

MARIFIL MINES LIMITED
INTERIM CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2010
(Unaudited – Prepared by Management)

THE ACCOMPANYING FINANCIAL STATEMENTS FOR THE QUARTERS ENDED SEPTEMBER
30, 2010 AND 2009 HAVE NOT BEEN REVIEWED OR AUDITED BY THE CORPORATION'S
AUDITORS

MARIFIL MINES LIMITED
INTERIM CONSOLIDATED BALANCE SHEETS
September 30, 2010
(Unaudited – Prepared by Management)

	<u>ASSETS</u>	<u>September 30,</u> <u>2010</u> (Unaudited)	<u>December 31,</u> <u>2009</u> (Audited)
Current			
Cash		\$ 67,727	\$ 16,471
Marketable securities – Note 3		92,098	261,187
GST recoverable		10,924	1,367
Amounts receivable		-	24,129
Advances receivable		3,218	2,804
Prepaid expense		<u>17,475</u>	<u>7,574</u>
		191,442	313,532
Equipment – Note 4		5,188	6,487
Mineral properties – Notes 6 and 8		<u>5,705,894</u>	<u>5,666,011</u>
		<u>\$ 5,902,524</u>	<u>\$ 5,986,030</u>

LIABILITIES

Current			
Accounts payable and accrued liabilities – Note 8		<u>\$ 103,587</u>	<u>\$ 222,348</u>

SHAREHOLDERS' EQUITY

Share capital – Notes 7 and 11			
Authorized:			
Unlimited number of Class A common and Class B preferred shares with no par value			
Issued and outstanding:			
Share capital – Notes 7 and 11			
51,833,599 (2009: 48,927,349) Class A common shares		11,720,837	11,495,070
Subscriptions received		-	-
Contributed surplus		1,265,947	1,260,989
Deficit		<u>(7,187,847)</u>	<u>(6,992,377)</u>
		<u>5,798,937</u>	<u>5,763,682</u>
		<u>\$ 5,902,524</u>	<u>\$ 5,986,030</u>

Nature of Operations and Ability to Continue as a Going Concern – Note 1
Subsequent Events – Notes 3, 6, 7 and 12

APPROVED BY THE DIRECTORS:

<u>“John Hite”</u>	Director	<u>“Bill Schara”</u>	Director
John Hite		Bill Schara	

SEE ACCOMPANYING NOTES

MARIFIL MINES LIMITED
INTERIM CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT
for the three and nine month periods ended September 30, 2010 and 2009
(Unaudited – Prepared by Management)

	Nine months ended September 30		Three months ended September 30	
	2010	2009	2010	2009
Administrative expenses				
Accounting and audit – Note 8	\$ 66,296	\$ 43,841	\$ 12,642	\$ 10,905
Amortization	1,298	1,804	860	1,183
Bank charges and interest	1,590	3,941	420	582
Consulting fees – Note 8	46,679	53,832	15,629	8,247
Directors fees	8,719	4,549	3,067	1,087
Filing fees and investor relations	68,476	70,888	15,910	13,653
Finders fees	3,882	-	3,882	-
General exploration	24,109	-	11,873	-
Insurance	9,263	12,420	2,303	3,825
Legal fees	11,664	(6,143)	870	4,857
Management	40,591	-	14,976	-
Office and miscellaneous	60,114	8,109	14,621	170
Stock-based compensation	4,958	-	-	-
Travel and promotion	14,160	21,855	1,650	-
Loss before other items:	(361,799)	(215,096)	(98,703)	(44,509)
Other items:				
Gain (loss) on disposal of marketable securities - Note 3	(23,907)	58,619	-	229
Write up (down) of marketable securities	36,319	25,292	37,921	-
Foreign exchange gain (loss)	(34,786)	(78,777)	(14,914)	(3,088)
Interest income	13	9	-	-
Other income – Note 5	188,690	283,235	137,512	206,804
Net income (loss) for the period	<u>\$ (195,470)</u>	<u>\$ 73,282</u>	<u>\$ 61,816</u>	<u>\$ 159,436</u>
Basic and diluted loss per share	<u>\$ (0.00)</u>	<u>\$ 0.00</u>	<u>\$ (0.00)</u>	<u>\$ 0.00</u>
Weighted average number of shares Outstanding	<u>51,558,495</u>	<u>41,757,128</u>	<u>51,743,599</u>	<u>43,715,697</u>

