

MARIFIL MINES LIMITED

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2008

(Unaudited – Prepared by Management)

THE ACCOMPANYING FINANCIAL STATEMENTS FOR THE QUARTERS ENDED MARCH 31,
2008 AND 2007 HAVE NOT BEEN REVIEWED OR AUDITED BY THE CORPORATION'S
AUDITORS

MARIFIL MINES LIMITED
INTERIM CONSOLIDATED BALANCE SHEETS
 March 31, 2008
 (Unaudited – Prepared by Management)

| | <u>ASSETS</u> | <u>March 31,</u> <u>2008</u> (Unaudited) | <u>December 31,</u> <u>2007</u> (Audited) |
|------------------------------------|---------------|--|---|
| Current | | | |
| Cash and cash equivalents | | \$ 231,657 | \$ 922,218 |
| GST recoverable | | 39,835 | 34,935 |
| Amounts receivable | | 6,748 | - |
| Advances receivable | | 30,726 | 31,563 |
| Prepaid expense | | <u>11,580</u> | <u>7,182</u> |
| | | 320,546 | 995,898 |
| Equipment | | 14,339 | 12,071 |
| Mineral properties – Notes 3 and 5 | | <u>6,608,098</u> | <u>6,261,408</u> |
| | | <u>\$ 6,942,983</u> | <u>\$ 7,269,377</u> |

LIABILITIES

| | | | |
|---|--|-------------------|-------------------|
| Current | | | |
| Accounts payable and accrued liabilities – Note 5 | | <u>\$ 198,162</u> | <u>\$ 380,248</u> |

SHAREHOLDERS' EQUITY

| | | | |
|---|--|---------------------|---------------------|
| Share capital – Notes 4 and 10 | | | |
| Authorized: | | | |
| Unlimited number of Class A common and Class B preferred shares with no par value | | | |
| Issued and outstanding: | | | |
| 34,394,418 (2007: 34,394,418) Class A common shares | | 10,432,320 | 10,432,320 |
| Contributed surplus | | 1,216,593 | 1,216,593 |
| Deficit | | <u>(4,904,092)</u> | <u>(4,759,784)</u> |
| | | <u>6,744,821</u> | <u>6,889,129</u> |
| | | <u>\$ 6,942,983</u> | <u>\$ 7,269,377</u> |

Nature and Continuance of Operations – Note 1
 Subsequent Events – Note 10

APPROVED BY THE DIRECTORS:

| | | | |
|---------------------------------|----------|---------------------------------------|----------|
| <u>“John Hite”</u> John Hite | Director | <u>“R Walters”</u> Richard Walters | Director |
|---------------------------------|----------|---------------------------------------|----------|

SEE ACCOMPANYING NOTES

MARIFIL MINES LIMITED
INTERIM CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT
for the three month period ended March 31, 2008 and 2007
(Unaudited – Prepared by Management)

| | Three Month Period Ended March 31, <u>2008</u> | Three Month Period Ended March 31, <u>2007</u> |
|---|---|---|
| Administrative expenses | | |
| Accounting and audit – Note 5 | \$ 15,565 | \$ 7,356 |
| Amortization | 142 | 141 |
| Bank charges and interest | 1,304 | 684 |
| Consulting fees – Note 5 | 21,086 | 36,089 |
| Filing fees and investor relations | 82,633 | 46,265 |
| Insurance | 5,264 | 6,920 |
| Legal fees | 2,866 | - |
| Office and miscellaneous | 2,830 | 4,155 |
| Stock-based compensation – Note 4 | - | 40,087 |
| Travel and promotion | <u>13,040</u> | <u>26,939</u> |
| Loss before other items | (144,730) | (168,636) |
| Other items: | | |
| Write-off of mineral properties | (66,048) | - |
| Foreign exchange | 9,348 | (25,111) |
| Interest income | 6,875 | 1,116 |
| Other income | <u>50,247</u> | <u>-</u> |
| Net loss for the period | <u>\$ (144,308)</u> | <u>\$ (192,631)</u> |
| Basic and diluted loss per share | <u>\$ (0.004)</u> | <u>\$ (0.006)</u> |
| Weighted average number of shares outstanding | <u>34,393,418</u> | <u>29,913,361</u> |

SEE ACCOMPANYING NOTES

MARIFIL MINES LIMITED
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
for the three month period ended March 31, 2008 and 2007
(Unaudited – Prepared by Management)

