

## MANAGEMENTS DISCUSSION & ANALYSIS

1.1 April 28, 2008

### 1.2 Overview

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

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

As of 28 February 2008, Marifil controls 46 properties totalling approximately 435,465 hectares located in 11 different provinces of Argentina. Marifil acquires properties through applications for mineral rights, purchasing properties, and joint ventures.

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

## PROPERTY EXPLORATION SUMMARY

### High Priority Projects

**11. San Roque, epithermal gold-silver-indium, Rio Negro Province:** This 70,500 hectare property contains a number of gold-silver-indium bearing veins along with lead and zinc in stockwork veinlets.

Exploration and sampling during early 2007 reveals that the Del Indio vein within the San Roque project contains significant amounts of indium. Indium currently sells for about US\$650 per kilo, which is almost 3 times higher than uranium and 50% more than silver. In March 2007, the Company completed a 28-hole program totaling 2,803.5 meters of HQ-sized core drilling

This drilling reveals a large amount of zinc in haloes around the silicified gold-bearing breccias and veins as noted in the following table:

HOLE NO.	FROM	TO	WIDTH (M)	Au (ppm)	In (ppm)	Ag (ppm)	Pb (%)	Zn (%)
30	7.5	29.4	21.9		38			
	16.3	27.8	11.5	0.32				
	32.3	51.7	19.4	0.27	47			
	34.1	90.2	56.1					0.27
31	6.0	50.0	44.0					0.30
	104.0	107.0	3.0		208			0.93
	117.0	120.0	3.0		141			1.24
	238.0	252.5	14.5		146			2.55
	185.8	209.0	23.2				0.21	0.53
	234.5	269.0	34.5				0.28	1.28
33	3.0	75.0	72.0				0.29	0.47
	15.3	24.0	8.7	0.68	61			
	39.6	69.4	29.8	1.72				
35	3.6	20.2	16.6				0.80	0.37
	15.3	20.2	4.9	1.53				
37	14.0	22.7	8.7	2.67				
	17.0	22.7	5.7		35			
38	14.0	23.5	9.5	0.73				
	16.0	21.0	5.0	0.56	91			
39	73.0	91.9	18.9				0.73	1.24
	99.6	120.5	20.9				0.59	1.03
	157.1	160.0	2.9				0.34	0.63
	167.5	170.5	3.0				0.98	1.62
	200.0	210.0	10.0				0.50	0.98
	217.0	229.0	12.0				0.40	1.13
	247.5	270.0	22.5				0.48	1.25
40	23.2	34.7	11.5		107			
	27.9	68.6	40.7				0.57	
	34.7	81.0	46.3					0.65
41	120.8	151.0	30.2				0.28	0.70
42	36.0	78.6	42.6					0.48
	149.0	158.0	9.0				0.47	0.89
43	11.5	28.0	16.5					
	11.0	46.0	35.0	0.32				
	11.0	22.4	11.4					0.70
45	41.0	56.3	15.3	1.40		52		
	53.5	76.4	22.9					0.47
	83.9	87.0	3.1				0.59	1.64
46	20.0	29.0	9.0					1.07
47	14.0	23.0	9.0	1.14		85		
	57.0	64.0	7.0				0.34	1.10
50	47.8	59.0	11.2				0.27	0.53
	71.8	87.7	15.9	0.34		21		0.80
	101.0	114.0	13.0	0.22		15		
	101.0	108.0	7.0				0.29	0.63
	121.0	128.0	7.0	0.33		27	0.33	0.68
	130.0	141.0	11.0	0.68		12	0.35	0.78
	101.0	141.0	40.0	0.33		14	0.25	0.55
	47.8	141	93.2				0.30	0.50

	24.4	142	122.6	0.34				
51	7.0	10.3	3.3		35		0.62	
	7.0	150.0	143.0	0.66				
	16.1	19.0	2.9				1.15	
	24.0	58.0	34.0					
	29.0	150.0	121.0			32		
	47.2	52.0	4.8	2.92	94	126	1.62	2.98
	69.0	81.0	12.0				1.62	3.01
	94.0	96.0	2.0	0.98	27	34	1.37	1.59
	97.0	150.0	53.0				0.36	0.50
	7	150	143	.37			0.37	0.55
	7	133	126	0.74				

These broad zones of zinc mineralization occur as stockwork veinlets and disseminated sphalerite plus lesser amounts of copper, lead, gold, and silver.

