>21,052</u>	<u>73,530</u>	<u>155,375</u>
Balance before IVA paid, December 31, 2009	<u>\$ -</u>	<u>\$ 1,706,410</u>	<u>\$ 2,517,774</u>	<u>\$ 924,855</u>	5,149,039
Accumulated IVA paid, net of recoveries					<u>516,972</u>
Balance after IVA paid, December 31, 2009					<u>\$ 5,666,011</u>

SEE ACCOMPANYING NOTES

**MARIFIL MINES LIMITED**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2010 and 2009

Note 1 Nature of Operations and Ability to Continue as a Going Concern

Marifil Mines Limited (the “Company”) was incorporated on December 2, 2003 under the Yukon Business Corporation Act. The Company is in the business of acquiring, exploring and evaluating mineral resource properties and is in the exploration stage.

These financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from carrying values as shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. At December 31, 2010, the Company had not yet achieved profitable operations, had a working capital deficiency of \$66,974 and expects to incur further losses in the development of its business. These conditions indicate the existence of material uncertainty that may cast significant doubt upon the Company’s ability to continue as a going concern. The Company’s ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due.

Note 2 Summary of Significant Accounting Policies

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles in Canada. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates, which have been made using careful judgement. Actual results may vary from these estimates.

The financial statements have, in management’s opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

a) Principles of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Marifil S.A., an Argentine company and its 57% owned subsidiary, Oxbow Holdings Corp. (Note 5) and are prepared in Canadian dollars in accordance with generally accepted accounting principles in Canada. All significant inter-company transactions and balances have been eliminated upon consolidation.

Note 2 Summary of Significant Accounting Policies – (cont'd)

b) Equipment

Equipment is recorded at cost and amortized over its useful life using the declining balance method applying the following annual rates:

Office equipment	20%
Computer equipment	30%
Software	100%

Additions during the year are amortized at one-half the annual rates.

c) Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the current period. Future income tax assets, including the benefit of losses available to be carried forward to future years, and liabilities are recognized for temporary differences between the tax and accounting basis of assets and liabilities. Future tax assets are recognized only if it is more likely than not that they can be realized.

d) Mineral Properties

The Company defers the cost of acquiring, maintaining its interest, exploring and developing mineral properties until such time as the properties are placed into production, abandoned, sold or considered to be impaired in value. Costs of producing properties will be amortized on a unit of production basis and costs of abandoned properties are written-off. Proceeds received on the sale of interests in mineral properties are credited to the carrying value of mineral properties, with any excess included in operations. Write-downs due to impairment in value are charged to operations.

The Company is in the process of exploring and developing its mineral properties and has not yet determined the amount of reserves available. Management reviews the carrying value of mineral properties on a periodic basis and will recognize impairment in value based upon current exploration results, the prospect of further work being carried out by the Company and the assessment of future probability of revenues from the property or from the sale of the property. Amounts shown for the properties represent costs incurred net of write-downs and recoveries, and are not intended to represent present or future values.

Note 2 Summary of Significant Accounting Policies – (cont'd)

d) Mineral Properties – (cont'd)

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all properties is in good standing. The properties in which the Company has committed to earn an interest are located in Argentina.

Impuesto al Valdor Agregado (“IVA”) taxes paid to the government of Argentina are recorded in the accounts when paid. Where there is reasonable assurance that the Company will be able to obtain a refund of IVA taxes, the amounts received by the Company will be credited to the cost of the properties.

e) Foreign Currency Translation

The Company and its subsidiaries maintain accounting records in their local currencies. The Company and its subsidiaries translate foreign currency transactions into their respective local currencies in the following manner: at the transaction date, each asset, liability, revenue and expense is translated into the local currency by the use of the exchange rate in effect at that date; at the period-end, foreign currency monetary assets and liabilities are re-evaluated into the local currency by using the exchange rate in effect at the balance sheet date. The resulting foreign exchange gains and losses are included in operations.

In preparing consolidated financial statements, the Company translates the monetary assets and liabilities of its subsidiaries into Canadian dollars at the exchange rate in effect at the balance sheet date. Non-monetary assets and liabilities are translated at the exchange rate prevailing at the respective transaction dates. Revenue and expenses are translated into Canadian dollars at the average exchange rate for the applicable period except for amortization, which is translated at historical exchange rates. Translation gains or losses are included in operations.

f) Basic and Diluted Loss per Share

Basic loss per share is computed by dividing the loss after non-controlling interest for the year by the weighted average number of common shares outstanding during the year. Diluted loss per share reflects the potential dilution that could occur if potentially dilutive securities were exercised or converted to common stock. The dilutive effect of options and warrants and their equivalent is computed by application of the treasury stock method. Fully diluted amounts are not presented when the effect of the computations are anti-dilutive due to the losses incurred. Common shares issuable on exercise of stock options and warrants totalling 11,165,626 (2009: 11,374,293) were not included in the computation of diluted loss per share because the effect would have been anti-dilutive.