| | Three Month Period Ended March 31, <u>2008</u> | Three Month Period Ended March 31, <u>2007</u> |
|---|---|---|
| Operating Activities | | |
| Net loss for the period | \$ (144,308) | \$ (192,631) |
| Add non-cash items: | | |
| Write-off of mineral properties | 66,048 | - |
| Amortization | 142 | 141 |
| Stock-based compensation | <u>-</u> | <u>40,087</u> |
| | (78,118) | (152,403) |
| Changes in non-cash working capital: | | |
| Advances receivable | 837 | (8,014) |
| GST and amounts receivable | (11,648) | (5,294) |
| Prepaid expenses | (4,398) | 3,988 |
| Accounts payable | <u>(182,086)</u> | <u>43,003</u> |
| | <u>(275,413)</u> | <u>(118,720)</u> |
| Financing Activities | | |
| Shares issued for cash | - | 587,709 |
| Share subscriptions received | <u>-</u> | <u>(107,755)</u> |
| | <u>-</u> | <u>479,954</u> |
| Investing Activities | | |
| Acquisition of equipment | (2,410) | (1,526) |
| Resource properties | <u>(412,738)</u> | <u>(287,085)</u> |
| | <u>(415,148)</u> | <u>(288,611)</u> |
| Increase (decrease) in cash | (690,561) | 72,623 |
| Cash, beginning of period | <u>922,218</u> | <u>1,430,584</u> |
| Cash, end of period | <u>\$ 231,657</u> | <u>\$ 1,503,207</u> |
| Cash and cash equivalents consist of: | | |
| Cash | \$ 111,657 | \$ 153,207 |
| Term deposits | <u>120,000</u> | <u>1,350,000</u> |
| | <u>\$ 231,657</u> | <u>\$ 1,503,207</u> |
| Supplemental disclosure of cash flow information: | | |
| Cash paid for: | | |
| Interest | <u>\$ -</u> | <u>\$ -</u> |
| Income taxes | <u>\$ -</u> | <u>\$ -</u> |

SEE ACCOMPANYING NOTES

MARIFIL MINES LIMITED
INTERIM CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
for the three month period ended March 31, 2008 and 2007
(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, 2005 | 20,432,931 | \$ 5,022,812 | \$ 60,000 | \$ 294,688 | \$ (1,805,954) | \$ 3,571,546 |
| For cash | | | | | | |
| for private placement - at \$0.25 each | 2,090,000 | 522,500 | (60,000) | - | - | 462,500 |
| for private placement - at \$0.30 each | 2,667,000 | 800,499 | - | - | - | 800,499 |
| for private placement - at \$0.60 each | 2,166,664 | 1,299,990 | - | - | - | 1,299,990 |
| Exercise of warrants - at \$0.20 each | 1,000,000 | 200,000 | - | - | - | 200,000 |
| Exercise of warrants - at \$0.50 each | 220,043 | 110,022 | - | - | - | 110,022 |
| Exercise of warrants - at \$0.35 each | 347,500 | 121,625 | - | - | - | 121,625 |
| Exercise of warrants - at \$0.40 each | 50,000 | 20,000 | - | - | - | 20,000 |
| Less: share issue costs | - | (25,276) | - | - | - | (25,276) |
| Stock-based compensation | - | - | - | 142,845 | - | 142,845 |
| Share subscriptions | - | - | 107,755 | - | - | 107,755 |
| Net loss for the year ended December 31, 2006 | - | - | - | - | (1,406,113) | (1,406,113) |
| Balance, December 31, 2006 | 28,974,138 | 8,072,172 | 107,755 | 437,533 | (3,212,067) | 5,405,393 |
| For cash | | | | | | |
| For private placement - at \$0.45 each | 2,181,655 | 982,045 | - | - | - | 982,045 |
| Less: share issue costs | - | (58,200) | - | - | - | (58,200) |
| Exercise of options - at \$0.20 each | 190,000 | 38,000 | - | - | - | 38,000 |
| Exercise of options - at \$0.30 each | 690,000 | 207,000 | - | - | - | 207,000 |
| Exercise of warrants - at \$0.35 each | 697,500 | 244,125 | (14,000) | - | - | 230,125 |
| Exercise of warrants - at \$0.40 each | 1,275,165 | 510,066 | - | - | - | 510,066 |
| Exercise of warrants - at \$0.50 each | 237,835 | 118,917 | (93,755) | - | - | 25,162 |
| Exercise of warrants - at \$0.75 each | 148,125 | 111,095 | - | - | - | 111,095 |
| Stock-based compensation | - | - | - | 986,160 | - | 986,160 |
| Transfer from contributed surplus on exercise of options | - | 207,100 | - | (207,100) | - | - |
| Net loss for the year ended December 31, 2007 | - | - | - | - | (1,547,717) | (1,547,717) |
| Balance, December 31, 2007 | 34,393,418 | \$ 10,432,320 | \$ - | \$ 1,216,593 | \$ (4,759,784) | \$ 6,889,129 |

... cont'd

SEE ACCOMPANYING NOTES

MARIFIL MINES LIMITED
INTERIM CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
for the three month period ended March 31, 2008 and 2007
(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 | 34,393,418 | \$ 10,432,320 | \$ - | \$ 1,216,593 | \$ (4,759,784) | \$ 6,889,129 |
| Net loss for the period ended March 31, 2008 | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(144,308)</u> | <u>(144,308)</u> |
| Balance, March 31, 2008 | <u>34,393,418</u> | <u>\$ 10,432,320</u> | <u>\$ -</u> | <u>\$ 1,216,593</u> | <u>\$ (4,904,092)</u> | <u>\$ 6,744,821</u> |

