

MARIFIL MINES LIMITED

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2008

(Unaudited – Prepared by Management)

THE ACCOMPANYING FINANCIAL STATEMENTS FOR THE QUARTERS ENDED JUNE 30, 2008
AND 2007 HAVE NOT BEEN REVIEWED OR AUDITED BY THE CORPORATION'S AUDITORS

MARIFIL MINES LIMITED
INTERIM CONSOLIDATED BALANCE SHEETS
 June 30, 2008
 (Unaudited)

	<u>ASSETS</u>	<u>June 30,</u> <u>2008</u> (Unaudited)	<u>December 31,</u> <u>2007</u> (Audited)
Current			
Cash and cash equivalents		\$ 83,329	\$ 922,218
Marketable securities		7,500	-
GST recoverable		12,026	34,935
Amounts receivable		6,352	-
Advances receivable		32,922	31,563
Prepaid expense		<u>19,844</u>	<u>7,182</u>
		161,973	995,898
Equipment		16,073	12,071
Mineral properties – Notes 3 and 5		<u>7,034,484</u>	<u>6,261,408</u>
		<u>\$ 7,212,530</u>	<u>\$ 7,269,377</u>

LIABILITIES

Current			
Accounts payable and accrued liabilities – Note 5		<u>\$ 98,362</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:			
35,394,418 (2007: 34,394,418) Class A common shares		10,803,820	10,432,320
Subscriptions received		-	-
Contributed surplus		1,277,093	1,216,593
Deficit		<u>(4,966,745)</u>	<u>(4,759,784)</u>
		<u>7,114,168</u>	<u>6,889,129</u>
		<u>\$ 7,212,530</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>“Bill Schara”</u> Bill Schara	Director
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SEE ACCOMPANYING NOTES

MARIFIL MINES LIMITED
INTERIM CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT
for the three and six month periods ended June 30, 2008 and 2007
(Unaudited – Prepared by Management)

	Six months ended June 30		Three months ended June 30	
	2008	2007	2008	2007
Administrative expenses				
Accounting and audit – Note 5	\$ 27,903	\$ 22,821	\$ 12,338	\$ 15,465
Amortization	435	283	293	142
Bank charges and interest	2,548	1,400	1,244	716
Consulting fees – Note 5	42,296	77,664	21,210	41,575
Directors fees	3,021	11,916	3,021	11,916
Filing fees and investor relations	144,482	90,981	61,849	44,716
Insurance	9,476	13,499	4,212	6,579
Legal fees	4,584	7,562	1,718	7,562
Office and miscellaneous	7,453	7,391	4,623	3,236
Stock-based compensation – Note 4	60,500	747,267	60,500	707,180
Travel and promotion	30,906	52,280	17,866	25,341
Income (loss) before other items:	(333,604)	(1,033,064)	(188,874)	(864,428)
Other items:				
Write-off of resource properties	(95,269)	-	(29,221)	-
Gain on disposal of marketable securities	3,155	-	3,155	-
Foreign exchange	25,754	(51,129)	16,406	(26,018)
Interest income	8,702	6,411	1,827	5,295
Other income	184,301	-	134,054	-
Net income (loss) for the period	<u>\$ (206,961)</u>	<u>\$ (1,077,782)</u>	<u>\$ (62,653)</u>	<u>\$ (885,151)</u>
Basic and diluted loss per share	<u>\$ (0.01)</u>	<u>\$ (0.04)</u>	<u>\$ (0.00)</u>	<u>\$ (0.03)</u>
Weighted average number of shares				
Outstanding	<u>34,537,275</u>	<u>30,664,616</u>	<u>34,683,307</u>	<u>31,026,288</u>

SEE ACCOMPANYING NOTES

MARIFIL MINES LIMITED
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
for the three and six month periods ended June 30, 2008 and 2007
(Unaudited – Prepared by Management)