Subsequently we re-examined assay results from a 19-hole drill program conducted in 2001/02 by MIM Exploraciones S.A. (a wholly-owned subsidiary of mining giant XSTRATA). This work reveals extensive high-grade zinc (Zn) approximately 1,100 metres (m) southeast of the Del Indio structure. MIM's diamond drill hole number eight (DDH-8) cut 172 m of 0.23 g/t gold, 13 g/t silver, 0.18% lead and 0.47% zinc, including 14 m (138 - 152 m) of 3.23% Zn and 1.5% Pb, and 8 m (40-48 m) of 4.79% Zn and 2.0% Pb.

XSTRATA gave the Company permission to cut the core and re-assay it; this work confirmed the presence of indium in the MIM core.

The Company began a 3,187 meter drill program in October. This drill program was completed in early December.

Highlights from the 2007 drilling include DH-33 which cut 29.8 meters grading 1.72 g/t gold; DH-50 which cut 93.2 meters grading 0.30 g/t gold, 13 g/t silver, 0.30% lead, and 0.50% zinc; and DH-51 which cut 143 meters grading 0.66 g/t gold, 27.2 g/t silver, 0.37% lead, and 0.55% zinc.

The 2007 drilling program reveals that mineralization has been traced for more than 1,700 meters in a northeast-southwest direction and more than 2,500 meters in a northwest-southeast direction. Mineralization is still open ended in every direction.

Company geologists now believe that the San Roque mineralization may be hosted within a large diatreme or caldera up to 3 kilometers in diameter. We believe that we have discovered a major base metal deposit containing important amounts of lead, zinc, gold, silver, and indium. The Company is planning a 10,000 meter drill program for 2008.

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

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

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

In 2007 the Company re-assayed all of the samples containing more than 0.3% Zinc for Indium. The Company is pleased to report that many of the Toruel samples contain significant amounts of Indium with values up to 309 g/t Indium in Drill Hole 32. This indium will be a significant byproduct credit. All of the significant results are shown in Table 2 below:

**Table 2**

•DDH 1	2.40 m @ 37.50 g/t In
•DDH 2B	2.40 m @ 11.91 g/t In
•DDH 8	1.40 m @ 54.00 g/t In
•DDH13	1.80 m @ 99.23 g/t In
•DDH 21	2.50 m @ 15.04 g/t In
•DDH 24	5.00 m @ 40.08 g/t In
•DDH 31	3.40 m @ 28.69 g/t In
•DDH 32	5.40 m @ 308.94 g/t In
•DDH 33	1.90 m @ 36.63 g/t In
•DDH 34	1.80 m @ 37.83 g/t In
•DDH 35	0.60 m @ 59.00 g/t In
•DDH 41	0.70 m @ 45.00 g/t In
•DDH 57	2.00 m @ 9.50 g/t In

An ore reserve study to develop a NI 43-101 compliant resource is in progress. Depending upon the results of that study the Company may either commit to an additional 2,000 m of drilling or seek a joint venture partner.

### **Joint Ventured Projects**

## 1. Las Aguilas, níckel-copper-cobalt-platinum Project, San Luis Province:

Marifil's Las Aguilas deposit contains an historical resource of 2.2 million tonnes grading about 0.52% nickel, 0.50% copper, 0.04% cobalt and significant amounts of platinum (this is not a National Instrument 43-101 compliant reserve.) This resource was calculated from 10,000 meters of diamond drilling between 1970 and 1984. Marifil believes this resource to be relevant to the extent that it shows that significant quantities of disseminated to semi-massive pyrrhotite, pentlandite and chalcopyrite (ores of copper, nickel, cobalt and platinum) are present and constitute a valid exploration target. This resource occurs within a large fold and mineralization is open-ended down dip along the plunge of the fold in both directions.

