CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)
(Expressed in Canadian Dollars)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011

THE ACCOMPANYING FINANCIAL STATEMENTS FOR THE QUARTERS ENDED SEPTEMBER 30, 2011 AND 2010 HAVE NOT BEEN REVIEWED OR AUDITED BY THE CORPORATION'S AUDITORS

MARIFIL MINES, LTD.
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
(Expressed in Canadian Dollars)

	Notes	September 30, 2011	December 31, 2010
ASSETS			
Current assets			
Cash and cash equivalents	4	$ 1,959,401	$ 38,071
Marketable securities		-	-
Receivables	5	49,408	20,069
Prepaid expenses	6	19,390	18,322
Total current assets		2,028,199	76,462
Equipment	7	3,749	4,965
Resource properties	8	5,144,255	5,638,802
TOTAL ASSETS		$ 7,176,203	$ 5,720,229
Current liabilities			
Accounts payable and other accrued liabilities	9	$ 91,398	$ 143,436
Equity			
Share capital	11	13,985,386	11,758,411
Subscriptions received		-	7,800
Contributed surplus		1,836,755	1,350,289
Deficit		(8,737,336)	(7,539,707)
		7,084,805	5,576,793
EQUITY AND LIABILIITES		$ 7,176,203	$ 5,720,229

NATURE AND CONTINUANCE OF OPERATIONS (Note 1)

Approved and authorized by the Board on

"John Hite"
John Hite

"Bill Schara"
Bill Schara

The accompanying notes are an integral part of these condensed consolidated financial statements.

MARIFIL MINES, LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS (UNAUDITED) (Expressed in Canadian Dollars)
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2011 and 2010

		Nine months ended September 30,		Three months ended September 30,	
	Notes	2011	2010	2011	2010
EXPENSES					
Accounting and audit		$ 119,507	$ 66,296	$ 12,081	$ 12,642
Depreciation	7	1,217	1,298	777	860
Bank charges and interest		1,316	1,590	653	420
Consulting fee	10	122,671	46,679	43,653	15,629
Directors fees	10	7,695	8,719	4,373	3,067
Filing fees and investor relations		122,011	68,476	26,024	15,910
Finders fees		-	3,882	-	3,882
General exploration (reversal of accrual)		21,994	24,109	(3,155)	11,873
Insurance		7,085	9,263	2,447	2,303
Legal		8,571	11,664	(1,829)	870
Management		60,974	40,591	22,318	14,976
Office and miscellaneous		92,986	60,114	50,710	14,621
Share-based compensation	11	486,466	4,958	(29,154)	-
Travel and promotion		58,325	14,160	3,888	1,650
Loss before other items:		1,110,818	361,799	132,786	98,703
OTHER INCOME (EXPENSE)					
Gain (loss) on disposal of marketable securities		(4,436)	(23,907)	(4,436)	-
Write up (down) of marketable securities			36,319		37,921
Foreign exchange gain (loss)		(72,445)	(34,786)	(41,901)	(14,914)
Interest income		(9,928)	13	(9,928)	-
Other income		(3)	188,690	(3)	137,512
		(86,812)	166,329	(56,268)	160,519
Net loss for the period		$ 1,197,630	$ 195,470	$ 189,054	$ (61,816)
Basic and diluted loss per common share		0.01	Nil	Nil	Nil
Weighted average number of common shares		58,342,404	51,558,495	58,342,404	51,743,599

The accompanying notes are an integral part of these condensed consolidated financial statements.

MARIFIL MINES, LTD.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENT OF CASH FLOWS (UNAUDITED)

(Expressed in Canadian Dollars)