Note 2 Summary of Significant Accounting Policies – (cont'd)

g) Stock-based Compensation

The Company accounts for all grants of options to employees, non-employees and directors in accordance with the fair value method for accounting for stock-based compensation. The fair value of stock options granted to non-employees is re-measured on each balance sheet date. Compensation expense for employees is generally amortized using the straight line method over the period from the grant date to the date the options vest. Compensation expense for non-employees is recognized immediately for past services and pro-rata for future services over the service provision period. Compensation for non-employees is re-measured at each balance sheet date until the earlier of the vesting date or the date of completion of the service. Upon exercise of share purchase options, the consideration paid by the option holder, together with the amount previously recognized in contributed surplus, is recorded as an increase to share capital.

The Company uses the Black-Scholes option valuation model to calculate the fair value of share purchase options at the date of grant. Option pricing models require the input of highly subjective assumptions, including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate.

h) Non-controlling Interest

Non-controlling interest presented on the balance sheet is recognized based on the book value of the exchangeable shares upon issuance plus the accumulated earnings (loss) attributable to the non-controlling interest. Net income (loss) is reduced for the portion of earnings (loss) attributable to the non-controlling interest.

i) Financial Instruments

The Company classifies all financial instruments 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.

Note 2 Summary of Significant Accounting Policies – (cont'd)

i) Financial Instruments – (cont'd)

- 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.

Section 3862, “Amendment to Financial Instruments – Disclosures” requires disclosures about the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement.

The three levels of the fair value hierarchy are:

Level 1- Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 - Inputs that are not based on observable market data.

The adoption of this standard is consistent with recent amendment to financial instrument disclosure standards in IFRS. All of the financial instruments measured at fair value on the balance sheet are included in Level 1.

The Company has classified its financial instruments as follows:

- Cash and marketable securities are classified as held for trading.
- Amounts and advances receivable are classified as loans and receivables.
- Accounts payable and accrued liabilities are classified as other liabilities

Note 2 Summary of Significant Accounting Policies – (cont'd)

j) Future Accounting Policies

International Financial Reporting Standards (“IFRS”)

The Canadian Accounting Standards Board (“AcSB”) published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian generally accepted accounting principles (“GAAP”) and IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada’s own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2010 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010.

Note 3 Equipment

	2010		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>
Office equipment	\$ 17,332	\$ 14,318	\$ 3,014
Computer equipment	5,762	3,811	1,951
Software	<u>5,074</u>	<u>5,074</u>	<u>-</u>
	<u>\$ 28,168</u>	<u>\$ 23,203</u>	<u>\$ 4,965</u>
	2009		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>
Office equipment	\$ 17,332	\$ 13,633	\$ 3,699
Computer equipment	5,762	2,974	2,788
Software	<u>5,074</u>	<u>5,074</u>	<u>-</u>
	<u>\$ 28,168</u>	<u>\$ 21,681</u>	<u>\$ 6,487</u>

Note 4 Acquisition of Oxbow Holdings Corp.

On March 26, 2009, the Company received 13,500,000 common shares of Oxbow Holdings Corp. (“Oxbow”), a private Canadian corporation pursuant to the sale of a mineral property (Note 5). As a result the Company obtained a 54% interest in Oxbow which became a subsidiary of the Company. Oxbow does not have any operations and its only significant asset is the mineral property acquired from the Company. The assets, liabilities and operations of Oxbow are included in the consolidated financial statements effective from March 26, 2009. At the date of acquisition the consideration paid was \$nil, as the mineral property had no carrying value, and was allocated to the assets and liabilities acquired as follows:

Current assets	\$ 5,651
Mineral property	101,630
Non-controlling interest	<u>(107,281)</u>
	<u>\$ -</u>

The Company received another 2,500,000 common shares of Oxbow in fiscal 2010, resulting in the Company’s interest in Oxbow increasing to 57%.

Note 5 Resource Properties

Las Aguilas, San Luis Province

The Company has a 100% interest in mining rights covering approximately 225 square kilometres located in San Luis province Argentina.