Marifil carried out a limited amount of assaying and discovered that the property contains significant amounts of platinum and lesser amounts of palladium. Drill hole LA 5-3 contains 42 m grading 1.1 g/t Platinum Group Elements ("PGE's") including 3.0 m grading 9.55 g/t PGE's (note: platinum generally comprises over 90% of the PGE's present).

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

Castillian began an 11,028 meter program in July and concluding in December. As of the date of this report Castillian reports a number of significant drill intercepts including in the tables below:

Table 3 – LAS AGUILAS EAST DEPOSIT

Hole No.	From (m)	To (m)	Width (m)	Ni(%)	Cu(%)	Co(%)	Pt(g/t)	Pd(g/t)	Au(g/t)
07-001	*1								
07-002	56.75	100.77	44.02	0.44	0.31	0.03	0.14	0.11	0.04
Inc'g	68.93	78.76	9.83	0.73	0.38	0.04	0.10	0.20	0.03
07-003	31.05	34.50	3.45	0.45	0.32	0.03	0.05	0.12	0.01
07-004	44.11	104.98	60.87	0.78	0.50	0.05	0.22	0.19	0.07
Inc'g	45.34	57.94	12.60	1.19	0.75	0.07	0.36	0.30	0.09
07-005	21.90	60.70	38.80	0.80	0.40	0.05	0.16	0.19	0.04
Inc'g	21.90	28.99	7.09	1.03	0.40	0.05	0.22	0.25	0.05
Inc'g	32.52	39.59	7.07	1.15	0.62	0.06	0.03	0.21	0.03

Inc'g	42.53	55.51	12.98	0.96	0.39	0.05	0.27	0.21	0.05
07-006	30.45	38.95	8.50	0.50	0.34	0.05	0.09	0.14	0.08
07-007	10.0	23.0	13.0	0.82	0.58	0.05	0.51	0.19	0.06
07-008	28.21	34.00	5.79	0.75	0.51	0.05	0.22	0.18	0.14
07-009	37.02	47.10	10.80	.34	0.29	0.03	0.10	0.02	0.02
07-011	24.78	34.58	9.80	0.32	0.32	0.02	0.24	0.22	0.10
	80.87	81.80	0.93	1.40	0.51	0.06	0.03	1.16	0.06
07-013	84.34	98.69	14.35	0.59	0.26	0.02	0.30	0.32	0.11
	137.25	142.64	5.39	1.18	0.77	0.07	0.26	0.31	0.11
07-014	36.20	37.17	0.97	1.43	3.45	0.05	0.38	0.79	0.42
	44.90	55.10	10.20	0.58	0.38	0.03	0.56	0.54	0.27

Castillian recently reported significant amounts of platinum in the Las Aguilas West deposit. Highlights of this drilling are shown below:

TABLE 4 – LAS AGUILAS WEST DEPOSIT

Hole No.	From (m)	Width (m)	Ni(%)	Cu(%)	Co(%)	Pt(g/t)	Pd(g/t)
LA07-025 includes	70.63 72.63	10.25 1.00	0.42 0.12	0.54 0.29	0.03 0.01	1.71 5.66	0.39 0.09
LA07-036	137.35	4.00	0.46	0.81	0.04	1.46	0.33
LA07-038	95.80	11.36	0.60	0.68	0.05	0.32	0.45
LA07-044	150.75	7.00	0.60	0.62	0.05	0.09	0.52
LA07-049 includes	50.57 52.70	7.35 1.00	0.56 0.61	0.81 1.41	0.04 0.05	1.15 4.64	0.45 0.52
LA07-051	44.20	14.68	0.59	0.63	0.05	0.20	0.44

Castillian reports that an NI 43-101 report on ore resources is in progress. These drill reports are highly encouraging and support the concept that this deposit can be placed into commercial production within a relatively short period of time as an open-pit deposit.

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

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

arranging for the total amount of financing to bring the project to commercial production.

