CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2013 AND 2012

Expressed in Canadian Dollars
Unaudited

THE ACCOMPANYING FINANCIAL STATEMENTS FOR THE QUARTERS ENDED MARCH 31, 2013 AND 2012 HAVE NOT BEEN REVIEWED OR AUDITED BY THE CORPORATION'S AUDITORS

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MARIFIL MINES LTD.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS AT MARCH 31, 2013 AND DECEMBER 31, 2012

Expressed in Canadian Dollars

		2013		2012
ASSETS				
Current assets				
Cash and cash equivalents	$	763,588	$	63,023
Marketable securities (Note 5)		-		14,640
Receivables (Note 6)		27,499		24,974
Prepaid expenses (Note 7)		808		5,862
Total current assets		791,895		108,499
Equipment (Note 8)		2,874		2,950
Resource Properties (Note 9)		5,032,900		5,047,564
	$	5,827,669	$	5,159,013
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Accounts payable and accrued liabilities (Note 10)	$	251,181	$	148,885
Shareholders' equity				
Share capital (Note 12)		14,974,033		14,060,193
Contributed surplus		1,976,529		1,976,529
Deficit		(11,374,074)		(11,026,594)
		5,576,488		5,010,128
	$	5,827,669	$	5,159,013

NATURE AND CONTINUANCE OF OPERATIONS (Notes 1 and 2.3)

Approved and authorized by the Board on May 29, 2013

"John Hite"

John Hite

"William Schara"

William Schara

The accompanying notes form an integral part of these consolidated financial statements

MARIFIL MINES LTD.

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

FOR THE THREE MONTHS ENDED MARCH 31, 2013 AND 2012

Expressed in Canadian Dollars

		2013		2012
EXPENSES				
Consulting fees	$	15,000	$	3,600
Depreciation (Note 8)		77		110
Director fees		7,500		1,500
Investor relations		35,155		48,144
Filing fees		10,017		8,053
General exploration		60,574		44,422
Management fees		121,931		88,976
Office and miscellaneous		51,981		58,735
Professional fees		39,490		48,834
Loss before other items		(341,725)		(302,374)
OTHER INCOME (EXPENSES)				
Gain (loss) on disposal of marketable securities		3,467		-
Foreign exchange loss		(9,222)		(6,421)
Interest income		-		17
		(5,755)		(6,404)
Net loss	$	(347,480)	$	(308,778)
OTHER COMPREHENSIVE LOSS				
Fair value loss (gain) on available-for-sale investments (Note 5)		-		(3,750)
Total comprehensive loss for the period	$	(347,480)	$	(305,028)
Weighted average number of common shares outstanding		65,124,397		63,730,142
Basic and diluted loss per common share	$	(0.00)	$	(0.01)

The accompanying notes form an integral part of these consolidated financial statements

MARIFIL MINES LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 2013 AND 2012

Expressed in Canadian Dollars

		2013		2012
OPERATING ACTIVITIES				
Net loss	$	(347,480)	$	(305,028)
Items not affecting cash:				
Unrealized loss on foreign exchange		9,222		-
(Gain) loss on disposal marketable securities		(3,467)		-
Depreciation		77		110
		(341,648)		(304,918)
Changes in non-cash working capital items:				
Receivables		(2,525)		(32,432)
Prepaid expenses		5,054		5,187
Accounts payable and accrued liabilities		102,296		79,676
Cash used in operating activities		(236,823)		(252,487)
INVESTING ACTIVITIES				
Proceeds on disposition of marketable securities		18,107		-
Cash received on resource properties		38,640		-
Cash paid on resource properties		(33,199)		(23,136)
Cash (used in) provided by investing activities		23,548		(23,136)
FINANCING ACTIVITIES				
Shares issued for cash, net of issuance costs		913,840		-
Shares issued on exercise of warrants and options		-		50,400
Cash provided by financing activities		913,840		50,400
NET CHANGE IN CASH AND EQUIVALENTS		700,565		(225,223)
CASH AND EQUIVALENTS, BEGINNING OF YEAR		63,023		1,580,719
CASH AND EQUIVALENTS, END OF PERIOD	$	763,588	$	1,355,496