By an agreement dated December 13, 2006, the Company entered into an agreement to grant an option on 50% of certain of the Las Aguilas mining rights located in San Luis province with a predecessor of Castillian Resources Ltd (“Castillian”). During the year ended December 31, 2009, the Company received 5,320,735 shares of Castillian pursuant to the terms of the option. The shares were valued at \$320,206 when received, of which \$283,235 was in excess of mineral property costs and recorded in other income. The optionee decided not to proceed with further development of the property and the agreement was terminated during the year ended December 31, 2009.

On December 10, 2010 the Company entered into a joint venture option agreement with Pacific Coast Nickel Corp. (Pacific Coast) whereby Pacific Coast can earn a 49% interest in the property by paying the Company cash of US\$300,000, the issue to the Company of 1,000,000 shares of Pacific Coast and incurring US\$2,000,000 in exploration procedures as follows:

Cash and Shares:

- a) US\$25,000 on signing the agreement and an additional 250,000 shares on approval of the TSX venture Exchange; during a due diligence phase Pacific Coast will complete a resource estimate followed by further payments as follows:

Note 5 Resource Properties – (cont'd)

Las Aguilas, San Luis Province – (cont'd)

Cash and Shares: – (cont'd)

- b) US\$75,000 and 250,000 shares on or before April 1, 2012;
- c) US\$100,000 and 250,000 shares on or before April 1, 2013
- d) US\$100,000 and 250,000 shares on or before April 1, 2014

Exploration Expenditures:

- a) On or before April 1, 2012 incur US\$500,000 in exploration expenditures,
- b) On or before April 1, 2013 incur US\$500,000 in exploration expenditures,
- c) On or before April 1, 2014 incur US\$1,000,000 in exploration expenditures.

Pacific Coast can earn an additional 11% (bringing their interest to 60%) by completing a pre-feasibility study and issuing an additional 2,000,000 shares on or before April 1 2015 and then a further 10% (bringing their interest to 70%) by completing a feasibility study before April 15, 2016.

If Marifil elects not to pay its 30% share of costs once Pacific Coast has earned its 70% interest, then Pacific Coast has the option of purchasing Marifil's 30% for US\$5,000,000. In such event, Marifil would retain a 3% NSR, of which a first 0.5% could be purchased for \$1,000,000 and a second 0.5% could be purchased for \$2,000,000, thereby reducing Marifil's NSR to 2.0%.

Toruel (Davicino), Rio Negro Province

The Toruel Project is covered by two separate agreements as follows:

a) M.I.M. Argentina Exploraciones

On January 31, 2006, the Company entered into an agreement to acquire up to a 100% interest in the Suerte property in Rio Negro Province Argentina. In consideration, the Company is obligated to spend US\$178,000 (incurred) on exploration based on the following schedule:

US\$20,000 before January 31, 2007 (incurred);  
US\$30,000 before January 31, 2008 (incurred);  
US\$35,000 before January 31, 2009 (incurred);  
US\$43,000 before January 31, 2010 (incurred); and  
US\$50,000 before January 31, 2011 (incurred).

Note 5      Resource Properties – (cont'd)

Toruel (Davicino), Rio Negro Province – (cont'd)

a) M.I.M. Argentina Exploraciones – (cont'd)

The Company may purchase the property for US\$375,000 anytime within the five-year term of the option. There are no royalty payments payable to the optionor.

The option agreement was renegotiated subsequent to year end on January 31, 2011, and was amended to extend the term for another two years from the original expiration date of the Agreement.

b) Davicino

The agreement dated May 8, 2004 with Ruben Davicino was amended in November 2008 and in April 2010 wherein the payments totalling US\$305,000 due as to US\$20,000 by November 8, 2007, US\$35,000 by May 8, 2008, US\$35,000 by November 8, 2008 and US\$230,000 on May 8, 2009 were amended to the following:

<u>Payments</u>	<u>Due Dates</u>
US\$20,000	November 8, 2008 (paid)
US\$20,000	May 8, 2010
US\$35,000	November 8, 2010
US\$230,000	May 8, 2011

The optionor retains a 2% net smelter return which may be purchased for US\$750,000.