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

The airborne geophysical study began on 23 March 2008. Additional drilling will begin in April.

**3. Amarillo copper-gold project, San Juan Province:** Amarillo is a very large, high priority target with an alteration zone comprising more than 40 square kilometers. The property is located in the prolific Veladero-El Indio gold belt. Most of the prior work was concentrated within a few relatively restricted areas and large parts of the project are totally unexplored.

On December 11, 2006 the Company signed an option agreement with ATW Resources Ltd. ATW can earn up to a 51% interest by spending US\$4 million, paying the Company US\$282,500 and granting the Company 262,500 shares of ATW stock over four years. The first year's stock and cash payments have been made. ATW will have the option of increasing its interest to 60% by spending an additional \$3 million over two years and paying the Company \$150,000 annually.

ATW can earn an additional 5% by providing the Company with a bankable feasibility study and a further 5% (bringing its total interest to 70%) by providing all funding to carry Marifil through to production and by paying Marifil \$150,000 until commencement of commercial production.

A second drill campaign began in March 2008; no assays have been received as of the date of this report.

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

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

During the year Company geologists re-examined an area in the property where IAMGOLD reported a large base metal anomaly in soil sampling. The soil

samples grade up to 2% zinc. Re-assaying these samples reveals the presence of indium. The Company believes this area is highly prospective for a large disseminated base metal deposit similar to our San Roque deposit.

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

The Company plans its own exploration for later in 2008. This exploration includes geologic mapping and sampling; thus it does not require governmental permits.

#### **“Pipeline Projects”**

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

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

The Company has been actively re-negotiating with the Province to clarify Marifil’s rights to the property and to obtain a right to use the nearby bulk loading dock. The Province has agreed to terms and Marifil expects the contract to be signed prior to year end.

The Company’s objective at Punta Colorado is to identify a resource of 100 to 200 million tonnes of cement grade limestone. Once the agreement with the Province has been signed, the Company intends to carry out a comprehensive drilling and sampling program followed by a market study to determine the property value and potential clients.

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

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

**3. Valle Daza, nickel-copper-cobalt-platinum, La Pampa Province:** The Valle Daza Project comprises 28,000 hectares covering a very large aeromagnetic target believed to be related to a layered ultramafic complex similar to Marifil's San Luis Project.

The ore targets are large nickel-copper-cobalt-platinum deposits hosted in layered ultramafics. Nearly all of the area is covered by shallow alluvium; however a sampling program of cuttings from shallow water wells reveals that the bedrock is comprised of ultramafic rocks. No work was carried out in 2006.

**4. Esperanza, red bed type copper-silver with possible uranium, Neuquen Province:** The Company completed a geologic map of the area and extended its land holdings. No work has been done on this property during the quarter.

**5. Tembrao, epithermal gold-silver, Rio Negro Province:** Geologic mapping and sampling reveal several gold targets in quartz veins cutting rhyolite domes. A trenching program followed by geophysics is planned.

**6. Puchen, copper-molybdenum-gold prospect, Mendoza Province:** Puchen, a relatively recent acquisition to be added to Marifil's "pipeline," is a large alteration area. Based on sampling by several companies, geochemical anomalies form a concentric shape suggestive of a porphyry style target. A comprehensive mapping and sampling program is planned.

**7. Yalguaraz, porphyry copper-molybdenum-gold, Mendoza Province:** The prospect is characterized by a north-trending leached cap measuring 2 km by 1.5 km that is spatially related to an intrusive dacite porphyry and hosted by Carboniferous clastics. The intrusive, younger tourmaline breccias occur along the periphery of the system. In the southern part of the prospect, a north-striking vein fault was exploited during 1960 for 140 m along its strike to 50m depth for its copper-oxide content.

The nature of the leach cap, alteration and stockwork style mineralization define the prospect as a porphyry copper deposit. The system was driven by a dacite porphyry that is 500 m in diameter at the surface. Sulphide contents in the heart of the system are 1-2%, most of which is chalcopyrite. To the northwest, La

Colorada Breccia contains up to 15% sulfides, most of which is pyrite, arsenopyrite, and pyrrhotite.