SEE ACCOMPANYING NOTES

MARIFIL MINES LIMITED
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
for the three and nine month periods ended September 30, 2010 and 2009
(Unaudited – Prepared by Management)

	Nine months ended September 30		Three months ended September 30	
	2010	2009	2010	2009
Operating Activities				
Net income (loss) for the period	\$ (195,470)	\$ 73,282	\$ 61,816	\$ 159,436
Add non-cash items:				
Write-down (up) of marketable securities	(36,319)	(25,292)	(37,921)	-
Loss (gain) on disposal of marketable securities	23,907	(58,619)	-	(229)
Amortization	1,298	1,804	860	1,183
Loss on disposal of equipment	-	2,039	-	-
Shares issued for employee bonus	6,500	-	-	-
Stock-based compensation	4,958	-	-	-
	(195,126)	(6,786)	24,755	160,390
Change in non-cash working capital:				
Advances receivable	(414)	996	3,336	2,555
GST and amounts receivable	14,572	(16,415)	(3,539)	(11,775)
Prepaid expenses	(9,901)	(140)	(7,280)	1,222
Accounts payable and accrued liabilities	(118,762)	(118,706)	(14,657)	(75,620)
	(309,631)	(141,051)	2,615	76,772
Financing Activities				
Shares issued for cash	184,267	546,224	-	287,625
Shares issued for exercise of warrants	35,000	-	-	-
Shares issued for subscriptions received	-	(9,000)	-	-
	219,267	537,224	-	287,625
Investing Activities				
Proceeds on disposition of marketable securities	181,503	184,343	-	21,753
Mineral properties	(39,883)	(456,228)	26,104	(270,593)
	141,620	(271,885)	26,104	(248,840)
Increase (decrease) in cash	51,256	124,288	28,719	115,557
Cash, beginning of period	16,471	46,164	39,008	54,895
Cash, end of period	\$ 67,727	\$ 170,452	\$ 67,727	\$ 170,452
Cash and cash equivalents consist of:				
Cash	\$ 67,727	\$ 170,452	\$ 67,727	\$ 170,452
Supplemental disclosure of cash flow information				
Cash paid for:				
Interest	\$ -	\$ -	\$ -	\$ -
Income Taxes	\$ -	\$ -	\$ -	\$ -

SEE ACCOMPANYING NOTES

MARIFIL MINES LIMITED
INTERIM CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
for the nine month period ended September 30, 2010 and 2009
(Unaudited – Prepared by Management)

	<u>Number</u>	<u>Amount</u>	<u>Subscriptions Received</u>	<u>Contributed Surplus</u>	<u>Deficit</u>	<u>Balance</u>
Balance, December 31, 2007	34,394,418	\$ 10,432,320	\$ -	\$ 1,216,593	\$ (4,759,784)	\$ 6,889,129
For cash						
for private placement - at \$0.40 each	1,000,000	400,000	-	-	-	400,000
Less: share issue costs	-	(32,000)	-	-	-	(32,000)
Stock-based compensation plan	-	-	-	44,396	-	44,396
Share subscriptions	-	-	14,000	-	-	14,000
Net loss for the year ended December 31, 2008	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,020,004)</u>	<u>(2,020,004)</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	<u>48,927,349</u>	<u>\$ 11,495,070</u>	<u>\$ -</u>	<u>\$ 1,260,989</u>	<u>\$ (6,992,377)</u>	<u>\$ 5,763,682</u>

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SEE ACCOMPANYING NOTES

MARIFIL MINES LIMITED
INTERIM CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
for the nine month period ended September 30, 2010 and 2009
(Unaudited – Prepared by Management)