On March 4, 2011, the Company signed an agreement for the joint venture of its Toruel silver property with Netco Energy Inc. (“NEI”). Under the terms of the agreement, NEI can earn a 50% interest during the next three years by paying an aggregate of \$200,000 in cash, issuing 3,150,000 NEI common shares to Marifil and spending \$2,800,000 on exploration and development on the property as follows:

Note 5 Resource Properties – (cont'd)

Toruel (Davicino), Rio Negro Province – (cont'd)

b) Davicino – (cont'd)

<u>Date</u>	<u>Cash Payment</u>	<u>Share Issuance</u>	<u>Expenditure Requirement</u>
Agreement Date	\$25,000 (receive subsequent to year-end)	-	\$ -
On the Approval Date	-	150,000 shares	\$ -
On or before that date which is six months from the Agreement Date	\$ 25,000	250,000 shares	\$ 150,000
On or before 12 months from the Agreement Date	\$ 50,000	250,000 shares	\$ 150,000
On or before 24 months from the Agreement Date	\$ 50,000	1,000,000 shares	\$ 500,000
On or before 36 months from the Agreement Date	\$ 50,000	1,500,000 shares	\$ 2,000,000

NEI can earn a further 10% over the next two years by providing Marifil with a pre-feasibility study on the property and paying the Company \$100,000 per year. NEI can earn a further 10% over the next two years by providing Marifil with a feasibility study on the property. At the time, all further expenditures shall be shared 70% NEI, 30% Marifil. At Marifil's sole option, the Company can elect to be carried through to the commencement of commercial production on the property, in which cash NEI will earn an additional 5%, bring NEI's total interest to 75%.

c) San Roque, Rio Negro Province

On March 8, 2006 the Company signed an agreement to acquire the San Roque gold project in Rio Negro province, Argentina. The Company has committed to spending US\$50,000 annually in work on the property for four years (incurred). The Company has the right until June 5, 2012 to purchase 100% of the property by making a cash payment of US\$400,000.

Note 5      Resource Properties – (cont'd)

Toruel (Davicino), Rio Negro Province – (cont'd)

c) San Roque, Rio Negro Province – (cont'd)

Under the terms of the Option Agreement (“Agreement”) dated June 22, 2010, the Company granted NovaGold an option to acquire a 49% interest by incurring \$3,000,000 in expenditures on the properties during the first two years of the Agreement (including making the \$400,000 payment to MIM) and payments to Marifil of \$100,000 per year. After earning its 49% interest, NovaGold can earn an additional 2% interest by committing to a Phase 2 program. During the Phase 2 program NovaGold shall spend an additional \$6,000,000 in property expenditures over the next three years and pay Marifil \$100,000 per year to earn an additional 19% interest, bringing its total interest to 70%. All further expenditures shall be shared 70% NovaGold and 30% Marifil.

During the year ended December 31, 2010, the Company received \$100,000US from NovaGold. This completes NovaGold’s year 1 obligations under the option agreement.

Other Properties

Except as noted below, other Argentine properties include the Maipu Project located in Santa Cruz province Argentina, the Somuncura Property which consists of fifteen properties located in the Rio Negro province of Argentina, and the Alto Rio Chubut Project, consisting of five staked properties in the Rio Negro province of Argentina. There are no remaining commitments on these projects.

The Company also owns a limestone property, oil and gas property and a red-bed copper prospect. The limestone property may be subject to a significant finder’s fee payable on any proceeds received in respect of the property. The other two properties are 100% owned and have no commitments.

a) K-2 Potash Property

On September 19, 2008, the Company signed an acquisition agreement (the “Agreement”) vending its K-2 potash property to Oxbow Holdings Corp., a private Canadian corporation (“Oxbow”).

Under the terms of the Agreement, the Company received 13,500,000 shares of Oxbow (received March 26, 2009) and also received 4,000,000 common share purchase warrants expiring August 8, 2012 to purchase one additional common share of Oxbow for \$0.40 per share for each warrant held. The shares received represented 54% of Oxbow resulting in the Company obtaining a controlling interest in Oxbow (Note 5) and effectively retaining a 54% interest in the property.

Note 5 Resource Properties – (cont'd)

Other Properties – (cont'd)

a) K-2 Potash Property – (cont'd)

The Company will also receive anti-dilution rights enabling the Company to retain a minimum fifty percent (50%) equity interest in Oxbow by participating in any private equity offerings for 12 months following the closing or for up to 24 months for any public offerings.

Oxbow also agreed to make the following cash payments to Marifil:

<u>Payment Date</u>	<u>Payment Amount</u>	
By August 13, 2008	US\$50,000	(received)
At signing of the Agreement November 24, 2008	US\$95,000	(received)
On or before February 24, 2009	US\$40,000	(received)
On or before January 1, 2010	US\$20,000	(received)
	<u>US\$250,000<sup>(1)</sup></u>	
	<u>US\$455,000</u>	

<sup>(1)</sup> Settled by receipt of 2,500,000 shares of Oxbow. This receipt of shares increased the Company's interest in Oxbow to 57%.