	6 months ended June 30		3 months ended June 30	
	2008	2007	2008	2007
Operating Activities				
Net loss for the period	\$ (206,961)	\$ (1,077,782)	\$ (62,653)	\$ (885,151)
Add non-cash items:				
Write-off of resource properties	95,269	-	29,221	-
Amortization	435	283	293	142
Stock-based compensation	60,500	747,267	60,500	707,180
	<u>(50,757)</u>	<u>(330,232)</u>	<u>27,361</u>	<u>(177,829)</u>
Change in non-cash working capital:				
Advances receivable	(1,359)	(832)	(2,196)	7,182
GST and amounts receivable	16,557	(9,407)	28,205	(4,113)
Prepaid expenses	(12,662)	4,830	(8,264)	842
Accounts payable and accrued liabilities	(281,886)	(2,582)	(99,800)	(45,585)
	<u>(330,107)</u>	<u>(338,223)</u>	<u>(54,694)</u>	<u>(219,503)</u>
Financing Activities				
Shares issued for cash	400,000	1,154,203	400,000	566,494
Share issue costs	(28,500)	-	(28,500)	-
Share subscriptions received	-	(107,755)	-	-
	<u>371,500</u>	<u>1,046,448</u>	<u>371,500</u>	<u>566,494</u>
Investing Activities				
Acquisition of equipment	(4,437)	(5,618)	(2,027)	(4,092)
Mineral properties	(868,345)	(866,566)	(455,607)	(579,481)
	<u>(872,782)</u>	<u>(872,184)</u>	<u>(457,634)</u>	<u>(583,573)</u>
Increase (decrease) in cash	(831,389)	(163,959)	(140,828)	(236,582)
Cash, beginning of period	922,218	1,430,584	231,657	1,503,207
Cash, end of period	<u>\$ 90,829</u>	<u>\$ 1,266,625</u>	<u>\$ 90,829</u>	<u>\$ 1,266,625</u>
Cash and cash equivalents consist of:				
Cash	\$ 83,329	\$ 191,625	\$ 83,329	\$ 191,625
Marketable securities	7,500	-	7,500	-
Term deposits	-	1,075,000	-	1,075,000
	<u>\$ 90,829</u>	<u>\$ 1,266,625</u>	<u>\$ 90,829</u>	<u>\$ 1,266,625</u>
Supplemental disclosure of cash flow information				
Cash paid for:				
Interest	\$ -	\$ -	\$ -	\$ -
Income Taxes	\$ -	\$ -	\$ -	\$ -

SEE ACCOMPANYING NOTES

MARIFIL MINES LIMITED
INTERIM CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
for the six month period ended June 30, 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	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,406,113)</u>	<u>(1,406,113)</u>
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	110,095	-	-	-	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, 2006	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,406,113)</u>	<u>(1,406,113)</u>
Balance, December 31, 2007	34,394,418	\$ 10,432,320	\$ -	\$ 1,216,593	\$ (4,759,784)	\$ 6,889,129

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SEE ACCOMPANYING NOTES

MARIFIL MINES LIMITED
INTERIM CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
for the six month period ended June 30, 2008 and 2007
(Unaudited)

	<u>Number</u>	<u>Amount</u>	<u>Subscriptions Received</u>	<u>Contributed Surplus</u>	<u>Deficit</u>	<u>Balance</u>
Balance, December 31, 2007	34,394,418	\$ 10,432,320	\$ -	\$ 1,216,593	\$ (4,759,784)	\$ 6,889,129
Net loss for the period ended March 31, 2008	-	-	-	-	(144,308)	(144,308)
Balance, March 31, 2008	34,394,418	10,432,320	-	1,216,593	(4,904,092)	6,744,821
For cash						
for private placement - at \$0.40 each	1,000,000	400,000	-	-	-	400,000
Less: share issue costs	-	(28,500)	-	-	-	(28,500)
Stock-based compensation	-	-	-	60,500	-	60,500
Net loss for the period ended June 30, 2008	-	-	-	-	(62,653)	(62,653)
Balance, June 30, 2008	<u>35,394,418</u>	<u>\$ 10,803,820</u>	<u>\$ -</u>	<u>\$ 1,277,093</u>	<u>\$ (4,966,745)</u>	<u>\$ 7,114,168</u>