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2011 and 2010

	Nine months ended September 30,		Three months ended September 30,	
	2011	**2010**	**2011**	**2010**
Cash flows from operating activities				
Net loss for period	$ (1,197,629)	$ (195,470)	$ (189,053)	$ 61,816
Items not affecting cash:				
Unrealized gain(loss) on foreign exchange	(19,909)	-	(1,260)	-
Write-down (up) of marketable securities		(36,319)	-	(37,921)
Loss (gain) on disposal of marketable securities		23,907	-	-
Depreciation	1,216	1,298	785	860
Shares issued for employee bonus		6,500		-
Share-based compensation	486,466	4,958	(29,154)	-
	(729,856)	(195,126)	(218,682)	24,755
Changes in non-cash working capital items:				
Advances receivable	(23,793)	(414)		3,336
GST and amounts receivable	(5,546)	14,572	(4,288)	(3,539)
Prepaid expenses	(1,068)	(9,901)	130	(7,280)
Accounts payable and accrued liabilities	(52,040)	(118,762)	(112,752)	(14,657)
Net cash used in operating activities	(812,303)	(309,631)	(335,592)	2,615
Cash flows from investing activities				
Payments received on mineral properties	1,087,312	181,503	627,548	-
Cash expended on mineral properties	(592,762)	(39,883)	(438,254)	26,104
Net cash provided by investing activities	494,550	141,620	189,294	26,104
Cash flows from financing activities				
Shares issued for cash, net of offering costs	1,060,050	184,267		-
Shares issued for exercise of warrants and options	1,159,124	35,000	341,557	-
Net cash provided by financing activities	2,219,174	219,267	341,557	-
EFFECT OF EXCHANGE RATE ON CASH AND CASH EQUIVALENTS	19,909	-	1,260	-
NET INCREASE IN CASH AND EQUIVALENTS	1,921,330	51,256	196,519	28,719
CASH AND EQUIVALENTS, BEGINNING OF PERIOD	38,071	16,471	1,762,882	39,008
CASH AND EQUIVALENTS, END OF PERIOD	1,959,401	67,727	1,959,401	67,727

The accompanying notes are an integral part of these condensed consolidated financial statements.

MARIFIL MINES, LTD.
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)
(Expressed in Canadian Dollars)
FOR THE PERIOD ENDED SEPTEMBER 30, 2011

		Class A Common Number	Amount	Subscriptions Received	Contributed Surplus	Deficit	Balance
Balance at December 31, 2009		48,927,349	$ 11,495,070	-	$ 1,260,989	$ (6,992,377)	$ 5,763,682
For private placement	- at $0.08 each	2,456,250	196,500	-	-	-	196,500
Less: share issue costs		-	(12,233)	-	-	-	(12,233)
Exercise of warrants	- at $0.10 each	350,000	35,000	-	-	-	35,000
From treasury (employee bonus)	- at $0.065 each	100,000	6,500	-	-	-	6,500
Share-based compensation		-	-	-	4,958	-	4,958
Share subscription received		-	-	-	-	(195,470)	(195,470)
Balance, September 31, 2010		51,833,599	$ 11,720,837		$ 1,265,947	$ (7,187,847)	$ 5,798,937
Exercise of warrants	-at $0.12 each	313,124	$ 37,574				37,574
Share-based compensation		-	-	-	84,342	-	84,342
Share subscription received		-	-	7,800	-	-	7,800
Net loss for the three months		-	-	-	-	(351,860)	(351,860)
Balance, December 31, 2010		52,146,723	$ 11,758,411	$ 7,800	$ 1,350,289	$ (7,539,707)	$ 5,576,793
For private placement		3,311,395	1,091,350	-	-	-	1,091,350
Less: share issue costs		-	(31,300)	-	-	-	(31,300)
For debt settlement		-	-	-	-	-	-
Exercise of options	- at $0.10 each	50,000	5,000	-	-	-	5,000
Exercise of warrants	- at $0.12 / 0.15 each	7,910,376	1,161,925	(7,800)	-	-	1,154,125
Share-based compensation		-	-	-	486,466	-	486,466
Share subscription refunded		-	-	-	-	-	-
Net loss for the period ended September 30, 2011		-	-	-	-	(1,197,629)	(1,197,629)
Balance at September 30, 2011		63,418,494	$ 13,985,386	$ -	$ 1,836,755	$ (8,737,336)	$ 7,084,805

The accompanying notes are an integral part of these condensed consolidated financial statements.

1. Nature and Continuance of Operations

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

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

The financial statements of the Company are presented in Canadian dollars, unless otherwise stated; which is the functional currency of the parent company and subsidiaries.

The Company is a mineral exploration company focused on acquiring, exploring and developing mineral properties in Argentina.

2. Basis of Presentation

These unaudited condensed consolidated interim financial statements, including comparatives, have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") and in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting.

The preparation of these unaudited condensed consolidated interim financial statements resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under Canadian Generally Accepted Accounting Principles ("Canadian GAAP"). The accounting policies set out below have been applied consistently to all periods presented in these condensed consolidated interim financial statements.