	<u>Number</u>	<u>Amount</u>	<u>Subscriptions Received</u>	<u>Contributed Surplus</u>	<u>Deficit</u>	<u>Balance</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
Net loss for the period ended March 31, 2010	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(104,811)</u>	<u>(104,811)</u>
Balance, March 31, 2010	51,733,599	11,714,337	-	1,260,989	(7,097,188)	5,878,138
From treasury (employee bonus) -at \$0.065 each	100,000	6,500	-	-	-	6,500
Stock-based compensation plan	-	-	-	4,958	-	4,958
Net loss for the period ended June 30, 2010	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(152,475)</u>	<u>(152,475)</u>
Balance, June 30, 2010	51,833,599	11,720,837	-	1,265,947	(7,249,663)	5,737,121
Net income (loss) for the period ended September 30, 2010	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>61,816</u>	<u>61,816</u>
Balance, September 30, 2010	<u>51,833,599</u>	<u>\$ 11,720,837</u>	<u>\$ -</u>	<u>\$ 1,265,947</u>	<u>\$ (7,187,847)</u>	<u>\$ 5,798,937</u>

SEE ACCOMPANYING NOTES

MARIFIL MINES LIMITED
CONSOLIDATED SCHEDULE OF MINERAL PROPERTIES
September 30, 2010
(Unaudited – Prepared by Management)

	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
Acquisition	-	-	-	-	-
Property payments	10,096	7,985	-	-	18,081
General exploration	-	-	-	-	-
Administrative and general – Note 7	-	535	723	1,307	2,565
Contract and consultants	1,036	4,380	13,033	16,258	34,707
Drilling	-	4,944	-	-	4,944
Geochemical	-	-	-	3,375	3,375
Field support	4,739	2,510	5,541	5,748	18,538
Travel and accommodation	-	-	1,259	1,317	2,576
Land environment	-	-	-	-	-
Deduct: option payments received	-	-	(20,556)	(28,005)	(48,561)
Deduct: shares received (option payments)	-	-	-	-	-
Deduct: write-off	-	-	-	-	-
	<u>15,871</u>	<u>20,354</u>	<u>-</u>	<u>-</u>	<u>36,225</u>
Balance before IVA paid, Sept 30, 2010	<u>\$ 15,871</u>	<u>\$ 1,726,764</u>	<u>\$ 2,517,774</u>	<u>\$ 924,855</u>	5,185,264
Accumulated IVA paid, net of recoveries					<u>520,630</u>
Balance after IVA paid, Sept 30, 2010				<u>\$ 5,705,894</u>	

SEE ACCOMPANYING NOTES

MARIFIL MINES LIMITED
CONSOLIDATED SCHEDULE OF MINERAL PROPERTIES
September 30, 2010
(Unaudited – Prepared by Management)

	Las Aguilas, San Luis <u>Province</u>	Toruel (Davicino), Rio Negro <u>Province</u>	San Roque, Rio Negro <u>Province</u>	Other <u>Properties</u>	<u>Total</u>
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 7	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
Miscellaneous	-	-	-	(25,283)	(25,283)
Deduct: option payments received	(36,971)	-	-	-	(36,971)
Deduct: shares received (option payments)	-	-	-	(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	\$ -	\$ 1,706,410	\$ 2,517,774	\$ 924,855	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 INTERIM CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2010
(Unaudited – Prepared by Management)

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 and is in the exploration stage. The Company is in the business of acquiring, exploring and evaluating mineral resource properties.

During the year ended December 31, 2005, the Company completed an initial public offering and obtained a listing on the TSX Venture Exchange. Also, in conjunction with the offering and listing, the Company acquired by the purchase of an Argentine company, Marifil SA, an interest in mineral properties located in Argentina.

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 September 30, 2010, the Company had not yet achieved profitable operations, had working capital of \$87,855 which may not be sufficient to sustain operations over the foreseeable future and expects to incur further losses in the development of its business, all of which casts substantial doubt about 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.

Interim Reporting

While the information presented in the accompanying interim financial statements is unaudited, it includes all adjustments, which are, in the opinion of management, necessary to present fairly the financial position, results of operations and cash flows for the interim periods presented. These interim financial statements follow the same accounting policies and methods in their application as the Company’s annual financial statements. It is suggested that these interim financial statements be read in conjunction with the Company’s annual financial statements at December 31, 2009.

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:

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

a) Principles of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Marifil S.A., and Argentine company and its 54% 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.

b) Equipment

Equipment is recorded at cost and amortized over their useful lives using the declining balance method using 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.

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

d) Mineral Properties – (cont'd)

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.

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 of its properties are in good standing. The properties in which the Company has committed to earn an interest are located in Argentina.