The accompanying notes form an integral part of these consolidated financial statements

MARIFIL MINES LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2013 AND 2012
Expressed in Canadian dollars

	Class A Common Number	Amount	Subscriptions Received	Contributed Surplus	Accumulated other comprehensive loss	Deficit	Balance
Balance, December 31, 2011	63,418,494	$ 13,985,384	$ -	$ 1,836,755	$ (4,500)	$ (9,517,714)	$ 6,299,925
Exercise of warrants -at $0.12 each	420,000	26,400	24,000	-	-	-	1,154,123
Available for sale investments unrealized loss	-	-	-	-	4,500	-	4,500
Net loss for period ended March 31, 2012	-	-	-	-	-	(305,028)	(305,028)
Balance, March 31, 2012	63,838,494	$ 14,011,784	$ 24,000	$ 1,836,755	$ (4,500)	$ (9,822,742)	$ 7,153,520
Balance, December 31, 2012	64,241,883	$ 14,060,193	$ -	$ 1,976,529	$ -	$ (11,026,594)	$ 5,010,128
Net proceeds from private placement	19,000,000	913,840	-	-	-	-	913,840
Net loss for period ended March 31, 2013	-	-	-	-	-	(347,480)	(347,480)
Balance, March 31, 2013	83,241,883	$ 14,974,033	$ -	$ 1,976,529	$ -	$ (11,374,074)	$ 5,576,488

The accompanying notes form an integral part of these consolidated financial statements

1. NATURE AND CONTINUANCE OF OPERATIONS

Marifil Mines Ltd. (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 listed on the TSX Venture Exchange ("TSXV") under the symbol MFM.V. The address of the Company's corporate office and principal place of business is Suite 450 - 800 West Pender Street, Vancouver, British Columbia, Canada.

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

2. BASIS OF PREPARATION

2.1 Statement of Compliance

These consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the international Accounting Standards Board ("IASB"). The consolidated financial statements were authorized for issue by the Board of Directors on May 29, 2013.

2.2 Basis of Measurement

The consolidated financial statements have been prepared on a historical cost basis, as modified by the revaluation of available-for-sale financial assets.

The consolidated financial statements are presented in Canadian dollars ("CDN") which is also the Company and its subsidiaries' functional currency.

The preparation of the consolidated financial statements in compliance with IFRS requires management to make certain accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are discussed in Note 4.

2.3 Basis of Presentation

These condensed interim consolidated financial statements are prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* under International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). These condensed interim consolidated financial statements follow the same accounting policies and methods of application as the most recent annual consolidated financial statements of the Company, except for the accounting policies which have changed as a result of the adoption of new and revised standards and interpretations which are effective January 1, 2013. These condensed interim consolidated financial statements do not contain all of the information required for full annual financial statements. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the Company's most recent annual financial statements, which were prepared in accordance with IFRS as issued by the IASB.

The mandatory adoption of the following new and revised accounting standards and interpretations on January 1, 2013 had no significant impact on the Company's consolidated financial statements for the current or prior periods presented.

IFRS 10 *Consolidated Financial Statements* - IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 *Consolidation - Special Purpose Entities* and parts of IAS 27 *Consolidated and Separate Financial Statements.*

IFRS 11 *Joint Arrangements* - IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities - Non-monetary Contributions by Venturers*.

IFRS 12 ***Disclosure of Interests in Other Entities*** **-** IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

IFRS 13 ***Fair Value Measurement*** **-** IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

IAS 1 ***Presentation of Financial Statements (Amendment)***
The amendments to IAS 1 requires the grouping of items within other comprehensive income that may be reclassified to profit or loss and those that will not be reclassified. The consolidated statement of comprehensive income in these condensed consolidated interim financial statements has been amended to reflect the presentation requirements under the amended IAS 1.