Geochemical results reveal two copper-gold anomalous areas, one being in and proximal to the dacite porphyry, and the second being around the old mine area.

Mapping, veinlet density and geochemistry suggest that the porphyry system may be open to the east and southeast where it is concealed by unconsolidated sediments.

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

**9. Alto Chubut (Rio Foyel), epithermal gold-silver and porphyry style targets, Chubut Province:** This target is marked by a very large alteration area. No exploration was carried out during the year.

**10. El Carmen, Oil and Gas prospect, Chubut Province:** A highly favorable property report was produced by the Company's consultant. Six oil companies have already expressed interest in reviewing the property data: the Company intends to farm out this property to an experienced operating oil company.

### **Regional Exploration Projects**

**1. Regional Exploration Salta Province:** As a result of the Company's evaluation of certain under-explored areas of northern Argentina, Marifil has acquired six properties in Salta totaling 31,904 hectares and exploration is on-going.

**2. Regional Exploration Jujuy Province:** As a result of the Company's evaluation of certain under-explored areas of northern Argentina, Marifil has acquired six properties in Jujuy totaling 28,817 hectares and exploration is on-going.

**3. Regional Exploration Catamarca Province:** As a result of the Company's review of certain under-explored areas of northern Argentina, Marifil has acquired 3 properties in Catamarca totaling 16,810 hectares and exploration is on-going.

### **Properties Written Off**

The Aurucana property was written off during the quarter.

### 1.3 Selected Annual Information

	Period ended December 31, 2005 (audited)	Year Ended December 31 2006 (audited)	Year Ended December 31 2007 (audited)
Total Revenue	\$ 0	\$ 0	\$ 0
Assets	\$ 3,829,653	\$ 5,503,095	\$ 7,269,377
Net Income (Loss)	\$(1,640,196)	\$ (1,406,113)	\$ (1,547,717)
Basic and Diluted loss per common share	\$(0.10)	\$(0.07)	\$(0.05)
Long-term debt	\$ 0	\$ 0	\$ 0

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

### 1.4 Results of Operation

The preceding table sets forth summary financial information of the Company for the period from January 1 2005 to December 31 2005, December 31, 2006 and December 31 2007. This information has been summarized from the Company's audited financial statements for the period ended December 31, 2005, 2006 and 2007. The following table shows the results on a quarterly basis. These summaries of the Company's financial information should only be read in conjunction with the Company's financial statements and related notes for the relevant periods.

The loss for the Year ended December 31 2007 was \$1,547,717 compared to a loss of \$1,406,113 for the prior year.

## 1.5 Summary of Quarterly Results

	Q4	Q3	Q2	Q1
	Dec 31/06	Sept 30/06	June 30/06	Mar 31/06
Total Revenues	-	-	-	-
Income (loss)	(909,521)	(222,766)	(165,617)	(108,209)
Per share	(0.04)	(0.01)	(0.01)	(0.004)
Per share, fully				
Diluted	(0.04)	(0.01)	(0.01)	(0.004)

	Q4	Q3	Q2	Q1
	Dec 31/ 07	Sept 30/07	June 30/07	Mar 31/07
Total Revenues	-	-		-
Income (loss)	(295,448)	(174,487)	(885,151)	(192,631)
Per share	(0.05)	(0.01)	(0.03)	(0.01)
Per share, fully				
Diluted	(0.05)	(0.01)	(0.03)	(0.01)

### Quarterly Information

Activity in the South American Winter tends to reduce activity in the second and third quarters of the year which is in contrast to increases in activity for northern hemisphere based companies. The current quarter loss has been impacted by stock based compensation granted during the quarter, The impact will be felt throughout the vesting periods of these option grants.