SEE ACCOMPANYING NOTES

MARIFIL MINES LIMITED
CONSOLIDATED SCHEDULE OF MINERAL PROPERTIES
March 31, 2008
(Unaudited – Prepared by Management)

| | Las Aguilas, San Luis Province | Amarillo, San Juan Province | Davicino Properties, Rio Negro Province | Tembrao (Davicino) - Pailemen, Rio Negro Province | Toruel (Davicino), Rio Negro Province | San Roque, Rio Negro Province | Other Properties | Total |
|---|--------------------------------------|-----------------------------------|--|---|--|-------------------------------------|---------------------|---------------------|
| Balance, December 31, 2007 | \$ - | \$ 1,153,845 | \$ 339,132 | \$ 88,369 | \$ 1,531,681 | \$ 1,853,356 | \$ 836,937 | \$ 5,803,320 |
| Acquisition | - | - | - | - | - | - | - | - |
| Property payments | 1,819 | - | - | 5,113 | - | 21,227 | 41,358 | 69,517 |
| General exploration | 964 | 328 | - | 2,364 | 1,711 | 126,917 | 41,856 | 174,140 |
| Administrative and general | 119 | 40 | - | 293 | 276 | 17,166 | 7,340 | 25,234 |
| Contract and consultants | 265 | 710 | - | - | - | 30,286 | 20,854 | 52,115 |
| Drilling | - | - | - | - | - | (52,060)* | - | (52,060) |
| Geophysics | - | - | - | - | - | - | - | - |
| Geochemical | - | - | - | - | - | - | 10,378 | 10,378 |
| Field support | - | - | - | - | 3,182 | 65,835 | 13,879 | 82,896 |
| Travel and accommodation | - | - | - | - | 456 | 56,751 | 1,909 | 59,116 |
| Land environment | - | - | - | - | - | 17,052 | - | 17,052 |
| Miscellaneous | - | - | - | - | - | - | (100,000) | (100,000) |
| Deduct: option payments received | - | (1,078) | - | - | - | - | - | (1,078) |
| Deduct: shares received (option payments) | - | - | - | - | - | - | - | - |
| Deduct: write-off | - | - | - | - | - | - | (66,048) | (66,048) |
| | <u>3,167</u> | <u>-</u> | <u>-</u> | <u>7,770</u> | <u>5,625</u> | <u>283,174</u> | <u>(28,474)</u> | <u>271,262</u> |
| Subtotal before IVA taxes paid | 3,167 | 1,153,845 | 339,132 | 96,139 | 1,537,306 | 2,136,530 | 808,463 | 6,074,582 |
| Accumulated IVA paid, net of recoveries | - | - | - | - | - | - | - | 533,516 |
| Balance, March 31, 2008 | <u>\$ 3,167</u> | <u>\$ 1,153,845</u> | <u>\$ 339,132</u> | <u>\$ 96,139</u> | <u>\$ 1,537,306</u> | <u>\$ 2,136,530</u> | <u>\$ 808,463</u> | <u>\$ 6,608,098</u> |

* Reversal of accrual

SEE ACCOMPANYING NOTES

MARIFIL MINES LIMITED
CONSOLIDATED SCHEDULE OF MINERAL PROPERTIES
March 31, 2008
(Unaudited – Prepared by Management)

| | Las Aguilas, San Luis <u>Province</u> | Amarillo, San Juan <u>Province</u> | Davicino Properties, Rio Negro <u>Province</u> | Tembrao (Davicino) - Pailemen, Rio Negro <u>Province</u> | Toruel (Davicino), Rio Negro <u>Province</u> | San Roque, Rio Negro <u>Province</u> | Other Properties | <u>Total</u> |
|---|---|--|---|--|---|--|---------------------|---------------------|
| Balance, December 31, 2006 | \$ 124,924 | \$ 1,124,536 | \$ 339,132 | \$ 60,522 | \$ 1,391,175 | \$ 147,314 | \$ 646,403 | \$ 3,834,006 |
| Acquisition | - | - | - | - | - | - | - | - |
| Property payments | 3,104 | 62,319 | - | 19,631 | 86,218 | 42,624 | 81,611 | 295,507 |
| General exploration | 9,486 | 21,094 | - | 4,160 | 41,275 | 326,932 | 80,569 | 483,516 |
| Administrative and general | 2,890 | 5,531 | - | 1,618 | 7,678 | 91,840 | 37,474 | 147,031 |
| Contract and consultants | 3,160 | 25,779 | - | 106 | 1,445 | 130,841 | 85,988 | 247,319 |
| Drilling | - | - | - | - | - | 729,757 | - | 729,757 |
| Geophysics | - | - | - | - | - | - | 14,080 | 14,080 |
| Geochemical | - | - | - | - | 13 | 60,278 | 5,487 | 65,778 |
| Field support | 305 | 1,459 | - | - | 3,877 | 171,721 | 39,060 | 216,422 |
| Travel and accommodation | 183 | 174 | - | - | - | 144,425 | 5,164 | 149,946 |
| Land environment | - | - | - | 2,332 | - | 7,624 | 2,831 | 12,787 |
| Miscellaneous | - | - | - | - | - | - | 10,388 | 10,388 |
| Deduct: option payments received | (144,052) | (51,047) | - | - | - | - | - | (195,099) |
| Deduct: shares received (option payments) | - | (36,000) | - | - | - | - | - | (36,000) |
| Deduct: write-off | - | - | - | - | - | - | (47,194) | (47,194) |
| | <u>(124,924)</u> | <u>29,309</u> | <u>-</u> | <u>27,847</u> | <u>140,506</u> | <u>1,706,042</u> | <u>190,534</u> | <u>2,094,238</u> |
| Subtotal before IVA taxes paid | - | 1,153,845 | 339,132 | 88,369 | 1,531,681 | 1,853,356 | 836,937 | 5,803,320 |
| Accumulated IVA paid, net of recoveries | - | - | - | - | - | - | - | 458,088 |
| Balance, December 31, 2007 | <u>\$ -</u> | <u>\$ 1,153,845</u> | <u>\$ 339,132</u> | <u>\$ 88,369</u> | <u>\$ 1,531,681</u> | <u>\$ 1,853,356</u> | <u>\$ 836,937</u> | <u>\$ 6,261,408</u> |