Impuesto al Valor 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 wholly-owned subsidiary maintain accounting records in their local currencies, Canadian dollars and Argentine pesos, respectively. The Company and its subsidiary translate foreign currency transactions into their respective functional currencies in the following manner: at the transaction date, each asset, liability, revenue and expense is translated into the functional 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 functional 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 subsidiary 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 translation 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.

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

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 11,277,250 (December 31, 2009: 11,374,293) were not included in the computation of diluted loss per share because the effect would have been anti-dilutive.

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) Asset Retirement Obligations

The fair value of obligations associated with the retirement of tangible long-lived assets is recognized in the period in which it is incurred, with a corresponding increase to the carrying amount of the related asset. The obligations recognized are statutory, contractual or legal obligations. The liability is accreted over time through charges to accretion, which is included in depletion, depreciation and accretion expense and is adjusted for changes in the estimated future cash flows of the liability. The costs capitalized to the related assets are amortized in a manner consistent with the depletion and depreciation of the related asset. At September 30, 2010, the Company did not have any asset retirement obligations.

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

i) Non-controlling interest

Non-controlling interest presented on the balance sheet is recognized based on the book value of the exchangeable shares upon the 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.

j) 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.
- 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.

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)

k) Change in Accounting Policies

The CICA has issued the following new Handbook sections which the Company adopted as at January 1, 2009:

- i) In February 2008, the CICA issued Section 3064, “Goodwill and Intangible Assets”, which establishes revised standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets, other than the initial recognition of goodwill or intangible assets acquired in a business combination. Concurrent with the introduction of this standard, the CICA withdrew EIC-27, “Revenues and Expenses During the Pre-operating Period”. As a result of the withdrawal of EIC-27, companies will no longer be able to defer costs and revenues incurred prior to commercial production at new mine operations. This new section has no current impact on the Company or its consolidated financial statements. This standard was adopted prospectively.
- ii) In 2009, the CICA amended Section 3862, “Amendment to Financial Instruments – Disclosures” to require 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 amendments 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.

l) Future Accounting Policies

- i) In February 2008, the Canadian Accounting Standards Board confirmed that publicly accountable enterprises will be required to adopt IFRS for fiscal years beginning on or after January 1, 2011, with earlier adoption permitted. Accordingly, the conversion to IFRS will be applicable to the Company’s reporting no later than in the first quarter of 2011, with restatement of comparative information presented.
- ii) In January 2009, the CICA issued Handbook Sections 1582, Business Combinations, (“Section 1582”), 1601, Consolidated Financial Statements, (“Section 1601”) and 1602, Non-controlling Interests, (“Section 1602”) which replaces CICA Handbook Sections 1581, Business Combinations, and 1600, Consolidated Financial Statements. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business

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

combination accounting standard under International Financial Reporting Standards (“IFRS”). Section 1582 is applicable for the Company’s business combinations with acquisition dates on or after January 1, 2011. Early adoption of this Section is permitted. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for the Company’s interim and annual consolidated financial statements for its fiscal year beginning January 1, 2012. Early adoption of this Section is permitted. If the Company chooses to early adopt any one of these Sections, the other two sections must also be adopted at the same time.

The Company is currently assessing the impact of these standards.

Note 3 Marketable Securities

	<u>September 30, 2010</u>		<u>December 31, 2009</u>	
	<u>Market</u>	<u>Cost*</u>	<u>Market</u>	<u>Cost*</u>
Castillian Resources Corp.	\$ <u>92,098</u>	\$ <u>75,845</u>	\$ <u>261,187</u>	\$ <u>243,775</u>

* Cost is the fair value recorded when the securities were received.

At September 30, 2010, the Company owned 1,083,500 (December 31, 2008: 3,482,500) shares of Castillian Resources Corp. (“Castillian”), a publicly traded Company on TSXV.

The Company had initially received 1,838,235 shares in Castillian as consideration under an option agreement. The Company recorded \$76,432 being the fair value of shares received based on trading price of these shares on the issuance date as a reduction to resource property cost. The Company sold 1,838,235 shares (2008: nil) for net proceeds of

\$95,948 (2008: nil), which resulted in the recognition of a gain on sale of \$19,516 (2008: nil). On September 28, 2009 the Company received a further 3,482,500 shares of Castillian. The Company recorded \$243,775 being the fair value of the shares received based on trading price of these shares on the issuance date as a reduction to Las Aquilas resource property cost.