Quarterly expenditures reflects the activity levels during the quarter. Increased travel and promotion are related to the timing of investor relations activities which occur during different periods and are not indicative of trends. Stock based compensation is dependent on option grants which also occur at various times. The large year end write-offs of resource properties in 2005, 2006 and 2007 are a result of management's annual review of carrying values which accounted for the large increase in the 4<sup>th</sup> quarter losses in 2005, 2006 and 2007. An increase to stock based compensation last year resulted from a year-end adjustment. This

increase/adjustment was due to a revaluation of the volatility used in the Black Scholes calculation and that increase resulted in a larger expense for this item.

## **1.6 Liquidity**

The Company is in the development stage, dependent primarily on the sale of equity capital to finance its exploration operations, and therefore has no cash inflows from operations. We receive payment in respect of property options which are credited against accumulated costs and once all costs have been recovered they are shown as other income in the Statement of loss and Deficit. Our main source of cash over the recent quarter was the receipt of cash from the issuance of common shares on the exercise of warrants, this continues into the second quarter with both options and warrants being exercised. We concluded the quarter with more cash than at the end of the year. Capitalized expenditures in the 3<sup>rd</sup> quarter will be up as we continue to drill the San Roque property.

The Company's principal source of funds since its incorporation has been from the sale of equity capital.. As at December 31, 2007, the Company had 34,394,418 (2006-28,974,138) Common shares outstanding. In addition to cash coming from option payments from joint-venture partners, the Company expects to seek additional funding through the sale of additional equity.

## **1.7 Capital Resources**

As of December 31, 2007, the Company had cash of \$922,218 compared to \$1,430,584 at December 31 2006.

The Company's cash resources decreased during the period as \$2,312,188 was spent on resource properties and \$236,654 on operations combined with the raising of \$2,045,293 from the sale of shares resulting in a reduction in cash from \$1,430,584 to 922,218 at the end of the year. Further significant outflows continue with a drill program underway at San Roque.

The recently announced private placement will add to our cash and allow for continued exploration.

Management is of the view that the Company has sufficient resources to continue to execute its business plan for the foreseeable future so long as additional equity capital is raised. Should the necessary equity financings, exercise of warrants and option payments not materialize, activities would be curtailed.

## **1.8 Off Balance Sheet Arrangements**

There are no off Balance sheet arrangements

## **1.9 Transactions with Related parties**

The Company pays for and utilizes the services of its President, Chief Financial Officer and Executive Vice President. These transactions have all occurred at market value and are not outside of the ordinary course of business. The details of these transactions are disclosed in the notes to the financial statements for the period ended December 31, 2006 and December 31, 2007.

### **1.10 Proposed Transactions**

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

Subsequent to December 31, 2007:

- i) The Company acquired 127,000 hectares of land in the Neuquen Basin of Argentina.
- ii) The Company signed a Letter of Intent with a private company. Under the terms of the agreement, the Company will receive \$100,000 in cash (received) and 20% of the shares of the new company and will retain a 2% net smelter royalty from any potash production from the new company.

### **1.12 Critical accounting estimates**

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

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

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

In addition, the Corporation is capitalizing costs related to the development and furtherance of development properties. The recovery of those costs will be dependant on the ability of the Corporation to discover and develop economic

reserves and then to develop such projects in an economic fashion. Management believes that costs capitalized in respect of these projects are not impaired and no adjustments to carrying values are required at this time other than those written down in the financial statements.

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

### **Changes in Accounting Policies**

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

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

i) **Comprehensive Income, Section 1530**

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

ii) **Financial instruments – Recognition and Measurement, Section 3855**

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

Changes in fair value are to be recognized in either the statements of operations or the statement of comprehensive income.

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

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

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

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

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

- Cash and cash equivalents are classified as available for sale. They are recorded at fair value at initial recognition. Subsequent revaluation resulting in gains or losses is recorded in the statements of other comprehensive income. There was no impact on the opening balance

of accumulated other comprehensive income upon the adoption of these new standards.