The condensed consolidated interim financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The preparation of these condensed consolidated interim financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the period. Actual results could differ from these estimates.

These condensed consolidated interim financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the condensed consolidated interim financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

2. Basis of Presentation - (*Cont'd)*

1. The recoverability of receivables which are included in the condensed consolidated interim statement of financial position;
2. The carrying value and the recoverability of exploration and evaluation assets, which are included in the condensed consolidated interim statements of financial position;
3. The estimated useful lives of equipment which are included in the condensed consolidated interim statement of financial position and the related depreciation included in profit or loss;
4. The inputs used in the accounting for share-based compensation expense included in profit or loss.

Going concern of operations

These condensed consolidated interim financial statements have been prepared assuming the Company will continue on a going concern basis. The Company has incurred losses since its inception and the ability of the Company to continue as a going concern depends upon its ability to raise adequate financing and to develop profitable operations. However, the Company has sufficient cash resources to meet its obligations for at least twelve months from the end of the reporting period.

Management is actively targeting sources of additional financing through alliances with financial, exploration and mining entities, and other business and financial transactions which would assure continuation of the Company's operations and exploration programs. In addition, management closely monitors commodity prices of precious metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company if favorable or adverse market conditions occur.

As the Company is in the exploration and evaluation stage, the Company has not identified a known body of commercial grade mineral on any of its properties. The ability of the Company to realize the costs it has incurred to date on these properties is dependent upon the Company identifying a commercial mineral body, to finance its development costs and to resolve any environmental, regulatory or other constraints which may hinder the successful development of the property.

3. Significant Accounting Policies

The accounting policies set out below are expected to be adopted for the year ending December 31, 2011, and have been applied consistently to all periods presented in these condensed consolidated interim financial statements and in preparing the opening IFRS statement of financial position at January 1, 2010, for the purposes of the transition to IFRS, unless otherwise indicated.

Basis of consolidation

These condensed consolidated interim financial statements include the financial statements of the Company and the entity controlled by the Company (Note 12). Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of the subsidiary are included in the condensed consolidated interim financial statements from the date that control commences until the date that control ceases. All intercompany balances and transactions, income and expenses have been eliminated upon consolidation.

3. Significant Accounting Policies - (*Cont'd)*

Foreign currencies

The functional currency is the currency of the primary economic environment in which the entity operates and has been determined for each entity within the Company. The functional currency for Marifil Mines, Ltd. is the Canadian dollar. The functional currency for Marifil Mines, SA is also the Canadian dollar. The functional currency for Oxbow Holdings Corp. is the Canadian dollar. The functional currency determinations were made based on analysis of the factors identified in IAS.

The functional currency for Marifil Mines, Ltd. was determined to be the Canadian dollar based on the fact that the Canadian dollar is the currency in which Marifil Mines Ltd. holds its cash assets and primarily acquires goods and services and funds its operations through financing activities denominated in the Canadian dollar and is subject to the competitive forces and regulations of Canada. Based on these factors as identified in IAS 21 management determined that the Canadian dollar was the appropriate functional currency for Marifil Mines, Ltd.

The functional currency for Marifil Mines, SA was determined to be the Canadian dollar. This was based on Marifil Mines, SA's reliance on the parent company, Marifil Mines, Ltd. for capital to carry out operations. Marifil Mines, Ltd. raises capital in Canadian dollars through the sale of equity; these transactions are all denominated in Canadian dollars. These funds are then sent to Argentina for the benefit of Marifil Mines, SA to fund day to day operations. Without these capital infusions, Marifil Mines, SA wouldn't be able to fund operations. Because of these factors we elected that the functional currency of Marifil Mines, SA be the Canadian dollar.

The functional currency for Oxbow Holdings Corp. ("Oxbow") is the Canadian dollar. Oxbow does not have any current operations. Oxbow is a Canadian company and has outstanding liabilities, which are denominated in the Canadian dollar. Management expects that these outstanding liabilities will be settled in the Canadian dollar. Given Oxbow's status as a non-operating entity, the primary and secondary indicators of functional currency identified in IAS 21 are either not applicable or inconclusive in their application. As such, management evaluated additional factors, including the level of control exercised by Marifil Mines, Ltd. over Oxbow's operations, the proportion of consolidated activity attributable to Oxbow, the effect of cash flows on the parent (Marifil Mines, Ltd.) and Oxbow's incorporation in Canada. Based on these additional considerations, as identified in IAS 21, management determined the functional currency of Oxbow to be the Canadian dollar.