During the nine month period ended September 30, 2010, the Company sold 2,399,000 shares (2009: nil) of Castillian for net proceeds of \$181,503, which resulted in the recognition of a loss on sale of \$23,907.

The quoted market price of the shares of Castillian Resources Corp. at September 30, 2010 is \$0.085 per share. At September 30, 2010, the Company owned 1,083,500 shares.

Note 4 Equipment

	September 30, 2010		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>
Office equipment	\$ 17,332	\$ 14,306	\$ 3,026
Computer equipment	<u>5,762</u>	<u>3,600</u>	<u>2,162</u>
	<u>\$ 23,094</u>	<u>\$ 17,906</u>	<u>\$ 5,188</u>
	December 31, 2009		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>
Office equipment	\$ 17,332	\$ 13,633	\$ 3,699
Computer equipment	<u>5,762</u>	<u>2,974</u>	<u>2,788</u>
	<u>\$ 23,094</u>	<u>\$ 16,607</u>	<u>\$ 6,487</u>

Note 5 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 6). 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 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>

Note 6 Mineral 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

Note 6 Mineral Properties– (cont'd)

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, 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.

By a further agreement dated April 19, 2007, the Company signed an agreement with Castillian wherein Castillian will acquire exploration properties surrounding the San Luis property, located in the San Luis Province. The optionee decided not to proceed with further development of the property and the agreement was terminated during the year ended December 31, 2009.

Davicino Gold Properties

In May, 2004, the Company entered into three option agreements to acquire a group of seven properties located in Rio Negro and Santa Cruz Provinces, Argentina (the “Davicino Gold Project”), being the Cerro Covadonga, El Mendiano, Dos Amigos, Tembrao, Pailiman, Rosita and Alianza properties.

i) Davicino Properties, Rio Negro Province

During the year ended December 31, 2008, the Company abandoned the Alianza property and accordingly wrote off the aggregate costs of \$339,132.

ii) Tembrao (Davicino) – Pailemen, Rio Negro Province

On May 8, 2004, the Company entered into an option agreement to acquire up to a 100% interest in the Davicino II Properties.

The Tembrao property is located in a conservatory area and no exploration work is permitted at this time. During the year ended December 31, 2008 the property was abandoned and returned to its owner and all costs incurred to date of \$99,924 were written off.

iii) Tourel (Davicino), Rio Negro Province

The Tourel Project is covered by three 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:

Note 6 Mineral Properties - (cont'd)

Davicino Gold Properties – (cont'd)

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).

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

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.

c) Sonito

The third agreement dated April 8, 2005 is with Ana Benda and Veronica Alduvino for the Sonito claim. During the year ended December 31, 2008, the Company abandoned the Sonito claim.

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.

Under the terms of the Option Agreement (“Agreement”) announced on June 23, 2010, NovaGold has an option to acquire a 49% interest by spending \$3,000,000 during the first

Note 6 Mineral Properties - (cont'd)

two years of the Agreement (including making the \$400,000 payment to MIM) and paying Marifil \$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 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 Quarter the Company received \$50,000US from NovaGold. This brings NovaGold's total payments to the Company to \$100,000US during the nine months ended September 30, 2010; 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, an 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) Lago Fontana (Ferrocarillera) Project

The Company acquired this property by staking and had optioned it to Silex Argentina ("Silex"), a wholly owned subsidiary of Apex Silver Mines Ltd. Under the terms of the agreement Silex made payments of US\$75,000.

Silex declared a force majeure due to inability to obtain permitting. The property was returned in a prior year. The Company believes the permitting problem will be solved this year; a new joint venture is being sought.

Note 6 Mineral Properties – (cont'd)

Other Properties – (cont'd)

b) 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”). Pursuant to terms of the Agreement, the transaction was subject to approval by the Company’s Board of Directors and the TSX Venture Exchange. Approval was received during the year ended 2009.

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.

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	US \$95,000	(received)
November 24, 2008	US \$40,000	(received)
On or before February 24, 2009	US \$20,000	(received)
On or before January 1, 2010	<u>US\$250,000</u>	(1)
	<u>US\$455,000</u>	

(1) Settled by receipt of 2,500,000 shares of Oxbow subsequent to the year end.