- Advances receivable is classified as loans and receivables. They are recorded at cost, which on initial recognition represents their fair value. Subsequent valuations are recorded at amortized cost using the effective interest method.
- Accounts payable and accrued liabilities are classified as other liabilities. They are initially measured at fair value. Subsequent valuations are recorded at amortized cost using the effective interest method.

iii) Financial Instruments – Disclosure and Presentation, Section 3861

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

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

iv) Hedging, Section 3865

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

v) Accounting Changes, Section 1506

Section 1506 revised the standards on changes in accounting policy, estimates or errors to require a change in accounting policy to be applied retrospectively (unless doing so is impracticable or is specified otherwise by a new accounting standard), changes in estimates to be recorded prospectively, and prior period errors to be corrected retrospectively. Voluntary changes in accounting policy are allowed

only when they result in financial statements that provide reliable and more relevant information. In addition, these revised standards call for enhanced disclosures about the effects of changes in accounting policies, estimates and errors on the financial statements. The impact of this new standard cannot be determined until such time as the Company makes a change in accounting policy, other than the changes resulting from the implementation of the new CICA Handbook standards discussed in this note.

k) International Financial Reporting Standards

In January 2006, the CICA Accounting Standards Board (“AcSB”) adopted a strategic plan for the direction of accounting standards in Canada. Accounting standards for public companies in Canada are expected to converge with the International Financial Reporting Standards (IFRS) as at January 1, 2011. The Company continues to assess the impact of these standards on the consolidated financial statements.

#### 1.14 Financial Instruments and Other Instruments

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

#### 1.15 Other MD&A Requirements

Additional Disclosure for Venture Issuers without Significant Revenue

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

	Year ended December 31, <u>2007</u>	Year ended December 31, <u>2006</u>
Capitalized or Expensed Exploration and Development Costs	\$2,427,402	\$630,717
General and Administration Expenses	\$1,591,735	\$660,532
Write-off of mineral properties	\$47,174	\$865,515

Loss on disposal of marketable securities	\$2,256	-
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### **Authorized and Issued Share Capital**

The authorized share capital of the Company consists of an unlimited number of Class "A" Common Shares without par value (the "Common Shares") and an unlimited number of Class "B" Preference Shares without par value (the "Preference Shares"). As of December 31, 2007, 34,394,418 Common Shares were issued and outstanding as fully paid and non-assessable shares and no Preference Shares were issued and outstanding (December 31, 2006, 28,974,138).

### **Common Shares**

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

### **Preference Shares**

The Preference Shares may be issued in one or more series having those rights and restrictions as the Board of Directors of the Company determines by resolution prior to the issuance of any Preference Shares of a series. The Preference Shares of any series shall rank in parity with the Preference Shares of any other series in respect of the payment of dividends and the distribution of assets in the event of the liquidation, dissolution or winding up of the Company and shall be entitled to a preference, over the Common Shares and the shares of any other class ranking junior to the Preference Shares.

### **Risks**

#### General Risk Associated with the Mining Industry

The Company is engaged in the exploration for and development of mineral deposits. These activities involve significant risks which careful evaluation,

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

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

### Political Risk

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

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

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

Mendoza Province has proposed suspending mining activity but this proposal was rejected by the state senate. If this situation changed and such a suspension was to be implemented, the Company's Araucana, Puchen and Yalguaraz projects could be affected.

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

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

The Company's Management has discussed such proposed changes with legal counsel and has received advice that such provincial regulatory changes are or

would be unconstitutional given that the regulation of the mining industry is a federal responsibility. Marifil is closely monitoring the situation and may adjust its future plans accordingly. In addition, evidence of federal government support and recent policy initiatives designed to encourage uranium mining and nuclear electricity generation leads Management to believe that these are short term issues. In the event that environmental standards are adjusted to reflect public concerns, the Company would have no difficulty in complying.

### Foreign Currency Risk

The Company conducts its operations in Argentina advancing amounts as required. Cash balances are kept primarily in Canadian dollars and to a lesser extent in US dollars. The prices of commodities mined are primarily in US dollars as are the Capital costs of development and equipment. as a result, the fluctuations in the local currency tend to have less financial impact than if inputs and outputs are priced in the local currency.

### **Other Information**

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

### **Forward Looking Statements**

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

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