IFRIC 20 ***Production Stripping Costs -*** IFRIC 20 Stripping Costs requires the capitalization and depreciation of stripping costs in the production phase if an entity can demonstrate that it is probable future economic benefits will be realized, the costs can be reliably measured and the entity can demonstrate that it is probable future economic benefits will be realized, the costs can be reliably measured and the entity can identify the component of the ore body for which access has been improved.

IAS 27, Separate financial statements (amended standard)
IAS 27, "Separate financial statements" (IAS 27) was re-issued by the IASB in May 2011 to only prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The consolidation guidance will now be included in IFRS 10. The amendments to IAS 27 are effective for annual periods beginning on or after January 1, 2013. The standard does not impact the consolidated financial statements.

IAS 28, Investments in Associates and Joint Ventures (amended standard)
The standard was updated to incorporate the accounting for joint ventures because the equity method is now applicable to both joint ventures and associates. The disclosure requirements from IAS 28 (as revised in 2003) have been included in IFRS 12. The amendments to IAS 28 are effective for annual periods beginning on or after January 1, 2013. The standard is not expected to impact the consolidated financial statements.

2.4 Going Concern of Operations

The Company has not generated revenue from operations. The Company incurred a net loss of $347,480 for the three month period-ended March 31, 2013 and, as of that date the Company's accumulated deficit was $11,374,074. As the Company is in the exploration stage, the recoverability of the costs incurred to date on exploration properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financial resources to complete the exploration and development of its properties and upon future profitable production or proceeds from the disposition of the properties and deferred exploration expenditures. These factors may raise significant doubt about the Company's ability to continue as a going concern. The Company will periodically have to raise funds to continue operations and, although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future.

2.5 Basis of consolidation

These consolidated financial statements include the financial statements of the Company and entities controlled by the Company. 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 Company's subsidiaries are included in the consolidated financial statements. All intercompany balances and transactions, income and expenses have been eliminated upon consolidation. The Company's subsidiaries in Argentina are Marifil S.A. which is wholly-owned, and an inactive holding company Minas San Roque S.A in which the Company has a 51% ownership. The Company's subsidiary in Canada is an inactive holding company Oxbow Holdings Corp. which is wholly-owned.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Foreign Currency Transactions

Foreign currency accounts are translated into Canadian dollars as follows:

At the transaction date, each asset, liability, revenue and expense denominated in a foreign currency is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the period end date, unsettled monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at the period end date and the related translation differences are recognized in net income. Exchange gains and losses arising on the retranslation of monetary available-for-sale financial assets are treated as a separate component of the change in fair value and recognized in net income. Exchange gains and losses on non-monetary available-for-sale assets form part of the overall gain or loss recognized in respect of that financial instrument.

Non-monetary assets and liabilities that are measured at historical cost are translated into Canadian dollars by using the exchange rate in effect at the date of the initial transaction and are not subsequently restated. Non-monetary assets and liabilities that are measured at fair value or a revalued amount are translated into Canadian dollars by using the exchange rate in effect at the date the value is determined and the related translation differences are recognized in net income or other comprehensive loss consistent with where the gain or loss on the underlying non-monetary asset or liability has been recognized.

3.2 Cash and cash equivalents

Cash and Cash equivalents is comprised of cash on hand and 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.

3.3 Loans and Receivables

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

3.4 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 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 ("LAR")

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

3.4 Financial instruments *(cont'd)*

Available-for-sale ("AFS")

Non-derivative financial assets not included in the above categories are classified as AFS. 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.

The Company has classified its financial assets and financial liabilities as follows:

Financial assets

- Cash and cash equivalents are classified as FVPTL.
- Marketable securities are classified as AFS.
- Other receivables are classified as LAR.

Financial liabilities

- Trade payable are classified as other financial liabilities.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

3.4 Financial instruments *(cont'd)*

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.

3.5 Equipment

Equipment is recorded at cost and depreciated 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 depreciated 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.

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 on the statement of comprehensive loss/income.

3.6 Mineral properties – exploration and evaluation assets

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. These 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 enters into joint venture agreements ("JV"), 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

3.6 Mineral properties – exploration and evaluation assets *(cont'd)*

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.