SEE ACCOMPANYING NOTES

MARIFIL MINES LIMITED
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2008
(Unaudited – Prepared by Management)

Note 1 Nature and Continuance of Operations

Marifil Mines Limited (the “Company”) was incorporated on December 2, 2003 under the Yukon Business Corporation Act and is in the development 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 March 31, 2008, the Company had not yet achieved profitable operations, had a working capital of \$108,384 which may not be sufficient to sustain operations over the next twelve months 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, 2007.

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 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) Cash and Cash Equivalents

Cash and cash equivalents consist of all highly liquid investments that are readily convertible to cash within 90 days when purchased.

c) 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.

d) 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 and liabilities are recognized for temporary differences between the tax and accounting basis of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes only if it is more likely than not that they can be realized.

e) 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)

e) 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, the assessment of future probability of profitable 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.

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.

f) Foreign Currency Translation

The Company and its wholly-owned subsidiary maintain accounting records in their functional 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)

g) Loss per Share

Basic loss per share is computed by dividing the loss 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 4,115,828 (2007: 3,750,165) were not included in the computation of diluted loss per share because the effect would have been anti-dilutive.

h) Stock-based compensation

The fair value of all share purchase options granted is expensed over their vesting period with a corresponding increase to contributed surplus. 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.

i) Asset Retirement Obligations

The fair value of obligations associated with the retirement of tangible long-lived assets are recorded in the period the asset is put into use, 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 for changes in the fair value of the liability through charges to accretion, which is included in depletion, depreciation and accretion expense. The costs capitalized to the related assets are amortized in a manner consistent with the depletion and depreciation of the related asset. At December 31, 2007, the Company cannot reasonably estimate the fair value of the resource properties' site restoration costs, if any.

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

j) 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.

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

j) Changes in Accounting Policies – (cont'd)

ii) Financial instruments – Recognition and Measurement, Section 3855 – (cont'd)

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.

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

j) Changes in Accounting Policies – (cont'd)

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.

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

j) Changes in Accounting Policies (cont'd)

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

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

The capital structure of the Company consists of shareholders’ equity and cash and cash equivalents as noted. (See Note 9)

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.

Note 3 Mineral Properties

San Luis Project (Las Aquillas)

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

On November 20, 2003, the Company granted BHP Billiton World Exploration Inc. (“BHP”) the option to acquire up to an 80% interest in the properties. Effective August 29, 2005, BHP and the Company agreed to terminate the option agreement and in consideration thereof the Company agreed to purchase from BHP a 100% interest, subject to a 2% NSR to BHP, in properties adjacent to the San Luis Project. Consideration payable was US\$23,700 (paid).

December, 2006 Agreement

By an agreement dated December 13, 2006, the Company entered into an agreement to grant an option on 50% of its Las Aguillas property located in San Luis province with a predecessor of Castillian Resources Ltd (“Castillian”). The agreement provides for the following consideration and expenditures:

Cash:

- a) US\$100,000 within 60 days of the effective date (received);
- b) US\$125,000 before the first anniversary of the effective date (received);
- c) US\$125,000 before the second anniversary of the effective date;
- d) US\$125,000 before the third anniversary of the effective date.

Note 3 Mineral Properties (cont'd)

San Luis Project (Las Aquillas) (cont'd)

Exploration:

- a) US\$400,000 before the first anniversary of the effective date;
- b) US\$600,000 before the second anniversary of the effective date;
- c) US\$1,000,000 before the third anniversary of the effective date;
- d) US\$1,000,000 before the fourth anniversary of the effective date.

The optionee has the right to increase their interest to 60% if it increases expenditures by a further US\$2,000,000 and by paying to the Company an additional US\$100,000 on or before 48 months and 60 months of the effective date and US\$100,000 each year until the commencement of commercial production and by providing a bankable feasibility study within 72 months of the effective date.