SEE ACCOMPANYING NOTES

MARIFIL MINES LIMITED
CONSOLIDATED SCHEDULE OF MINERAL PROPERTIES
June 30, 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, 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	37,001	39,086	88,581	171,600
General exploration	1,232	754	-	2,364	20,870	179,530	105,280	310,030
Administrative and general	188	166	-	293	5,268	32,218	23,498	61,631
Contract and consultants	762	1,539	-	-	-	62,500	54,703	119,504
Drilling	-	-	-	-	-	(49,262)*	-	(49,262)
Geophysics	-	-	-	-	-	-	-	-
Geochemical	-	-	-	-	-	4,121	16,285	20,406
Field support	34	-	-	-	4,176	104,437	28,152	136,799
Travel and accommodation	-	-	-	-	456	63,491	8,517	72,464
Land environment	-	-	-	-	-	17,715	-	17,715
Miscellaneous	-	-	-	-	-	-	(100,000)	(100,000)
Deduct: option payments received	(4,035)	(1,078)	-	-	-	-	-	(5,113)
Deduct: shares received (option payments)	-	(1,381)	-	-	-	-	-	(1,381)
Deduct: write-off	-	-	-	-	-	-	(95,269)	(95,269)
	-	-	-	7,770	67,771	453,836	129,747	659,124
Subtotal before IVA taxes paid	-	1,153,845	339,132	96,139	1,599,452	2,307,192	966,684	6,462,444
Accumulated IVA paid, net of recoveries	-	-	-	-	-	-	-	572,040
Balance, June 30, 2008	\$ -	\$ 1,153,845	\$ 339,132	\$ 96,139	\$ 1,599,452	\$ 2,307,192	\$ 966,684	\$ 7,034,484

* Reversal of accrual

SEE ACCOMPANYING NOTES

MARIFIL MINES LIMITED
CONSOLIDATED SCHEDULE OF MINERAL PROPERTIES
June 30, 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, 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 June 30, 2008, the Company had not yet achieved profitable operations, had a working capital of \$63,611 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 4,680,828 (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 (“IFRS”)

In 2006, the Canadian Accounting Standards Board (“AcSB”) published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2011.

While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

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:

Note 3 Mineral Properties (cont'd)

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

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.

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.

Note 3 Mineral Properties (cont'd)

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

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.

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.

Note 3 Mineral Properties (cont'd)

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:

- 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.

Note 3 Mineral Properties (cont'd)

Amarillo Project (cont'd)

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.

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, Paileman, 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.

Note 3 Mineral Properties (cont'd)

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.

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 Tembrao 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. Costs incurred to June 30, 2008 of \$468 (December 31, 2007 - \$27,051) have been written off.

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 six month period ended June 30, 2008, the Company issued 1,000,000 common shares pursuant to a non-brokered private placement of units of \$0.40 per unit for total proceeds of \$400,000. Each unit consists of one common share and one-half of one share purchase warrant entitling the holder thereof to purchase an additional common share for each warrant held for \$0.65 per share for a period of one year. Finders' fees relating to this private placement was cash of \$28,500.

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.

Note 4 Share Capital – (cont'd)

Shares – (cont'd)

- 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.

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 February 5, 2008, the Company granted 200,000 options at \$0.42 per share. These options vest as to 25% on May 6, 2008 and 25% every three months thereafter. On May 5, 2008, the Company granted 65,000 options at \$0.45 per share. These options vest immediately. 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 \$60,500 (2007: \$958,093 and 2006: \$437,533) was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Expected dividend yield	9%	0%	0%
Expected stock price volatility	164.39%	88.03% - 92.19%	66.4% – 119.6%
Risk-free interest rate	3.90%	3.90%	3.90% - 3.91%
Expected life of options	2 – 5 years	5 years	2 - 5 years

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

Note 4 Share Capital – (cont'd)

Stock Options Outstanding

As at June 30, 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	50,000	\$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
60,000***	Consultant and Officer of Marifil SA	60,000	\$0.66	May 28, 2012
<u>65,000</u>	Consultants	<u>65,000</u>	\$0.45	May 4, 2013
<u>3,090,000</u>		<u>2,940,000</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.