Transactions in foreign currencies are initially recorded in the Company's functional currency at the exchange rate at the date of the transaction. Monetary assets and liabilities of the Company that are denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the end of each reporting period. Nonmonetary assets and liabilities are translated using the exchange rates as at the dates of the initial transactions. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value is determined. Exchange gains and losses arising on translation are included in profit or loss.

Cash and cash equivalents

Cash is comprised of cash on hand. Cash equivalents consist of short term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Receivables

Receivables are recorded at face value less any provisions for uncollectible accounts considered necessary.

3. Significant Accounting Policies - (*Cont'd)*

Financial instruments

Financial assets are classified into one of the following categories based on the purpose for which the asset was acquired. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

Financial assets at fair value through profit or loss ("FVTPL")

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated as at FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's risk management strategy. Attributable transaction costs are recognized in profit or loss when incurred. FVTPL are measured at fair value, and changes are recognized in profit or loss.

Held-to-maturity ("HTM")

These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized costs using the effective interest method. If there is objective evidence that the asset is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted on an active market. Such assets are initially recognized at fair value plus any direct attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Available-for-sale ("AFS")

Non-derivative financial assets not included in the above categories are classified as available for sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available for sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in profit or loss.

Financial assets

The Company has classified its financial assets as follows:

- Cash and cash equivalents and long-term investments are classified as FVPTL.
- Receivables are classified as loans and receivables.
- Other assets are classified as HTM.

Financial liabilities

Financial liabilities are classified into one of two categories:
- Fair value through profit or loss; and
- Other financial liabilities.

3. Significant Accounting Policies - (*Cont'd)*

Fair value through profit or loss

This category comprises derivatives, or liabilities, acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in profit or loss.

Other financial liabilities

This category includes promissory notes, amounts due to related parties and accounts payable and accrued liabilities, all of which are recognized at amortized cost.

The Company classified its financial liabilities, which consisted of accounts payable and accrued liabilities, as other liabilities.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been impacted.

For all financial assets objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial reorganization.

For certain categories of financial assets, such as receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets, with the exception of receivables, where the carrying amount is reduced through the use of an allowance account. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Equipment

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

Office equipment	20%
Computer equipment	30%
Software	100%

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

The Company's equipment is reviewed for an indication of impairment at the end of each reporting period. If an indication of impairment exists, the asset's recoverable amount is estimated. Impairment losses are recognized in profit or loss. An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

3. Significant Accounting Policies - *(Cont'd)*

Equipment - *(Cont'd)*

The cost of replacing part of a piece of equipment is recognized in the carrying amount of the equipment if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day to day servicing of the equipment are recognized in profit or loss as incurred.

Pre-exploration costs

Pre-exploration costs are expensed in the period in which they are incurred.

Exploration and evaluation expenditures

Once the legal right to explore a property has been acquired, all costs related to the acquisition, exploration and evaluation of mineral properties are capitalized by property. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the period in which they occur.

The Company may occasionally enter into joint venture ("JV") agreements, whereby the Company will transfer part of a mineral interest, as consideration, for an agreement by the JV partner to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the JV partner on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess cash accounted for as a gain on disposal.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to the statement of comprehensive loss/income.The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as "mines under construction." Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

Impairment of tangible and intangible assets

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

3. Significant Accounting Policies - (*Cont'd)*

Share-based payments

The Company grants stock options to buy common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to capital stock. When vested options are forfeited or are not exercised at the expiry date the amount previously recognized in share-based compensation is transferred to accumulated losses (deficit).

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

Warrants issued in equity financing transactions

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate mineral properties. These equity financing transactions may involve issuance of common shares or units. A unit comprises a certain number of common shares and a certain number of share purchase warrants ("Warrants"). Depending on the terms and conditions of each equity financing agreement ("Agreement"), the Warrants are exercisable into additional common shares prior to expiry at a price stipulated by the Agreement. Warrants that are part of units are assigned no value and included in share capital with the common shares that were concurrently issued.