Note 6 Mineral Properties – (cont'd)

Other Properties – (cont'd)

b) K-2 Potash Property – (cont'd)

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% K₂O, 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 3 month 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.

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. The Company still believes in the value of the K-2 property is working with Oxbow to exploit it potential.

c) 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 Lime Stone 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.

Note 6 Mineral Properties – (cont'd)

Other Properties – (cont'd)

d) Pederal

On October 10, 2008, the Company entered into an agreement regarding the Pederal located in the San Juan Province of Argentina. Under the terms of the agreement, the Company has an option to earn a 100% interest subject to a 1.5% NSR.

The property was dropped during the year ended December 31, 2009 and the carrying value of the property was written off.

e) Codihue

The Company acquired this project as an outgrowth of our Neuquén Basin potash program. During its exploration work, the Company 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 250 million tons of sulphur.

The Company is actively seeking a partner to further develop the Codihue property.

f) El Carmen

This property is comprised of four patented oil and gas claims totalling 2,011 hectares located on the north flank of the Golfo San Jorgo Basin in Chubut Province. The Company has prepared a report on the project that suggests it is favourable for further exploration. This report is not 51-101 compliant.

On November 15, 2010 the Company announced it has sold the El Carmen oil and gas property to Ilakon Ltd.

Note 7 Share Capital

Shares

On January 12, 2010, the Company issued 2,456,250 common shares pursuant to a non-brokered private placement of units of \$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 warrant.

During the six month period ended June 30, 2010, the Company issued 100,000 common shares @ \$0.065 for an employee bonus totalling \$6,500, and issued 350,000 common shares pursuant to the exercise of warrants at \$0.10 for proceeds of \$35,000.

Note 7 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.

During the year ended December 31, 2008, the Company issued 1,000,000 common shares pursuant to a non-brokered private placement of units of \$0.40 per unit for total proceeds of \$400,000. 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 \$0.65 per share for a period of one year. Finders' fees relating to this private placement were cash of \$32,000.

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.

Stock-based Compensation

The fair value of the stock options of \$4,958 (2009: \$nil) was determined on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

Note 7 Share Capital – (cont'd)

Stock-based Compensation – (cont'd)

	<u>2010</u>	<u>2009</u> ⁽¹⁾	<u>2008</u>
Expected dividend yield	0%	n/a	0%
Expected stock price volatility	150.7%	n/a	121%
Risk-free interest rate	2.84%	n/a	3.53%
Expected life of options	10 years	n/a	2 - 5 years

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

⁽¹⁾ No options were granted in 2009.

Stock Options Outstanding

As at September 30, 2010, options outstanding are as follows:

<u>Number</u>		<u>Vested</u>	Exercise <u>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	Consultant	100,000	\$0.66	May 28, 2012
60,000	Consultant and Officer of Marifil SA	60,000	\$0.66	May 28, 2012
900,000	Directors	900,000	\$0.10	April 5, 2020
<u>70,000</u>	Consultant	<u>35,000</u>	\$0.10	April 13, 2020
<u>2,580,000</u>		<u>2,545,000</u>		

A summary of the share purchase options is as follows:

	<u>2010</u>		<u>2009</u>	
	<u>Shares</u>	Weighted Average Exercise <u>Price</u>	<u>Shares</u>	Weighted Average Exercise <u>Price</u>
Outstanding, beginning of Period	2,710,000	\$0.59	3,090,000	\$0.60
Granted	970,000	\$0.10	-	-
Expired	(900,000)	\$0.50	(150,000)	\$0.43
Expired	(200,000)	\$0.42	-	-
Forfeited	-	-	<u>(230,000)</u>	\$0.58
Outstanding, end of period	<u>2,580,000</u>	\$0.45	<u>2,710,000</u>	\$0.59
Exercisable, end of period	<u>2,545,000</u>	\$0.43	<u>2,710,000</u>	\$0.59

Note 7 Share Capital – (cont'd)

Stock-based Compensation – (cont'd)

Warrants Outstanding

As at September 30, 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>2,456,250</u>	\$0.12	January 15, 2012
<u>8,732,250</u>		