3.7 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 in prior years. A reversal of an impairment loss is recognized immediately on the statement of comprehensive loss/income.

3.8 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 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 fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

3.9 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 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. Warrants that are issued as payment for an agency fee or other transactions costs are accounted for as share-based payments.

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

3.10 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. Deferred 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. Deferred tax assets are recognized only if it is more likely than not that they can be realized.

3.11 Earnings (loss) per share

Basic earnings or loss per share is computed by dividing net earnings or loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings or loss per share is computed similar to basic earnings or 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. As at March 31, 2013, the Company had 24,260,000 (December 31, 2012 – 4,630,000) potentially dilutive shares outstanding.

3.12 Comparative figures

Certain comparative figures have been reclassified to conform with the current year's financial statement presentation.

3.13 Accounting standards issued but not yet effective

a) IFRS 9, Financial Instruments

In November 2009, the IASB 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 due to own credit risk out of earnings and recognize the change in other comprehensive income. IFRS 9 is effective for the Company on January 1, 2015. Early adoption is permitted and the standard is required to be applied retrospectively. The Company does not expect the standard to have a significant impact on its consolidated financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.
Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed below:

i) Exploration and Evaluation Expenditure

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the profit or loss in the year the new information becomes available.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (cont'd)

ii) Title to Resource Properties

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects. 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.

iii) Income Taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law in the relevant jurisdiction. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision.

Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities. In addition, the Company recognizes deferred tax assets relating to tax losses carried forward only to the extent that it is probable that taxable profit will be available against which a deductible temporary difference can be utilized. This is deemed to be the case when there are sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity which are expected to reverse in the same year as the expected reversal of the deductible temporary difference, or in years into which a tax loss arising from the deferred tax asset can be carried back or forward. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

iv) Share-based Payment Transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the stock option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 12.

v) Functional Currency

The Company operates in multiple jurisdictions and transacts in multiple currencies. Being an exploration stage company, the Company has no revenues from operations to date and therefore has based the determination of functional currency on expenditures, financial commitments and historical financing, the areas where the majority of the Company's transactions occur. Transactions related to all three of these criteria occur in more than one currency, however the CDN$ is the dominant currency for each of these criteria and therefore the currency of the primary economic environment to which the Company is the most significantly exposed. As such, management has determined the CDN$ to be the functional currency of the Company and the significant subsidiary within the consolidated group.

5. MARKETABLE SECURITIES

	Number of Shares	Book Value March 31, 2013	Fair Value March 31, 2013	Fair Value December 31, 2012
Netco Shares	488,000	$ -	$ -	$ 14,640
	488,000	$ -	$ -	$ 14,640

During the period ending March 31, 2013, marketable securities consisting of 488,000 common shares of Netco Silver Co. received as option proceeds were sold. The common shares were designated as available-for-sale. The fair value of the common shares at March 31, 2013 is $Nil (2012 - $14,640), based on quoted market prices. Gross proceeds received on disposition equaled $18,107 resulting in a $3,467 gain. The carrying amount of these securities is subject to revaluation on a mark-to-market basis at the end of each reporting period, and the increases or decreases arising on revaluation are recorded in Accumulated Other Comprehensive Income ("AOCI"), a component of shareholders' equity.

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	March 31, 2013	December 31, 2012
Fair value	-	14,640
Cost	-	(63,252)
Unrealized impairment loss recognized in net loss	-	(48,612)
Realized gain (loss) on disposal	3,467	-
Accumulated unrealized loss in equity reserve	$ -	$ -

During the year ended December 31, 2012, the share price of Netco Silver Co. declined significantly. The amount of the cumulative unrealized loss that is reclassified from equity reserve to profit or loss represents the difference between the acquisition cost and current fair value.