Income taxes

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

Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

New standards yet adopted

In November 2009, the International Accounting Standards Board published IFRS 9, "Financial Instruments", which covers the classification and measurement of financial assets as part of its project to replace IAS 39, "Financial Instruments: Recognition and Measurement." In October 2010, the requirements for classifying and measuring financial liabilities were added to IFRS 9. Under this guidance, entities have the option to recognize financial liabilities at fair value through earnings. If this option is elected, entitles would be required to reverse the portion of the fair value change out of earnings and recognize the change in other comprehensive income. IFRS 9 is effective for the Company on January 1, 2013. Early adoption is permitted and the standard is required to be applied retrospectively. There will be no significant impact on the Company upon implementation of the issued standard.

4. Cash and Cash Equivalents

	September 30, 2011	December 31, 2010
Cash on deposit	$ 1,959,401	$ 38,071
	$ 1,959,401	$ 38,071

5. Receivables

The Company's receivables arise from two main sources: harmonized sales tax ("HST") receivable due from Canadian government taxation authorities. The receivables balance is broken down as follows:

	September 30, 2011	December 31, 2010
HST receivable	$ 28,155	$ 4,361
Advances receivable	21,253	15,708
	$ 49,408	$ 20,069

6. Prepaid Expenses

The prepaid expenses for the Company are broken down as follows:

	September 30, 2011	December 31, 2010
Insurance	$ 7,899	$ 2,076
Vendor prepayments	11,491	16,246
	$ 19,390	$ 18,322

7. Equipment

		Office Equipment	Computer Equipment	Total
Year ended December 31, 2009				
	Opening net book value	$ 3,699	$ 2,788	$ 6,487
	Additions	-	-	-
	Disposals	-	-	-
	Depreciation	(685)	(837)	(1,522)
	Impairment	-	-	-
Year ended December 31, 2010		$ 3,014	$ 1,951	$ 4,965
				-
	Opening net book value	$ 3,014	$ 1,951	$ 4,965
	Additions	-	-	-
	Disposals	-	-	-
	Depreciation	(716)	(500)	(1,216)
	Impairment	-	-	-
Period ended September 30, 2011		$ 2,298	$ 1,451	$ 3,749

8. Resource Properties

INTERIM CONSOLIDATED SCHEDULE OF RESOURCE PROPERTIES
September 30, 2011
(Unaudited – Prepared by Management)

	Las Aguilas, San Luis Province	Toruel (Davicino), Rio Negro Province	San Roque, Rio Negro Province	Other Properties	IVA	Total
Balance, December 31, 2010	$ 1,017	$ 1,729,867	$ 2,435,183	$ 959,573	$ 513,162	$ 5,638,802
Change in IVA	-	-	-	-	(60,133)	(60,133)
Property payments	-	11,201	419,851	69,633		500,685
Management	-	-	-	5,796	-	5,796
Administrative and general (Note 8)	123	-	27	9,075	-	9,225
Contract and consultants	1,444	-	7,863	78,396	-	87,703
Drilling	-	-	-	-	-	-
Miscellaneous	-	-	-	283	-	283
Geochemical		-	-	1,013	-	1,013
Field support	4,339	-	-	27,942	-	32,281
Travel and accommodation	-	-	-	2,148	-	2,148
Land environment	13,761	-	-	-	-	13,761
Deduct: option and joint venture	-	-	-	-	-	-
Payments received	(84,089)	(25,000)	(501,098)	(477,125)		(1,087,312)
	(64,422)	(13,799)	(73,357)	(282,839)	(60,133)	(494,550)
Balance Sept 30, 2011	$ (63,405)	$ 1,716,068	$ 2,361,826	$ 676,734	$ 453,029	$ 5,144,252

8. Resource Properties - *(Cont'd)*

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

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

Las Aguilas, San Luis Province

The Company has a 100% interest in mining rights covering approximately 225 square kilometers located in San Luis Province, Argentina.

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

Cash and Shares:

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

   1. US$75,000 and 250,000 shares on or before April 1, 2012
   2. US$100,000 and 250,000 shares on or before April 1, 2013
   3. US$100,000 and 250,000 shares on or before April 1, 2014

Exploration Expenditures:

a) On or before April 1, 2012 incur US$500,000 in exploration expenditures,

b) On or before April 1, 2013 incur US$500,000 in exploration expenditures,

c) On or before April 1, 2014 incur US$1,000,000 in exploration expenditures.