Castillian can earn a further 5% interest by arranging for total project financing and by paying the Company US\$150,000 per year until the project commences commercial production.

April, 2007 Agreement

By a further agreement dated April 19, 2007, the Company signed an agreement with Castillian wherein Castillian will acquire 54,790.62 hectare exploration properties surrounding the Las Aquillas property. This is a separate agreement with Castillian. Under the terms of the agreement, Castillian has the right to earn a 50% interest in the property for the following consideration and expenditures:

Cash:

- a) US\$10,000 on execution of the agreement (received);
- b) US\$40,000 on or before 30 days following execution of the agreement (received);
- c) US\$100,000 on or before the first anniversary of the agreement;
- d) US\$115,000 on or before the second anniversary of the agreement;
- e) US\$135,000 on or before the third anniversary of the agreement;
- f) US\$200,000 on or before the fourth anniversary of the agreement.

Exploration:

- a) US\$200,000 to be spent on or before the first anniversary of the agreement;
- b) US\$300,000 to be spent on or before the second anniversary of the agreement;
- c) US\$400,000 to be spent on or before the third anniversary of the agreement;
- d) US\$600,000 to be spent on or before the fourth anniversary of the agreement; and
- e) US\$1,500,000 to be spent on or before the fifth anniversary of the agreement.

Note 3 Mineral Properties (cont'd)

San Luis Project (Las Aquillas) (cont'd)

If Castillian makes all of the commitments and payments listed above then Castillian will have the right to earn a further 10% interest by:

- a) Spending US\$2,000,000 per year for each of the next two years in work obligations:
and
- b) Paying the Company US\$165,000 before the end of each year and continuing each year until Castillian produces a “bankable” feasibility study.

Castillian can earn a further 5% interest by arranging for total project financing and by paying the Company US\$150,000 per year until the project commences commercial production.

The option proceeds received are in excess of costs incurred on the property and the excess proceeds of \$50,247 have been included in other income.

Maipu Project

The Company has a 100% interest in the Maipu properties located in Santa Cruz province Argentina.

Somuncura Property

The Company has a 100% interest in fifteen properties located in Rio Negro province Argentina.

Alto Rio Chubut Project

The Company has staked five properties in the Rio Negro province of Argentina.

Valle Daza Project

The Valle Daza project covers approximately 140 square kilometres located in La Pampa province, Argentina.

Amarillo Project

Pursuant to an agreement dated May 25, 2004 (the Closing Date) and amended June 7, 2005, the Company entered into an option agreement to acquire up to a 55% interest in the Amarillo properties located in San Juan province Argentina. In order to maintain the agreement in good standing, the Company must incur minimum exploration expenses of US\$3,125,000 and pay US\$380,000 by April 14, 2012 as follows:

Note 3 Mineral Properties (cont'd)

Amarillo Project (cont'd)

- a) US\$15,000 upon execution of the agreement;
- b) US\$15,000 no later than May 25, 2005;
- c) US\$20,000 no later than November 25, 2005;
- d) US\$30,000 no later than May 25, 2006;
- e) US\$30,000 no later than November 25, 2006;
- f) US\$60,000 no later than May 25, 2007;
- g) US\$60,000 no later than November 25, 2007;
- h) US\$75,000 no later than May 25, 2008; and
- i) US\$75,000 no later than November 25, 2008.

After making all of the above payments, the Company can acquire a further 24% interest pay paying US\$900,000 in cash in two instalments: US\$300,000 upon the fifth anniversary of the agreement and US\$600,000 upon the sixth anniversary of the agreement. The Company may acquire the remaining 21% interest by, prior to the seventh anniversary of the agreement, paying US\$1,000,000 for each 7% increment or US\$3,000,000 for the full 21% interest.

The property is subject to a 1.5% net smelter return. There are no Royalty payments payable to the optionor.

By an agreement dated December 11, 2006, the Company has entered into an agreement to grant an option on 51% of the property. The option agreement provides for the following consideration and expenditures:

Cash and shares:

- a) US\$57,500 and 37,500 shares by January 17, 2007 (received);
- b) US\$50,000 and 50,000 shares by January 17, 2008 (subsequently received);
- c) US\$75,000 and 75,000 shares by January 17, 2009;
- d) US\$100,000 and 100,000 shares by January 17, 2010;
- e) US\$150,000 by January 17, 2011;
- f) US\$150,000 by January 17, 2012.

Exploration:

- a) US\$500,000 before the first anniversary of the effective date;
- b) US\$1,000,000 before the second anniversary of the effective date;
- c) US\$2,500,000 before the third anniversary of the effective date.

The optionee can earn an additional 14% for a total of 65% by incurring an additional US\$3,000,000 and delivering a bankable feasibility study before 48 months after the effective date and by making payments of \$150,000 on the sixth anniversary date and US\$100,000 on each anniversary date until the commencement of commercial production. The optionee may earn an additional 5% for a total of 70% by providing for the Company's share of expenses through to commercial production.