A summary of the warrants outstanding 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 Period	8,664,293	\$0.10	1,090,828	\$0.75
Issued	2,456,250	\$0.10	500,000	\$0.65
Exercised	(350,000)	\$0.10	(300,000)	\$0.10
Expired	(2,038,293)	\$0.10	(500,000)	\$0.65
Issued	<u>2,456,250</u>	\$0.12	-	-
Balance, end of period	<u>8,732,250</u>	<u>\$0.11</u>	<u>8,664,293</u>	<u>\$0.10</u>

Note 8 Related Party Transactions

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

	Nine month period ended September 30,		Three month period ended September 30,	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Schedule of Mineral Properties				
Deferred resource properties costs	\$ -	\$ 53,832	\$ -	\$ 8,247
Administrative Expenses				
Accounting fees	\$ 41,965	\$ 38,805	\$ 10,421	\$ 10,905
Consulting fees	46,679	53,832	15,629	8,247
Directors fees	8,719	4,549	3,067	1,087
	<u>\$ 97,363</u>	<u>\$ 97,186</u>	<u>\$ 29,117</u>	<u>\$ 20,239</u>

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

At September 30, 2010 accounts payable included \$41,965 (2009 - \$71,146) owing to directors of the Company and a company with a common officer for unpaid fees and reimbursement of expenses.

Note 9 Income Taxes

At December 31, 2009, the Company has accumulated non-capital losses of approximately \$2,242,000 in Canada and CDN\$2,434,000 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>
2010	\$ 19,000	\$ -	\$ 19,000
2011	252,000	-	252,000
2012	1,095,000	-	1,095,000
2013	561,000	-	561,000
2014	507,000	166,000	673,000
2015	-	556,000	556,000
2016	-	476,000	476,000
2017	-	535,000	535,000
2018	-	194,000	194,000
2019	-	315,000	315,000
	<u>\$2,434,000</u>	<u>\$2,242,000</u>	<u>\$ 4,676,000</u>

Note 9 Income Taxes – (cont'd)

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.

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

	<u>2009</u>	<u>2008</u>
Statutory tax rate	<u>30.00%</u>	<u>31.00%</u>
Loss before income taxes	<u>\$ (319,870)</u>	<u>\$ (2,020,004)</u>
Expected income tax recovery	96,000	626,000
Increase (decrease) in income tax recovery resulting from:		
Non-controlling interest	-	-
Change in statutory rates	(41,000)	(30,000)
Foreign income taxed at Argentine rate	(2,000)	50,000
Stock-based compensation	-	(14,000)
Other non-deductible items	8,000	(59,000)
Effective foreign exchange gain on future income tax assets	66,000	268,000
Change in the valuation allowance for future income tax assets	<u>(127,000)</u>	<u>(841,000)</u>
Income tax recovery	<u>\$ -</u>	<u>\$ -</u>

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

	<u>2009</u>	<u>2008</u>
Non-capital loss carry forward	\$ 895,000	\$ 737,000
Mineral properties and deferred exploration	(69,000)	(83,000)
Other	64,000	109,000
Less: valuation allowance	<u>(890,000)</u>	<u>(763,000)</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 10 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.

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 a working capital deficit 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 and by selling marketable securities in the 2010 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 a minimal 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.

At December 31, 2009, if the Argentine peso had weakened 10 percent against the Canadian dollar with all other variables held constant, after-tax net loss and comprehensive loss for the year would have been \$41,900 (2008: \$82,500) higher. Conversely, if the Argentine peso had strengthened 10 percent against the Canadian dollar with all other variables held constant, after-tax net loss and comprehensive loss for the year would have been \$41,900 (2008: \$82,500) lower. The lower foreign currency exchange rate sensitivity in net loss in 2009 compared with 2008 is attributable to a reduction in foreign currency denominated amounts.

Note 10 Financial Instruments – (cont'd)

Market Risk

The Company has market risk attributable to its marketable securities held for trading. The investments consist of shares in Allana Resources Inc. and shares of Castillian Resources Corp., which were received as partial consideration in option agreements. The investments held for trading are carried on the balance sheet at the fair market value of the investments, with the change in fair value being recognized as fair market value adjustment on investments held for trading in the statement of loss and deficit. Based on management's knowledge and experience of the financial markets, the Company does not believe it is subject to significant market risk as a result of holding these marketable securities.