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

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

8. Resource Properties - *(Cont'd)*

Toruel (Davicino), Rio Negro Province

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

a) M.I.M. Argentina Exploraciones

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

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

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

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

b) Davicino

The agreement dated May 8, 2004 with Ruben Davicino was amended in November 2008, April 2010 and again on January 9, 2011, wherein a new payment schedule was determined with new due dates:

Payments	Due Dates
US $10,000	During 2011
US $15,000	At the conclusion of the first year
US $20,000	At the conclusion of the second year
US $30,000	At the conclusion of the third year
US $60,000	At the conclusion of the four year

During the fifth year the Company can exercise at its option to purchase 100% of the project for a payment of US$500,000.

As in the original agreement the optionor retains 2% net smelter return, this may be purchased for US$750,000.

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

8. Resource Properties - *(Cont'd)*

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

b) Davicino – (cont'd)

Date	Cash Payment USD	Share Issuance	Expenditure Requirement USD
Agreement Date	$25,000 (received)	-	-
On the Approval Date	$ -	150,000 shares	$ -
On or before that date which is six months from the Agreement Date	$25,000	250,000 shares	$ 150,000
On or before 12 months from the Agreement Date	$50,000	250,000 shares	$ 150,000
On or before 24 months from the Agreement Date	$50,000	1,000,000 shares	$ 500,000
On or before 36 months from the Agreement Date	$50,000	1,500,000 shares	$ 2,000,000

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

San Roque, Rio Negro Province

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

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

The Company has received US$200,000 from NovaGold. This completes NovaGold's year 1 and year 2 US$100,000 payment obligations under the option agreement.

During the period ended September 30, 2011, the Company received notice from NovaGold to complete the purchase of the San Roque mineral rights. The Company was advanced approximately $406,500 dollars from NovaGold to make a final payment to MIM for title to the San Roque claims; Payment was made prior to the end of the period. Title to the claims was transferred to the Company subsequent to the period ended September 30, 2011.

8. Resource Properties - *(Cont'd)*

Other Properties

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

a) K-2 Potash Property

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

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

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

Oxbow agreed to make the following cash payments to Marifil:

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

(1) Settled by receipt of 2,500,000 shares of Oxbow. This receipt of shares increased the Company's interest in Oxbow to 58%.

In addition to the payments described above, and pursuant to the Agreement, the Company was also to receive further payments of US$250,000 annually, commencing September 19, 2011, and continuing until the first Milestone payment was made after which the annual payments will cease. For more information on the original K-2 Agreement with Oxbow please see the companies December 31, 2010, audited financial statements.

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

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

8. Resource Properties - *(Cont'd)*

a) K-2 Potash Property – (Cont'd)

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

On June 17, 2011, the Company signed a definitive LOI with Saccharum for the completion of the sale of Oxbow Holdings Corp and the joint venture of K-2, K-3 and K-4 with Saccharum. The terms of the definitive LOI were not materially different then the terms outlined in the LOI announced on December 21, 2010.

Subsequent to the period ended September 30, 2011, the Company and Saccharum agreed to terminate their LOI because of Saccharum inability to receive regulatory approval for the transaction. The Company is actively pursuing a new joint venture partner.

b) Punta Colorado

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

c) El Carmen

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

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

Subsequent to the period ended the Company received the final US$125,000 payment from Ilakon Ltd.

8. Resource Properties - (Cont'd)

Other Properties - (Cont'd)

d) Lithium claims, Salta and Catamarca Provinces

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

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

During the period ended September 30, 2011, the Company received the lithium claims back from Renholn for non-performance with the joint venture agreement.

9. Accounts Payable and Accrued Liabilities

Payables and accrued liabilities for the Company:	September 30, 2011	December 31, 2010
Trade payable and accrued liabilities	$ 91,398	$ 143,436
	$ 91,398	$ 143,436

10. Related Party Transactions

The financial statements include the financial statements of Marifil Mines, Ltd. and its subsidiaries are listed in the following table:

Name of Subsidiary	Country of Incorporation	Ownership Interest	Principal Activity
Marifil SA	Argentina	100%	Mineral exploration
Oxbow Holding Corp.*	Canada	58%	Mineral exploration

* The net assets of Oxbow are nil, and its operations inactive at September 30, 2011.