Stock Options Outstanding

A summary of the share purchase options is as follows:

	<u>June 30, 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
Granted	65,000	\$0.45	-	-
Exercised	-	-	(880,000)	\$0.28
Cancelled	-	-	<u>(5,000)</u>	\$0.60
Outstanding, end of period	<u>3,090,000</u>	\$0.59	<u>2,825,000</u>	\$0.60
Exercisable, end of period	<u>2,940,000</u>		<u>2,625,000</u>	

Note 4 Share Capital – (cont'd)

Warrants Outstanding

As at June 30, 2008, the following share purchase warrants were outstanding:

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
1,090,828	\$0.75	December 28, 2008
<u>500,000</u>	<u>\$0.65</u>	June 2, 2009
<u>1,590,828</u>		

A summary of the warrants outstanding is as follows:

	<u>June 30, 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	500,000	\$0.65	1.00	1,090,828	\$0.75	1.00
Exercised	-	-	-	(2,358,625)	\$0.42	1.10
Expired	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,295,122)</u>	<u>\$0.71</u>	<u>1.70</u>
Balance, end of period	<u>1,590,828</u>	<u>\$0.72</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>Six month period ended June 30,</u>		<u>Three month period ended June 30,</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Deferred resource properties costs	\$ 42,970	\$ 52,852	\$ 21,414	\$ 25,570
Accounting fees	24,375	24,195	11,985	15,465
Consulting fees	42,234	48,326	21,148	27,237
Directors fees	<u>3,021</u>	<u>-</u>	<u>3,021</u>	<u>-</u>
	<u>\$ 112,600</u>	<u>\$ 125,373</u>	<u>\$ 57,568</u>	<u>\$ 68,272</u>

Note 5 Related Party Transactions (cont'd)

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

At June 30, 2008 accounts payable included \$7,293 (December 31, 2007 - \$5,998) owing to directors of the Company for unpaid fees and reimbursement of expenses.

Note 6 Income Taxes

At December 31, 2007, the Company had 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>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>

Note 6 Income Taxes (cont'd)

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>

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, marketable securities, 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 management's 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>June 30, 2008</u>	<u>December 31, 2007</u>
Components of Capital:		
Shareholders' equity	\$ 7,114,168	\$ 6,889,129
Long – term debt	Nil	Nil
Less:		
Cash and cash equivalents	<u>83,329</u>	<u>922,218</u>
	<u>\$ 7,030,839</u>	<u>\$ 5,966,911</u>

Note 9 Capital Disclosures (cont'd)

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 August 8, 2008, the Company signed a Letter of Intent (LOI) with Oxbow Holdings Corp. (Oxbow) whereby Oxbow can acquire 100% of the K-2 property.

Under the terms of the agreement The Company will receive 13,500,000 shares of Oxbow, representing 67.5% of the total issued shares of the company. The Company will also receive anti-dilution rights allowing it to retain a minimum 50% equity interest in Oxbow by participating in any private equity offerings for 12 months following the Closing or for up to 24 months for any public offerings.

The Company will also receive \$750,000 in cash, payable as to \$50,000 (received) within five days of signing the LOI, \$200,000 within 30 days after signing a definitive sales agreement, \$250,000 within 6 months of the Closing, and \$250,000 within 12 months of the Closing. The Company will also receive further payments of \$150,000 annually, beginning on the second anniversary of the Closing and continuing until the first Milestone payment (see below) is made after which the annual payments will cease.

The Company will receive \$10,000,000 in Milestone payments as follows: the first Milestone payment will be \$5,000,000 on completion of a NI 43-101 report showing an inferred, indicated, and measured potash resource; the second payment of \$5,000,000 is due following completion of a bankable feasibility report or if a decision to proceed to production without producing a feasibility study.