Note 3 Mineral Properties (cont'd)

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) Tembrao Property

On May 8, 2004, the Company entered into an option agreement to acquire up to a 100% interest in the Davicino II Properties. In order to maintain the agreement in good standing, the Company must pay US\$150,000 over six years as follows:

- a) US\$3,000 upon execution of agreement;
- b) US\$3,000 no later than November 8, 2004;
- c) US\$5,000 no later than May 8, 2005;
- d) US\$5,000 no later than November 8, 2005;
- e) US\$12,000 no later than May 8, 2006;
- f) US\$12,000 no later than November 8, 2006;
- g) US\$20,000 no later than May 8, 2007;
- h) US\$20,000 no later than November 8, 2007;
- i) US\$35,000 no later than May 8, 2008;
- j) US\$35,000 no later than November 8, 2008. and
- k) US\$230,000 on or after May 8, 2009.

The property is subject to a 2.0% net smelter return. The Company may purchase the NSR by paying US\$750,000.

The Tembrao property is located in a conservatory area and no exploration work is permitted at this time.

ii) Toruel Property

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

a) M.I.M. Argentina Exploraciones

Marifil is obligated to spend US\$178,000 on exploration based on the following schedule:

US\$20,000 before the first anniversary date
US\$30,000 before the second anniversary date
US\$35,000 before the third anniversary date
US\$43,000 before the fourth anniversary date
US\$50,000 before the fifth anniversary date

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.

Note 3 Mineral Properties (cont'd)

ii) Toruel Property (cont'd)

b) Davicino

The second contract is with Ruben Daviceno and was signed on May 8, 2004 for the Dos Amigos, Paileman I and II, and Tembrao I and II claims. The payments in respect of this portion of the property are included in the Tembrau payments schedule. The Dos Amigos claims are part of the Toruel project.

The optionor retains a 2% NSR, and the Company has the right to purchase this for US\$750,000. There are no Royalty payments payable to the optionor.

c) Ana Beda and Veronica Alduvino

The third contract is with Ana Benda and Veronica Alduvino for the Sonito claim. Contract payments as follows:

| <u>Payments</u> | <u>Due Dates</u> |
|-----------------|-------------------|
| US\$2,500 | On signing |
| US\$7,500 | December 31, 2005 |
| US\$7,000 | June 30, 2006 |
| US\$8,000 | December 31, 2005 |
| US\$15,000 | June 30, 2007 |
| US\$15,000 | December 31, 2007 |
| US\$40,000 | June 30, 2008 |
| US\$50,000 | December 31, 2008 |
| US\$100,000 | June 30 2009 |
| US\$100,000 | December 31, 2009 |

There are no Royalty payments payable to the optionor.

Note 3 Mineral Properties (cont'd)

Lago Fontana (Ferrocarrilera) Project

The Company acquired this property by staking and has optioned it to Silex Argentina (“Silex”), a wholly owned subsidiary of Apex Silver Mines Ltd. Under the terms of the agreement Silex must make payments and incur exploration expenses as follows in order to earn a 55% interest in the property.

Exploration expenditures

| | |
|---------------|-----------------------|
| US\$ 250,000 | Before April 10, 2007 |
| US\$ 400,000 | Before April 10, 2009 |
| US\$ 750,000 | Before April 10, 2010 |
| US\$1,000,000 | Before April 10, 2011 |

Cash payments

| | |
|-------------|-----------------------------|
| US\$ 50,000 | April 10, 2006 (received) |
| US\$ 25,000 | October 10, 2006 (received) |

Silex has declared a force majeure due to inability to obtain permitting. The property has been returned and a new joint venture is being sought.

Araucana Property

The Company has entered into an agreement to option the Araucana Molybdenum Property located in Mendoza Province Argentina. Under the terms of the agreement, the Company must pay as follows:

- a) US\$5,000 upon execution of agreement;
- b) US\$5,000 before December 31, 2006;
- c) US\$50,000 no later than July 12, 2007;
- d) US\$100,000 no later than December 31, 2008;
- e) US\$150,000 no later than December 31, 2009; and
- f) US\$180,000 no later than December 31, 2010.

Once these payments have been made and the Company has expended US\$500,000, it shall immediately earn a 25% interest in the property. An additional 55% can be purchased by spending US\$2,500,000 in three equal instalments. The remaining 20% will be subject to a dilution clause and if the interest falls below 10%, it will automatically convert to a 1% NSR which can be purchased for US\$1,500,000.

A temporary ban on mining activity has been imposed by Mendoza Province.

During the year ended December 31, 2007, management of the Company abandoned the property and wrote off the aggregate costs incurred of \$27,051.

Note 3 Mineral Properties (cont'd)

San Roque Project

The Company has 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. The Company has the right to purchase 100% of the property at any time by making a single cash payment of US\$400,000.

Other Properties

The Company also owns a limestone property, an oil and gas property and a red-bed copper prospect. The limestone property is subject to a significant finder's fee payable on any proceeds received in respect of the property. This arrangement is the subject of renegotiation discussions currently underway.