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

	Nine Month Period Ended September 30, 2011	Nine Month Period Ended September 30, 2010	Three Month Period Ended September 30, 2011	Three Month Period Ended September 30, 2010
Administrative Expenses				
Accounting fees	$ 55,854	$ 53,654	$ 16,109	$ 17,300
Consulting fees	122,011	46,679	43,653	15,629
Director fees	7,695	8,719	4,373	3,067
Total	$ 189,560	$ 109,052	$ 64,135	$ 35,996

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

At September 30, 2011, accounts payable included $26,113 (2010 - $51,947) owing to directors of the Company and a company with a common officer for unpaid fees and reimbursement of expenses.

11. Share Capital and Reserves

Authorized share capital

As at September 30, 2011, the authorized share capital of the Company was an unlimited number of common shares without par value. All issued shares are fully paid.

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

	September 30, 2011	December 31, 2010
Components of Capital:		
Shareholders' equity	$ 7,804,805	$ 5,576,793
Less: cash	1,959,401	(38,071)
	$ 5,845,404	$ 5,537,785

Warrants

As at September 30, 2011, the following share purchase warrants were outstanding:

Number	Exercise Price	Expiry Date
380,250	.12	January 15, 2012
1,555,698	.45	May 26, 2012
1,935,948		

A summary of the warrant activity is as follows:

	Period Ended September 30, 2011		Year Ended December 31,2010	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Balance, beginning of year	8,550,625	$0.10	8,664,293	$0.10
Issued	1,555,698		2,587,750	$0.12
Exercised	(1,894,376)	$0.12	(350,000)	$0.10
Expired	-		(2,038,293)	$0.65
Exercised	(6,275,999)	$0.15	(313,124)	$0.12
Balance, end of period	1,935,948	$0.26	8,550,625	$0.10

11. Share Capital and Reserves - (Cont'd)

Stock options

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. The Company did not issue any options during the period ended September 30, 2011. The Company, during prior quarters, awarded the Chief Financial Officer 50,000 options on June 1, 2011, and a consultant 200,000 options on February 17, 2011. Of the options granted (250,000), 150,000 have vested during the nine month period. The Company has recognized $486,466 (2010 - $4,958) in share-based compensation from these grants during the nine month period. The grant value was determined on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	2011
Expected dividend yield	0%
Expected stock price volatility	146%
Risk-free interest rate	2.23%
Expected life of options	5 years

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

As at September 30, 2011, options outstanding are as follows:

Number		Vested	Exercise Price	Expiry Date
100,000	Employee	100,000	$0.58	February 10, 2012
1,200,000	Directors	1,200,000	$0.66	May 28, 2012
150,000	Officer	150,000	$0.66	May 28, 2012
100,000	Consultants	100,000	$0.66	May 28, 2012
60,000	Consultant and Officer of Marifil SA	60,000	$0.66	May 28, 2012
200,000	Consultant	100,000	$0.43	February 17, 2016
2,000,000	Directors and Consultants	2,000,000	$0.20	January 24, 2016
100,000	Consultant	100,000	$0.15	December 9, 2015
850,000	Directors	850,000	$0.10	April 5, 2020
50,000	Officer	50,000	$0.32	June 1, 2016
70,000	Consultant	52,500	$0.10	April 13, 2020
4,880,000		4,762,500		

12. Financial and Capital Risk Management

The Company is exposed to various financial instrument risks and assesses the impact and likelihood of this exposure. These risks include liquidity risk, credit risk, currency risk, and interest rate risk. Where material, these risks are reviewed and monitored by the Board of Directors.

12. Financial and Capital Risk Management - *(Cont'd)*

The estimated fair value of financial liabilities is equal to their carrying values due to the short-term nature of these instruments. At September 30, 2011, and December 31, 2010, the Company's financial liabilities were held in US dollars, Canadian Dollars and the Argentine Peso.

Fair Value Hierarchy

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; and
Level 3 – Inputs that are not based on observable market data.

The fair value of cash and cash equivalents and other assets are measured based on level 1 of the fair value hierarchy. The fair value of long term investments are measured based on level 3 of the fair value hierarchy.

Fair value of financial instruments

	September 30, 2011		December 31, 2010	
	Fair Value	Carrying Value	Fair Value	Carrying Value
Financial Assets				
Cash and cash equivalents	$ 1,959,401	$ 1,959,401	$ 38,071	$ 38,071
Accounts receivable	49,298	49,298	28,300	28,300
Stock subscriptions received	-	-	7,800	7,800
Financial liabilities				
Accounts payable	$ 91,398	$ 91,398	$ 143,436	$ 143,436

(a) Capital Management

The Company manages its capital to safeguard the Company's ability to continue as a going concern, so that it can continue to provide adequate returns to shareholders and benefits to other stakeholders, and to have sufficient funds on hand for business opportunities as they arise.