6. RECEIVABLES

The Company's receivables are as follows:

	March 31, 2013	December 31, 2012
HST receivable	9,250	7,506
Other receivables	18,249	17,468
	$ 27,499	$ 24,974

7. PREPAID EXPENSES

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

	March 31, 2013	December 31, 2012
Insurance	808	2,877
Vendor prepayments	-	2,985
	$ 808	$ 5,862

8. EQUIPMENT

Cost basis		Office Equipment		Computer Equipment		Software		Total
Balance at January 1, 2012	$	2,383	$	5,762	$	5,074	$	13,219
Additions		310		-		-		310
Disposals		-		-		-		-
Balance at December 31, 2012		2,693		5,762		5,074		13,529
Additions		-		-		-		-
Disposals		-		-		-		-
Balance at March 31, 2013	$	2,693	$	5,762	$	5,074	$	13,529
Depreciation								
Balance at January 1, 2012	$	(37)	$	(4,397)	$	(5,074)	$	(9,508)
Depreciation		(661)		(410)		-		(1,071)
Disposals		-		-		-		-
Balance at December 31, 2012		(698)		(4,807)		(5,074)		(10,579)
Depreciation		6		70		-		-
Disposals		-		-		-		-
Balance at March 31, 2013	$	(704)	$	(4,877)	$	(5,074)	$	(10,579)
Carrying amounts								
At January 1, 2012	$	2,346		1,365	$	-	$	3,711
At December 31, 2013	$	1,995	$	955	$	-	$	2,950
At March 31, 2013	$	1,989	$	885	$	-	$	2,874

9. RESOURCE PROPERTIES

		Las Aguilas, San Luis, Province		Toruel Rio Negro Province		San Roque, Rio Negro Province		Other Properties		Accumulated IVA, net of recoveries		Total
Balance, December 31, 2011	$	-	$	1,672,546	$	2,429,989	$	123,924	$	536,418	$	4,762,877
Property Payments		17,282		330		-		359,258		-		376,870
Exploration costs		7,298		755		36,957		131,696		-		176,706
Write-off of exploration and evaluation costs		-		-		-		(155,167)		-		(155,167)
Change in IVA		-		-		-		-		20,723		20,723
Option and joint venture payments received		(24,580)		(109,865)		-		-		-		(134,445)
Balance, December 31, 2012	$	-	$	1,563,766	$	2,466,946	$	459,711	$	557,141	$	5,047,564
Property Payments		-		5,156		-		-		-		5,156
Exploration costs		-		1,418		10,100		4,039		-		15,557
Write-off of exploration and evaluation costs		-		-		-		-		-		-
Change in IVA		-		-		-		-		3,263		3,263
Option and joint venture payments received		-		-		-		(38,640)		-		(38,640)
Balance, March 31, 2013	$	-	$	1,570,340	$	2,477,046	$	425,110	$	557,141	$	5,032,900

9. 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 characteristics 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 mineral properties are located in Argentina.

Impuesto al Valdor Agregado ("IVA") represents value added sales taxes paid to the government of Argentina which 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 located in San Luis province Argentina.

On December 10, 2010 the Company entered into a joint venture option agreement with Prophecy Platinum Corp. (Prophecy) whereby Prophecy could earn a 49% interest in the property by paying the Company cash of US$300,000, issuing 100,000 shares of Prophecy and incurring US$2,000,000 in exploration expenditures. On April 2, 2012, the Company and Prophecy agreed to amend the expenditure requirement dates to the dates noted below, in return for an additional $50,000 payment (received). The remaining terms and conditions of the agreement with Prophecy remain unchanged.

Cash and Shares:

a) US$25,000 and 25,000 shares upon signing the agreement; (received)

b) US$75,000 and 25,000 shares on or before April 1, 2012; (received)

c) US$100,000 and 25,000 shares on or before April 1, 2013

d) US$100,000 and 25,000 shares on or before April 1, 2014

Exploration Expenditures:

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

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

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

Prophecy could earn an additional 11% (bringing their interest to 60%) by completing a pre-feasibility study and issuing an additional 200,000 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 Prophecy has earned its 70% interest, then Prophecy has the option of purchasing Marifil's 30% for US$5,000,000. In such event, Marifil would retain a 3% NSR, of which a first 0.5% could be purchased for $1,000,000 and a second 0.5% could be purchased for $2,000,000, thereby reducing Marifil's NSR to 2.0%.