Note 11 Capital Disclosures

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

	<u>September 30,</u> <u>2010</u>	<u>Dec 31,</u> <u>2009</u>
Components of Capital:		
Shareholders' equity	\$ 5,798,937	\$ 5,763,682
Less: cash	<u>(67,727)</u>	<u>(16,471)</u>
	<u>\$ 5,731,210</u>	<u>\$ 5,747,211</u>

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 12 Subsequent Events

- (a) On August 12, 2010, the Company announced that it had signed an agreement with Renholn International, a private company whereby Renholn has the right to purchase all of the Company's lithium claims in Salta and Catamarca Provinces.

Under the terms of the agreement Renholn agrees to pay Marifil \$500,000 in cash at a rate of \$125,000 on signing the agreement and \$125,000 per year for three years. Renholn further agrees to carry out the \$2,250,000 minimum exploration programs recommended in the Company's NI 43-101 reports for these properties at the rate of \$500,000 in Year 1; \$750,000 in Year 2; and \$1,000,000 in Year 3. Marifil shall retain a 3% Net Smelter Royalty.

Renholn shall have three years to obtain a listing on the London AIM market for itself or some other Company ("NEWCO-AIM") that will hold the lithium properties. At the date of the AIM listing, Renholn or NEWCO-AIM shall issue \$4,500,000 worth of shares in NEWCO-AIM at the same price as the initial offering price for such shares.

The lithium properties comprise 2 claims in Salta Province totalling 19,600 hectares and 7 claims in Catamarca Province totalling 19,185.4 hectares.

On September 14, 2010, the Company announced that the province of Salta had notified the Company that the two claims that comprise the Salta project are invalid. The claims were originally staked in 2007 as part of a porphyry copper program. The Company later moved to drop the claims but when the lithium boom started, the Company used a clause in the Mining Code to cancel the letter dropping the claims. This letter was sent in 2009 and the Company was under the assumption that the claims were still valid. Subsequently this area has been restaked by a third party.

On October 20, 2010, the Company announced that it had successfully modified the sales agreement for its lithium properties to Renholn International. Subsequently, the Company offered Renholn its Guayatayoc lithium claim in Jujuy province. Renholn agreed to accept this claim in lieu of the two lost claims if Marifil would provide an NI 43-101 report on this claim. Marifil agreed to do so and expects to have this report finished by mid-November. All other terms of the original agreement remain in force.

- (b) Subsequent to September 30, 2010, the Company sold 500,000 shares of Castillian Resources Corp. For net proceeds of \$44,544.
- (c) On November 8, 2010, the Company announced it has entered into a joint venture option agreement for its Las Aguilas Nickel-Copper-PGM property with Pacific Coast Nickel Corp. The agreement provides for payments and work commitments to earn a 49% interest in the Property as follows:

Note 12 Subsequent Events – (cont'd)

- a. Cash and shares
 - i. \$25,000 upon signing and 250,000 shares on approval of the TSX Venture Exchange;
 - ii. \$75,000 and 250,000 shares on or before April 1, 2012;
 - iii. \$100,000 and 250,000 shares on or before April 1, 2013;
 - iv. \$100,000 and 250,000 shares on or before April 1, 2014.
- b. Work commitments
 - i. On or before April 1, 2012, incur \$500,000 in exploration expenditures;
 - ii. On or before April 1, 2013, incur \$500,000 in exploration expenditures;
 - iii. On or before April 1, 2014, incur \$1,000,000 in exploration expenditures.

The agreement also provides for Pacific Coast to earn an additional 11 % (bringing the interest to 60%) by completing a pre-feasibility study and issuing 2,000,000 on or before April 1, 2015 and then a further 10% (bringing the Pacific Coast's interest to 70%) by completing a feasibility study before April 15, 2016.

If the Company 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 \$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%.

- (d) On November 15, 2010, the Company announced that it has sold its 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.

Ilakon has agreed to purchase the El Carmen property for \$250,000 of which \$125,000 is payable on signing and \$125,000 is due in 12 months. Marifil has the option of taking the second payment in stock if Ilakon has gone public or is in the process of going public. In addition, Marifil retains an 8% production royalty from gross proceeds of sales of oil and gas. Ilakon will begin paying Marifil an annual advance royalty of \$75,000 beginning at the earlier of commencement of production or 24 months from the date of the Agreement.