The Company will retain a 4% royalty on sales of potash from the property.

Note 10 Subsequent Events (cont'd)

- b) Subsequent to the quarter end the Company disposed of the K-1 potash property and the Esperanza property to Latin American Potash. (“LAPC”). The Company received \$100,000 as a deposit on this property. The transaction closed subsequent to the quarter end and LAPC was sold to Allana Resources Ltd. (“Allana”), a public company which trades on the TSX venture exchange. (AAA.V) Upon closing, the Company received an additional \$26,000 cash and 600,000 shares of Allana. These shares are restricted from trading pursuant to regulation until November 19, 2008. The Company retains a 2% Gross overriding royalty on production from this property.

- c) Subsequent to the quarter end ATW dropped its option on the Amarillo property.

MANAGEMENTS DISCUSSION & ANALYSIS

1.1 August 29, 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 20 August 2008, Marifil controls 25 properties totalling approximately 491,236 hectares located in 9 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

1. K-1 , potash, Neuquen Province:

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

Company geologists identified a previously unexplored portion of the Neuquen Basin with favorable stratigraphy at depths of about 500 m. This new property occupies the western half of the basin and is underlain by geology identical to that of the nearby Rio Tinto’s Potosio Rio Colorado potash mine which is scheduled to produce 2.4 million tonnes of potash annually.

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

Subsequently LAPC was acquired by Allana Resources Inc. ("Allana"), a publicly traded company with a focus on potash. The purchase price, subject to regulatory approval, is 3,000,000 shares of Allana and \$130,000 of which Marifil will receive 600,000 shares and a further \$26,000 in cash.

2. K-2 potash, Neuquen Province:

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

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

- Two sylvinite complexes known as K1 and K3 have been identified in all of the analyzed drill holes.
- The sylvinite mineral occurrences were intercepted in local drill holes between 1300 and 1500 m.
- The lower K1 horizon reported a grade of 21% K₂O and a maximum thickness of 6 m.
- The upper K3 horizon reported a lower grade of 12% K₂O over a greater thickness of 10 m.
- The K1 and K3 potash horizons show great continuity throughout the basin. Drill intercepts encountered in drill holes spaced up to 18 km apart can be correlated both by stratigraphy and mineralization.

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

On 8 August, 2008, the Company signed a Letter of Intent (LOI) with Oxbow Holdings Corp. (Oxbow) whereby Oxbow can acquire 100% of the K-2 property.

Under the terms of the agreement Marifil will receive 13,500,000 shares of Oxbow, representing 67.5% of the total issued shares of the company. The Company will also receive anti-dilution rights allowing Marifil to retain a minimum 50% equity interest in Oxbow by participating in any private equity offerings for 12 months following the Closing or for up to 24 months for any public offerings.

Marifil will also receive \$750,000 in cash, payable as to \$50,000 (received) within five days of signing the LOI, \$200,000 within 30 days after signing a definitive sales agreement on 18 August (the Closing Date), \$250,000 within 6 months of the Closing, and \$250,000 within 12 months of the Closing. Marifil will also receive further payments of \$150,000 annually, beginning on the second anniversary of the Closing and continuing until the first Milestone payment (see below) is made after which the annual payments will cease.

Marifil will receive \$10,000,000 in Milestone payments as follows: the first Milestone payment will be \$5,000,000 on completion of a NI 43-101 report showing an inferred, indicated, and measured potash resource; the second payment of \$5,000,000 is due following completion of a bankable feasibility report or if a decision to proceed to production without producing a feasibility study.

Marifil will retain a 4% royalty on sales of potash from the property.

Oxbow agrees to spend a minimum of \$1,000,000 on the Property during the first 12 months of this Agreement and \$2,000,000 during the second 12 months of this Agreement.

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

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

Exploration and sampling during early 2007 reveals that the Del Indio vein within the San Roque project contains significant amounts of indium. Indium currently sells for about US\$700 per kilo, which is over times higher than uranium and 30% more than silver. In 2007, the Company completed a 55-hole program totaling 5990.5 meters of HQ-sized core drilling.