Note 4 Share Capital

Shares

During the year ended December 31, 2007, the Company issued 2,181,655 common shares pursuant to a non-brokered private placement of units of \$0.45 per unit for total proceeds of \$982,045. 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 \$0.75 per share for a period of one year. Finders' fees relating to this private placement was cash of \$58,200.

During the year ended December 31, 2006, the Company issued 6,923,664 common shares pursuant to the following private placements:

- a) 2,090,000 units at \$0.25 per unit for total proceeds of \$522,500. 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 \$0.35 per share for a period of one year.
- b) 2,667,000 units at \$0.30 per unit for total proceeds of \$800,499. 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 \$0.40 per share for a period of one year.
- c) 2,166,664 units at \$0.60 per unit for total proceeds of \$1,299,990. 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 \$0.75 per share for a period of one year.

Note 4 Share Capital – (cont'd)

Shares – (cont'd)

Finders' fees relating to the above 2006 private placements were cash of \$25,276.

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

On March 24, 2006, the Company granted options to purchase 440,000 shares at an exercise price of \$0.30 per share and on November 21, 2006, a further 70,000 shares at \$0.60 per share. On February 11, 2007, the Company granted options to purchase 100,000 shares at an exercise price of \$0.58 per share. On May 29, 2007 the Company granted options to purchase 1,610,000 shares at an exercise price of \$0.66 per share and on June 19, 2007, a further 150,000 shares at \$0.60 per share. The fair value of stock options granted totalling \$958,093 (2006: \$437,533) was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

| | <u>2007</u> | <u>2006</u> |
|---------------------------------|-----------------|----------------|
| Expected dividend yield | 0% | 0% |
| Expected stock price volatility | 88.03% - 92.19% | 66.4% – 119.6% |
| Risk-free interest rate | 3.90% | 3.90% - 3.91% |
| Expected life of options | 5 years | 2 - 5 years |

The Company granted 200,000 options on February 5, 2008 at \$0.42 per share. These options vest as to 25% on May 6, 2008 and 25% every three months thereafter.

The fair value will be booked at the dates of vesting.

Note 4 Share Capital – (cont'd)

Stock Options Outstanding

As at March 31, 2008, options outstanding are as follows:

| <u>Number</u> | | <u>Vested</u> | <u>Exercise Price</u> | <u>Expiry Date</u> |
|------------------|---|------------------|-----------------------|--------------------|
| 150,000* | Consultant | 150,000 | \$0.60 | June 20, 2009 |
| 200,000**** | Consultants | - | \$0.42 | February 5, 2010 |
| 900,000 | Directors | 900,000 | \$0.50 | March 16, 2010 |
| 65,000 | Employees | 65,000 | \$0.60 | November 21, 2011 |
| 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 |
| 200,000*** | Consultants | 200,000 | \$0.66 | May 28, 2012 |
| <u>60,000***</u> | Consultant and Officer of Marifil SA | <u>60,000</u> | \$0.66 | May 28, 2012 |
| <u>3,025,000</u> | | <u>2,825,000</u> | | |

* These options vest as to 25% on June 20, 2007, 25% on December 31, 2007 and 25% every three months thereafter.

** These options vest as to 20% every four months from the date of grant

*** These options vest as to 25% when granted and 25% every three months thereafter.

**** These options vest as to 25% on May 6, 2008 and 25% every three months thereafter.

At December 31, 2007, the 2,825,000 share purchase options outstanding have exercise prices between \$0.50 and \$0.66 and a weighted average remaining contractual life of 3.53 years.

Stock Options Outstanding

A summary of the share purchase options is as follows:

| | <u>March 31, 2008</u> | | <u>December 31, 2007</u> | |
|----------------------------------|-----------------------|--|--------------------------|--|
| | <u>Shares</u> | <u>Weighted Average Exercise Price</u> | <u>Shares</u> | <u>Weighted Average Exercise Price</u> |
| Outstanding, beginning of period | 2,825,000 | \$0.60 | 1,850,000 | \$0.40 |
| Granted | 200,000 | \$0.42 | 1,860,000 | \$0.65 |
| Exercised | - | - | (880,000) | \$0.28 |
| Cancelled | - | - | <u>(5,000)</u> | \$0.60 |
| Outstanding, end of period | <u>3,025,000</u> | \$0.59 | <u>2,825,000</u> | \$0.60 |
| Exercisable, end of period | <u>2,825,000</u> | | <u>2,625,000</u> | |

Note 4 Share Capital – (cont'd)

Warrants Outstanding

As at March 31, 2008, the following share purchase warrants were outstanding:

| <u>Number</u> | <u>Exercise Price</u> | <u>Expiry Date</u> |
|------------------|-----------------------|--------------------|
| <u>1,090,828</u> | \$0.75 | December 28, 2008 |