In addition to the payments described above, and pursuant to the agreement, the Company was also to receive further payments of US\$250,000 annually, commencing September 19, 2011 and continuing until the first Milestone payment (see below) was made after which the annual payments will cease.

On or before September 1, 2010, the Company was to receive a US\$750,000 Resource Milestone payment as follows: the first Milestone payment will be paid on completion of a NI 43-101 report showing an inferred, indicated, and measured potash resource of 200,000,000 tonnes of potash grading 13% K<sub>2</sub>O, if the resource calculation comes after September 1, 2010 the payment increases to US\$1,500,000; the second Milestone payment of US\$1,500,000 is due following completion of a bankable feasibility report, or if a decision is made to proceed to production without producing a feasibility study, occurs on or before September 1, 2012. During the period ended September 30, 2010 Oxbow had not completed a resource calculation, thereby increasing the first milestone payment to US\$1,500,000.

If the feasibility study or construction begins after September 1, 2012 the payment increases to US\$3,000,000. At the Company's election the second milestone payments may be made in either cash or stock. The Company will retain a sliding scale royalty on sales of potash from the property. The royalty shall start at 2% for sales at less than US\$250 per tonne and increase to 4% for sales at US\$400 per tonne; all sales FOB Vancouver.

Note 5      Resource Properties – (cont'd)

Other Properties – (cont'd)

a) K-2 Potash Property – (cont'd)

During the year ended December 31, 2009, management determined that the fundamentals of the potash market and the struggling financial environment had impaired the value of the K-2 property. Because of this impairment management wrote off \$101,630, the carrying cost of the K-2 property.

On December 21, 2010 Marifil on behalf of itself and its majority owned subsidiary, Oxbow holdings Corp “Oxbow”, signed a Letter of Intent “LOI” with Saccharum Energy Corp. “Saccharum” for the sale of Oxbow to Saccharum for \$0.01 per share and the agreement that Marifil would renegotiate the underlying agreement between Oxbow and Marifil whereby Saccharum can earn a 75% interest in the K-2 property.

Subsequent to the year ended December 31, 2010 Marifil announced that it had given Saccharum an extension until March 23, 2011 to complete the financing and closing for the purchase of Oxbow and the K-2 Potash property. Saccharum agreed to pay \$20,000 in consideration for the exclusive extension.

Subsequent to the year ended December 31, 2010, on April 4, 2011 Marifil signed an amended LOI for the Company and its majority owned subsidiary Oxbow for the sale of the K-2 Potash property. This amendment to the original LOI, signed December 21, 2010, established new terms for the purchase of Oxbow and the K-2 potash property, as well as two additional potash projects, K-3 and K-4. Saccharum agreed to pay US\$50,000 non-refundable as consideration for an additional 30 day extension of the due diligence period and to arrange financing. Marifil agreed to apply \$25,000 of this payment to the purchase of Oxbow shares upon closing, described below.

Under the amended LOI agreement, Saccharum agrees to purchase all the shares of Oxbow for a total price of US\$366,481. In addition, Saccharum agrees to pay Oxbow shareholders in either cash or shares of Saccharum stock at a price of \$0.50 per Saccharum share. Further, Marifil agrees to restructure its underlying agreement with Oxbow whereby Saccharum can earn up to a 70% interest in the K-2 property. Marifil will retain a 1.5% Net Smelter Royalty “NSR” that Saccharum shall have the right to purchase for US\$15,000,000.

Marifil further agrees that Saccharum can acquire up to a 70% interest in the K-3 and K-4 properties that the Company acquired through staking on December 14, 2010 and January 23, 2011. If Marifil elects to not participate in the development, its 30% interest shall be reduced to a 25% carried interest.

Note 5      Resource Properties – (cont'd)

Other Properties – (cont'd)

a) K-2 Potash Property – (cont'd)

Saccharum will pay Marifil \$500,000 in cash plus 2,000,000 Saccharum common shares over three years for each of the three projects, for a total payment to Marifil of US\$1,500,000 and 6,000,000 shares. The first year's payment to Marifil shall be US\$450,000 in cash and 3,000,000 shares upon Saccharum's completion of financing.