The Company considers the items included in share capital as capital. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through short-form prospectuses, private placements, sell assets, and incur debt.

(b) Liquidity Risk

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

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

12. Financial and Capital Risk Management - *(Cont'd)*

	September 30, 2011	December 31, 2010
Accounts payable and accrued liabilities	$ 91,398	$ 143,436

(c) Credit Risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets, including cash and equivalents, other assets and receivables. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash and equivalents, and other assets with high-credit quality financial institutions.

	September 30, 2011	December 31, 2010
Accounts receivable	$ 49,408	$ 20,069

(d) Currency Risk

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

	September 30, 2011	December 31, 2010
Cash and cash equivalents	$ 1,959,401	$ 38,071

(e) Interest Rate Risk

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

(f) Price Risk

The Company is exposed to price risk with respect to commodity and equity prices. The ability of the Company to explore its mineral properties and future profitability of the Company are directly related to the market price of gold and other precious metals. The Company monitors commodity prices to determine appropriate actions to be undertaken.

13. Transition to IFRS

The Company adopted IFRS effective January 1, 2010 ("the transition date"). The date of the first annual financial statements in compliance with IFRS will be for the year ending December 31, 2011.

IFRS 1 'First-time adoption of International Financial Reporting Standards' ("IFRS 1"), which governs the first time adoption of IFRS, requires that the same policies are applied for all periods presented and that these policies are based on IFRS effective at the end of the first IFRS reporting year, December 31, 2011. The Company will therefore prepare its opening statement of financial position by applying existing IFRS at December 31, 2011, or earlier. Accordingly, it is possible that the opening statement of financial position and consolidated financial statements for December 31, 2011 may differ from the information presented in these interim financial statements.

13. Transition to IFRS - *(Cont'd)*

(a) Elected exemptions from full retrospective application

IFRS 1 requires accounting policies to be applied retrospectively to determine the opening statement of financial position at the Company's transition date of January 1, 2010, and allows certain exemptions on the transition to IFRS. The optional exemptions applied are as follows:

(i) Business combinations

Under IFRS 1, the Company can elect to not restate in accordance with IFRS 3R Business Combinations, all business combinations that occurred prior to the transition date or to only restate all business combinations that occurred after a designated date prior to the transition date. The Company has applied this exemption to all business combinations that occurred prior to January 1, 2010.

(ii) Share-based payment transactions

IFRS 1 encourages, but does not require, a first time adopter to apply IFRS 2 Share-based Payment ("IFRS 2") to equity instruments that were granted on or before November 7, 2002, or were granted after November 7, 2002, but vested before the Company's IFRS transition date. Accordingly, an entity may elect not to retrospectively apply IFRS 2 to these equity instruments.

The Company has elected this exemption, and as a result, has applied IFRS 2 retrospectively only for share-based payments that were granted after November 7, 2002, and had not vested at the date of transition. There was no impact on the Company's financial statements as presented under IFRS for the adoption of IFRS 2.

(iii) Cumulative translation differences

IFRS 1 allows cumulative translation differences for all foreign operations to be reset to zero at the date of transition to IFRS, with future gains or losses on subsequent disposal of any foreign operations to exclude translation differences arising prior to the date of transition to IFRS. The Company has elected this exemption and accordingly, has reset all cumulative translation differences to zero on transition to IFRS.

(iv) Borrowing costs

IFRS 1 permits an entity to apply the transitional provisions of IAS 23 - Borrowing Costs as an alternative to full retrospective application. Under these provisions, the Company may elect to only apply IAS 23 to qualifying assets for which the commencement date for capitalization is on or after the date of transition (or an elected earlier date).

The Company has elected to apply this exemption from its transition date of January 1, 2010, and as a result, will apply IAS 23 from this date onwards for projects with a commencement date of January 1, 2010, or later.

(b) Mandatory exceptions to retrospective application

IFRS 1 outlines specific guidelines that a first-time adopter must adhere to under certain circumstances. The Company has applied the following guidelines to its opening statement of financial position dated January 1, 2010:

(i) Estimates

Hindsight was not used to create or revise estimates and accordingly, the estimates previously made by the Company under Canadian GAAP are consistent with their application under IFRS.