Company geologists now believe that the San Roque mineralization may be hosted within a large diatreme or caldera up to 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 5,000 meter drill program for 2008.

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

4. 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.

An ore reserve study to develop a NI 43-101 compliant resource is planned along with additional drilling if the Company is unable to find a suitable Joint Venture partner. More recently the Company has been contacted by a large tellurium producer who is reviewing the project data with a view to acquiring new sources of tellurium.

Joint Ventured Projects

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

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

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

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

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

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

East deposit to date, at an approximate vertical depth of 250 meters, and shows a marked increase in grade in this part of the deposit. The deposit remains open below this intercept.

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

Las Aguilas East:

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

Las Aguilas West:

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

2. San Luis Exploration Area, nickel-copper-cobalt-platinum, San Luis Province: Marifil's San Luis exploration area includes about 55,000 hectares of land exclusive of the 3,000 hectares 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 and has been completed. Additional drilling is in progress.

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

The surface exposure of this occurrence measures 50 meters long and approximately 20 meters wide before it is covered by overburden. Systematic sampling of this gossan is in progress along with a moving loop ground electromagnetic (EM) survey in preparation for drilling. EF-2 is located 700 meters north of the El Fierro gossan and is hosted within the same mafic and ultramafic intrusion. The El Fierro occurrence has been trenched in the past and outcrops as a 70 meter long gossan in pyroxenite and gabbro with a best analytical result of 0.5% nickel and 0.22% copper from the highly weathered surface material.

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

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.

On August 6, 2008 ATW notified the Company that they were terminating the option in order to concentrate on their gold projects in Australia. Subsequently, the Company has signed two confidentiality agreements with two interested companies. We are hopeful that we will have a new joint venture partner for this important project in due course.

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. Further analysis of the data by Richard Walters shows that the zinc anomalies coincide with a large induced polarization anomaly. The presence of molybdenum anomalies in soils suggest that this area might be the surface expression of a porphyry molybdenum deposit.

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: This property was sold after the Quarter as part of the K-1 package.

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. 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.

7. 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.

8. 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

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

1.3 Selected Annual Information

	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.

The loss for the quarter was \$144,308 as compared to \$192,631 in the same period last year. The reduced travel was due to timing of trips to South America, audit fees increased from the prior year as Investor relations activities increased somewhat in response to market conditions and consulting fees declined.

1.5 Summary of Quarterly Results

	2007		2006	
	Q2	Q1	Q4	Q3
	June 30/07	Mar 31/07	Dec 31/06	Sept 30/06
Total Revenues		-	-	-
Income (loss)	(885,151)	(192,631)	(909,521)	(222,766)
Per share	(0.03)	(0.01)	(0.04)	(0.01)
Per share, fully Diluted	(0.03)	(0.01)	(0.04)	(0.01)

	2008		2007	
	Q2	Q1	Q4	Q3
	June 30/08	Mar 31/08	Dec 31/ 07	Sept 30/07
Total Revenues	-	-	-	-
Income (loss)	(62,653)	(144,308)	(295,448)	(174,487)
Per share	(0.00)	(0.005)	(0.05)	(0.01)
Per share, fully Diluted	(0.00)	(0.005)	(0.05)	(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 4th 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.

The quarterly loss for Q2 2008 of \$62,653 was significantly different from the 2007 which was \$885,161, mainly due to stock based compensation of \$707,180 in 2007. Cash resources were reduced as the Company did not finance during the quarter while continuing to spend on its exploration activity. The Company announced a recent placement of \$400,000, which was completed during this quarter. The Company will require further equity financing in order to continue expenditures at the current rate. We have curtailed activity while funding is being sought.

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. The Company receives payments in respect of property options which are credited against accumulated costs, and once all costs have been recovered, they are shown as other income in the Statement of loss and Deficit. The Company's main source of cash over the recent quarter was the receipt of cash from the issuance of common shares on the private placement. Capitalized expenditures in the 3rd 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 June 30, 2008, the Company had 35,394,418 (December 31, 2007 - 34,394,418) Common shares outstanding. In addition to cash coming from option payments from joint-venture partners, the Company expects to seek additional funding through the sale of additional equity.