Saccharum agrees to spend US\$4,500,000 in work on each of the three potash projects; K-2, K-3 and K-4 over the next four years; as follows:

Year 1	US\$300,000
Year 2	US\$1,350,000
Year 3	US\$1,350,000
Year 4	US\$1,500,000

Saccharum will also pay Marifil a performance bonus of 1,500,000 shares of Saccharum upon completion of a positive 43-101 compliant ore resource and a further 1,500,000 shares following completion of a Feasibility study. These bonus shares shall be a one-time payment applicable to the first property only.

If during the period of this agreement Saccharum's share structure exceeds 75,000,000, the shares payable to Marifil shall be adjusted up proportionately.

The amended LOI expires on April 30, 2011. The Company expects this transaction to be completed by the expiration of the LOI.

b) Punta Colorado

On October 10, 2008, the Company entered into an agreement whereby the Company is granted exclusive exploration rights and the right to use the nearby loading dock to the Punta Colorado property located in the Rio Negro Province of Argentina. Under the terms of the agreement, the Company is granted a six year term to carry out exploration. If the Company's exploration findings justify commercial exploitation, the Company shall have exploitation rights for a thirty year term. The project is subject to a 5% royalty on the mine mouth value of the mineral extracted.

c) El Carmen

On November 15, 2010, the Company announced it has sold the El Carmen oil and gas property to Ilakon Ltd., a private company. The property comprises four patented oil claims totalling 2,001 hectares located on the north flank of the Golfo San Jorge Basin in Chubut Province, Argentina.

Note 5      Resource Properties – (cont'd)

Other Properties – (cont'd)

c) El Carmen – (cont'd)

Ilakon has agreed to purchase the El Carmen property for \$250,000 of which \$125,000 is payable on signing (received subsequent to December 31, 2010) and \$125,000 is due in 12 months. Marifil has the option of taking the second payment in shares of Ilakon Ltd. if it has completed a public offering and exchange listing or is in the process of doing so. Marifil will retain an 8% production royalty from gross proceeds of sales of oil and gas. Annual advance royalty payments of \$75,000 are due to Marifil beginning at the earlier of commencement of production or 24 months from the date of the Agreement.

d) Lithium claims, Salta and Catamarca Provinces

On August 12, 2010 the Company signed an agreement with Renholn International, a private company "Renholn", whereby Renholn has the right to purchase all of Marifil's lithium claims in Salta and Catamarca Provinces.

Under the terms of the agreement Renholn agreed to pay the Company \$500,000 in cash at a rate of \$125,000 on signing of the purchase agreement and \$125,000 per year for the next three years, as well as making a set amount of exploration expenditures on the projects.

Note 6      Share Capital

Shares

On January 12, 2010, the Company issued 2,456,250 units pursuant to a non-brokered private placement at \$0.08 per unit for total proceeds of \$196,500. Each unit consisted of one common share and one share purchase warrant entitling the holder thereof to purchase an additional common share for each warrant held for \$0.12 per share for a period of two years. Finders' fees relating to this private placement were cash of \$10,500 and 131,500 share purchase warrants.

During the year ended December 31, 2010, the Company issued 100,000 common shares valued at \$6,500 for an employee bonus, issued 350,000 common shares pursuant to the exercise of warrants at \$0.10 per share for proceeds of \$35,000 and issued 313,124 common shares pursuant to the exercise of warrants at \$0.12 per share for proceeds of \$37,574.

Note 6      Share Capital – (cont'd)

Shares – (cont'd)

During the year ended December 31, 2009, the Company issued 11,652,585 common shares pursuant to the following private placements:

- a) 6,276,000 units at \$0.05 per unit for total proceeds of \$313,800. 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 a period of two years at \$0.10 per share during the first year and at a price of \$0.15 per share during the second year. Share issuance costs, including finders' fees, relating to this private placement were cash of \$26,175, which is recorded as share issue costs.
- b) 5,376,585 units at \$0.05 per unit for total proceeds of \$268,829. Each unit consists of one common share and one half of 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, which were recorded as share issue costs.

On March 4, 2009, the Company issued 1,580,346 common shares to settle \$118,526 in debt, of which 569,253 common shares were issued to officers of the Company on the same terms.

All proceeds from the above private placements were allocated to share capital with no amounts allocated to the attached warrants.

Stock Option Plan

The Company has an incentive stock option plan whereby share purchase options may be granted to directors, officers, employees and consultants of the Company and its subsidiaries. The total number of shares reserved under the plan may not exceed more than 10% of the outstanding shares at the time of granting the option. Options are granted at the market price at the date of the grant, less any discounts permitted by regulatory authorities. Unless otherwise stated options vest when granted.