A summary of the warrants outstanding is as follows:

| | <u>March 31, 2008</u> | | | <u>December 31, 2007</u> | | |
|------------------------------|-----------------------|--|--------------------------------------|--------------------------|--|--------------------------------------|
| | <u>Shares</u> | <u>Weighted Average Exercise Price</u> | <u>Weighted Average Life (Years)</u> | <u>Shares</u> | <u>Weighted Average Exercise Price</u> | <u>Weighted Average Life (Years)</u> |
| Balance, beginning of period | 1,090,828 | \$0.75 | 1.00 | 5,653,747 | \$0.55 | 1.45 |
| Issued | - | - | - | 1,090,828 | \$0.75 | 1.00 |
| Exercised | - | - | - | (2,358,625) | \$0.42 | 1.10 |
| Expired | <u>-</u> | - | - | <u>(3,295,122)</u> | \$0.71 | 1.70 |
| Balance, end of period | <u>1,090,828</u> | <u>\$0.75</u> | <u>1.00</u> | <u>1,090,828</u> | <u>\$0.75</u> | <u>1.00</u> |

Note 5 Related Party Transactions

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

| | <u>Three month period ended</u> <u>March 31,</u> | |
|------------------------------------|---|------------------|
| | <u>2008</u> | <u>2007</u> |
| Deferred resource properties costs | \$ 21,556 | \$ 27,282 |
| Accounting fees | 12,390 | 8,730 |
| Consulting fees | <u>21,086</u> | <u>21,089</u> |
| | <u>\$ 55,032</u> | <u>\$ 57,101</u> |

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

At March 31, 2008 accounts payable included \$5,449 (December 31, 2007 - \$5,998) owing to directors of the Company for unpaid fees and reimbursement of expenses.

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Note 6 Income Taxes

At December 31, 2007, the Company has accumulated non-capital losses of approximately \$1,336,000 in Canada and CDN\$1,222,000 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 | \$ 23,000 | \$ - | \$ 23,000 |
| 2011 | 17,000 | 166,000 | 183,000 |
| 2012 | 221,000 | - | 221,000 |
| 2015 | 961,000 | 555,000 | 1,516,000 |
| 2026 | - | 476,000 | 476,000 |
| 2027 | <u>-</u> | <u>139,000</u> | <u>139,000</u> |
| | <u>\$ 1,222,000</u> | <u>\$ 1,336,000</u> | <u>\$ 2,558,000</u> |

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

| | <u>Dec 31</u> <u>2007</u> | <u>Dec 31</u> <u>2006</u> |
|--|------------------------------|------------------------------|
| Statutory tax rate | <u>34.12%</u> | <u>34.12%</u> |
| Loss before income taxes | <u>\$(1,547,000)</u> | <u>\$(1,406,000)</u> |
| Expected income tax recovery | 528,000 | 480,000 |
| Increase (decrease) in income tax recovery resulting from: | | |
| Change in statutory rates | (126,000) | - |
| Non-deductible stock-based compensation | (336,000) | (49,000) |
| Other non-deductible items | (215,000) | 6,000 |
| Change in the valuation allowance for future income tax assets | <u>149,000</u> | <u>(437,000)</u> |
| Income tax recovery | <u>\$ -</u> | <u>\$ -</u> |

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

| | <u>Dec 31</u> <u>2007</u> | <u>Dec 31</u> <u>2006</u> |
|---|------------------------------|------------------------------|
| Non-capital loss carry forward | \$ 775,000 | \$ 500,000 |
| Mineral properties and deferred exploration | (428,000) | (91,000) |
| Share issuance costs | <u>49,000</u> | <u>73,000</u> |
| | 396,000 | 482,000 |
| Less: valuation allowance | <u>(396,000)</u> | <u>(482,000)</u> |
| | <u>\$ -</u> | <u>\$ -</u> |

Note 6 Income Taxes – (cont'd)

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 7 Segmented Information

The Company operates in one reporting segment, being the acquisition and exploration of mineral properties in Argentina.

Note 8 Financial Instruments

The carrying value of cash and cash equivalents, receivables, prepaid expenses and accounts payable and accrued liabilities approximate their fair values due to the short maturity of those instruments. Unless otherwise noted, it is managements' opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial statements.

Note 9 Capital Disclosures

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

| | <u>March 31, 2008</u> | <u>December 31, 2007</u> |
|---------------------------|-----------------------|--------------------------|
| Components of Capital: | | |
| Shareholders' equity | \$ 6,744,821 | \$ 6,889,129 |
| Long – term debt | Nil | Nil |
| Less: | | |
| Cash and cash equivalents | 231,657 | 922,218 |
| | <u>\$ 6,513,164</u> | <u>\$ 5,966,911</u> |

The Company's objectives when managing capital are:

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

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

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

Note 10 Subsequent Events

- a) On May 21, 2008, the Company announced it has arranged a non-brokered private placement of 1,125,000 units at a price of \$0.40 per unit for gross proceeds of \$450,000. Each unit consists of one common share and one-half of one warrant. One full warrant will entitle the holder to acquire an additional common share at a price of \$0.65 for a period of one year. The private placement has been fully subscribed, and is subject to the approval of the TSX Venture Exchange.

- b) On May 5, 2008, the Company granted 65,000 options at \$0.45 per share for 5 years.