1.7 Capital Resources

As of June 30, 2008, the Company had cash of \$83,329 compared to \$1,266,625 at June 30, 2007.

The Company's cash resources decreased during the period as \$455,607 was spent on resource properties.

Management is of the view that the Company should have 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 June 30, 2008:

- a) On 8 August, 2008, the Company signed a Letter of Intent (LOI) with Oxbow Holdings Corp. (Oxbow) whereby Oxbow can acquire 100% of the K-2 property.

Under the terms of the agreement the Company will receive 13,500,000 shares of Oxbow, representing 67.5% of the total issued shares of the company. The Company will also receive anti-dilution rights allowing the Company to retain a minimum 50% equity interest in Oxbow by participating in any private equity offerings for 12 months following the Closing or for up to 24 months for any public offerings.

The Company will also receive \$750,000 in cash, payable as to \$50,000 (received) within five days of signing the LOI, \$200,000 within 30 days after signing a definitive sales agreement on 18 August (the Closing Date), \$250,000 within 6 months of the Closing, and \$250,000 within 12 months of the Closing. The Company will also receive further payments of \$150,000 annually, beginning on the second anniversary of the Closing and continuing until the first Milestone payment (see below) is made after which the annual payments will cease.

The Company will receive \$10,000,000 in Milestone payments as follows: the first Milestone payment will be \$5,000,000 on completion of a NI 43-101 report showing an inferred, indicated, and measured potash resource; the second payment of \$5,000,000 is due following completion of a bankable feasibility report or if a decision to proceed to production without producing a feasibility study.

The Company will retain a 4% royalty on sales of potash from the property.

- b) Subsequent to the quarter end the Company disposed of the K-1 potash property and the Esperanza property to Latin American Potash. ("LAPC"). The Company received \$100,000 as a deposit on this property. The transaction closed subsequent to the quarter end and LAPC was sold to Allana Resources Ltd. ("Allana"), a public company which trades on the TSX venture exchange. (AAA.V) Upon closing, the Company received an additional \$29,000 cash and 600,000 shares of Allana. These shares are restricted from trading pursuant to regulation until November 19, 2008. The Company retains a 2% Gross overriding royalty on production from this property.
- c) Subsequent to the quarter end, ATW dropped its option on the Amarillo property. The Company is actively seeking new JV partners and two confidentiality agreements have been signed in this regard.

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.

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.

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

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

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

	June 30, 2008	December 31, 2007
Components of Capital:		
Shareholders’ equity	\$ 7,114,168	\$ 6,889,129
Long – term debt	Nil	Nil
Less:		
Cash and cash	83,329	922,218
	\$ 7,030,839	\$ 5,966,911

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

The Company manages its capital structure as determined by management and approved by the board of directors. The Company’s policy is to make adjustments to its capital structure based on changes

in economic conditions and planned requirements. The Company has the ability to adjust its capital structure by issuing new equity or debt, selling assets to reduce debt or balance equity, and making adjustments to its capital expenditures program.

vii) International Financial Reporting Standards

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:

	Quarter ended June 30, 2008	Year ended December 31, 2007	Year ended December 31, 2006
Capitalized or Expensed Exploration and Development Costs	\$455,607	\$2,427,402	\$630,717
General and Administration Expenses	\$188,874	\$1,591,735	\$660,532
Write-off of mineral properties	\$29,221	\$47,174	\$865,515
Loss (gain) on disposal of marketable securities	(\$3,155)	\$2,256	-

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 June 30, 2008, 35,394,418 (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 42⁰ and North of S L 33⁰ 33'. Bounded by W 70⁰ 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. Argentina is currently undergoing an increase in inflation and we will continue to monitor the potential effects on our operations.

Equity Market Risk

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

Other Information

Other information can be found at the following websites www.sedar.com or 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.