Note 6 Share Capital – (cont'd)

Stock Options Outstanding

A summary of the share purchase option activity is as follows:

	2010		2009	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding, beginning of year	2,710,000	\$0.59	3,090,000	\$0.59
Granted	1,070,000	\$0.10	-	-
Expired	-	-	(150,000)	\$0.60
Expired	(1,100,000)	\$0.49	-	-
Forfeited	-	-	(230,000)	\$0.58
Outstanding, end of year	<u>2,680,000</u>	<u>\$0.45</u>	<u>2,710,000</u>	<u>\$0.59</u>

As at December 31, 2010, options outstanding are as follows:

<u>Number</u>		<u>Vested</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
100,000	Employee	100,000	\$0.58	February 10, 2012
1,200,000	Directors	1,200,000	\$0.66	May 28, 2012
150,000	Officer	150,000	\$0.66	May 28, 2012
100,000	Consultants	100,000	\$0.66	May 28, 2012
60,000	Consultant and Officer of Marifil SA	60,000	\$0.66	May 28, 2012
100,000	Consultant	100,000	\$0.15	December 9, 2015
900,000	Directors	900,000	\$0.10	April 5, 2020
70,000	Consultant	52,500	\$0.10	April 13, 2020
<u>2,680,000</u>		<u>2,662,500</u>		

As at December 31, 2010, stock options outstanding had a weighted average life outstanding of 2.61 years (2009: 1.50 years).

Note 6 Share Capital – (cont'd)

Stock-based Compensation

The fair value of the stock options of \$89,300 (2009: \$Nil) was determined on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	<u>2010</u>	<u>2009</u>
Expected dividend yield	0%	N/A
Expected stock price volatility	156.97%	N/A
Risk-free interest rate	3.66%	N/A
Expected life of options	10 years	N/A

The fair value was recorded as stock-based compensation at the dates of vesting.

Warrants Outstanding

As at December 31, 2010, the following share purchase warrants were outstanding:

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
6,276,000	\$0.10/\$0.15	September 10, 2011
<u>2,209,626</u>	\$0.12	January 15, 2012
<u><u>8,485,626</u></u>		

A summary of the warrant activity is as follows:

	<u>2010</u>		<u>2009</u>	
	<u>Shares</u>	<u>Weighted Average Exercise Price</u>	<u>Shares</u>	<u>Weighted Average Exercise Price</u>
Balance, beginning of year	8,664,293	\$0.10	500,000	\$0.65
Issued	2,587,750	\$0.12	8,964,293	\$0.10
Exercised	(350,000)	\$0.10	(300,000)	\$0.10
Expired	(2,038,293)	\$0.65	(500,000)	\$0.65
Exercised	<u>(313,124)</u>	\$0.12	<u>-</u>	-
Balance, end of year	<u><u>8,550,625</u></u>	<u><u>\$0.10</u></u>	<u><u>8,664,293</u></u>	<u><u>\$0.10</u></u>

Note 7 Related Party Transactions

The Company incurred charges with directors, an officer and companies with directors and officers in common as follows:

	<u>2010</u>	<u>2009</u>
Mineral properties	\$ <u>          -</u>	\$ <u>  55,559</u>
Administrative expenses		
Accounting fees	\$ 53,745	\$ 51,315
Consulting fees	116,658	55,559
Directors' fees	<u>11,756</u>	<u>9,345</u>
	<u>\$ 182,159</u>	<u>\$ 116,219</u>

These transactions were recorded at the exchange amount, which is the amount agreed to by the transacting parties.

At December 31, 2010 accounts payable included \$54,154 (2009 - \$73,209) owing to directors of the Company and a company with a common officer for unpaid fees and reimbursement of expenses.

Note 8 Income Taxes

The Company operates in foreign jurisdictions and is subject to audit by taxing authorities. These audits may result in the assessment of amounts different than the amounts recorded in the consolidated financial statements. The Company liaises with the relevant authorities in these jurisdictions in regard to its income tax and other returns. Management believes the Company has adequately provided for any taxes, penalties and interest that may fall due.

At December 31, 2010, the Company has accumulated non-capital losses of approximately \$2,619,000 in Canada and CDN\$2,065,000 in Argentina, which are available to carry forward and offset future years' taxable income. The non-capital losses expire as follows:

	<u>Argentina</u>	<u>Canada</u>	<u>Total</u>
2011	\$ 172,000	\$ -	\$ 172,000
2012	747,000	-	747,000
2013	383,000	-	383,000
2014	446,000	166,000	612,000
2015	317,000	556,000	873,000
2026		476,000	476,000
2027		535,000	535,000
2028		194,000	194,000
2029		441,000	441,000
2030		<u>251,000</u>	<u>251,000</u>
	<u>\$ 2,065,000</u>	<u>\$ 2,619,000</u>	<u>\$ 4,684,000</u>

Note 8 Income Taxes – (cont'd)

A reconciliation of the income tax provision computed at statutory rates to the reported income tax provision is as follows:

	<u>2010</u>	<u>2009</u>
Statutory tax rate	<u>28.50%</u>	<u>30.00%</u>
Loss before income taxes	<u>\$ (547,330)</u>	<u>\$ (319,870)</u>
Expected income tax recovery	\$ 156,000	\$ 96,000
Increase (decrease) in income tax recovery resulting from:		
Change in statutory rates	(8,000)	(41,000)
Foreign income taxed at Argentine rate	13,000	(2,000)
Permanent differences	(30,000)	8,000
Other	6,000	-
Expiry of loss carryforwards	(5,000)	(112,000)
Effective foreign exchange gain on future income tax assets	(44,000)	66,000
Change in the valuation allowance for future income tax assets	<u>(88,000)</u>	<u>(127,000)</u>
Income tax recovery	<u>\$ -</u>	<u>\$ -</u>

The significant components of the Company's future income tax assets are as follows:

	<u>2010</u>	<u>2009</u>
Non-capital loss carry forward	\$ 1,073,000	\$ 895,000
Mineral properties and deferred exploration	(160,000)	(69,000)
Other	65,000	64,000
Less: valuation allowance	<u>(978,000)</u>	<u>(890,000)</u>
	<u>\$ -</u>	<u>\$ -</u>

The Company has recorded a valuation allowance against its future income tax assets based on the extent to which it is more likely-than-not that sufficient taxable income will not be realized in the future to utilize all the future tax assets.

Note 9 Financial Instruments

Credit Risk

The Company does not engage in sales activities. The risk of loss due to credit risk is believed to be minimal.

Note 9 Financial Instruments – (cont'd)

Liquidity Risk

Liquidity risk is the risk that the Company may be unable to meet its financial obligations as they fall due or that it will be required to meet them at excessive cost. The Company ensures that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash. Currently the Company has limited working capital and therefore short-term liquidity risk is inherent.

To mitigate its liquidity risk, the Company expects some of its liabilities to be paid later than the earliest date on which the Company is required to pay and expects to raise capital through private placements in the 2011 fiscal year.

Interest Rate Risk

The Company is exposed to the risk that the value of financial instruments will change due to movements in market interest rates. The Company has no interest-bearing debt with long-term maturities and therefore does not believe that interest rate risk is significant. The Company does not use derivative instruments to reduce its interest rate risk as the Company's management believes that the likely financial impact of interest rate changes does not justify using derivatives.

Foreign Exchange Risk

The Company has exposure to the US\$ and Argentine pesos and is subject to fluctuations as a result of exchange rate variations to the extent that transactions are made in this currency. The Company considers this risk to be relatively limited and therefore does not hedge its foreign exchange risk.

Note 10 Capital Disclosures

The capital structure of the Company consists of shareholders' equity and cash as noted below:

	<u>2010</u>	<u>2009</u>
Components of Capital:		
Shareholders' equity	\$ 5,660,418	\$ 5,763,682
Less: cash	<u>(38,071)</u>	<u>(16,471)</u>
	<u>\$ 5,622,347</u>	<u>\$ 5,747,211</u>

Note 10 Capital Disclosures – (cont'd)

The Company's objectives when managing capital are:

- 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, if any; 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. The Company is not subject to any externally imposed capital requirements.

There have been no changes to the Company's capital structure, objectives, policies and processes from the prior year.

Note 11 Subsequent Events – Note 5

Subsequent to December 31, 2010:

- a) The Company granted incentive stock options to directors, officers, employees and consultants to purchase up to 2,000,000 common shares at \$0.20 per share until January 24, 2016.
- b) The Company granted incentive stock options to consultants to purchase up to 200,000 shares at \$0.42 per share up to February 17, 2016.
- c) The Company received \$628,650 from the exercise of 4,460,000 warrants at \$0.12 and \$0.15 per warrant and \$5,059 from the exercise of 50,590 options at \$0.10 per option held by investors, officers and directors of the Company.

Note 12 Comparative Figures

Certain of the prior year's comparative figures have been reclassified to conform to the current year's financial statement presentation.