On September 28, 2012 Prophecy provided the Company with a formal written notice to terminate the option agreement effective November 1, 2012.

9. RESOURCE PROPERTIES *(cont'd)*

Toruel, Rio Negro Province

The Toruel Project is covered by two separate agreements to purchase the property and one joint venture option agreement.

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 by incurring in aggregate, exploration costs of US$178,000 over five years. The Company has incurred these expenditures.

b) Ruben Davicino

The agreement dated May 8, 2004 with Ruben Davicino, amended on January 9, 2011, December 6, 2012, and February 28, 2013, wherein a new payment schedule was determined with new due dates as follows:

Dates	Cash Payments
During 2011	US $10,000 (Paid)
January 9, 2012	US $15,000 (Paid)
February 28, 2013	US $10,000 (Paid)
February 28, 2014	US $20,000
February 28, 2015	US $30,000
February 28, 2016	US $60,000

During the fifth year the Company can exercise at its option to purchase 100% of the project for a payment of US $500,000. The optionor retains 2% NSR, which may be purchased by the Company for US$750,000.

c) Netco Silver

On March 4, 2011, the Company entered into a joint venture option agreement (the "Option Agreement") with Netco Silver Inc. ("Netco"), whereby Netco could earn a 50% interest during the next three years by paying an aggregate of $200,000 in cash, issuing 3,150,000 Netco common shares to the Company and spending $2,800,000 on exploration and costs on the property as follows:

Date	Cash Payment	Share Issuance	Expenditure Requirement
Agreement Date	$ 25,000 (received)	-	$ -
On the Approval Date	$ -	150,000 shares (issued)	$ -
On September 4, 2011	$ 25,000 (received)	250,000 shares (issued)	$ 150,000 (incurred)
On February 4, 2012	$ 50,000 (received)	250,000 shares (issued)	$ 150,000 (incurred)
On February 4, 2013	$ 50,000	1,000,000 shares	$ 500,000
On February 4, 2014	$ 50,000	1,500,000 shares	$ 2,000,000

Netco could earn a further 10% (bringing their interest to 60%) over the next two years by providing Marifil with a pre-feasibility study on the property and paying the Company $100,000 per year. Netco can earn a further 10% (bringing their interest to 70%) over the next two years by providing Marifil with a feasibility study on the property. At that time, all further expenditures are to be shared 70% by Netco and 30% by 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 case Netco will earn an additional 5%, bringing Netco's total interest to 75%.

9. RESOURCE PROPERTIES *(cont'd)*

On September 19, 2012, the Company and Netco entered a purchase agreement (the "Purchase Agreement") whereby Netco agreed to purchase all of Marifil's 100% interest in the Toruel copper-silver project. Under the terms of the purchase agreement, Marifil would assign and sell to Netco all of its interest in the Toruel Property in consideration for:

(a) Netco issuing Marifil an aggregate of 3,500,000 share purchase warrants, with each Warrant entitling Marifil to acquire one common share of Netco at a price of $0.10 per Share until the date that is twelve (12) months from the closing of the Transaction (the "Closing") and at a price of $0.15 per Share from the date that is twelve (12) months from the Closing until the date that is twenty-four months from the Closing;

(b) Netco issuing to Marifil such number of Shares as will cause Marifil to hold an aggregate of 19.9% of the issued and outstanding Shares of Netco at Closing; and

(c) The grant of a 3% net smelter returns royalty to Marifil.

Netco had also agreed to assume Marifil's existing property payment obligations to the underlying owners of the Toruel Property upon closing.

On November 27, 2012, Netco provided the Company with a formal written notice to terminate the Option Agreement and the Purchase Agreement effective November 1, 2012.

San Roque, Rio Negro Province

On March 8, 2006, the Company signed an agreement with M.I.M. Argentina Exploraciones (MIM) to acquire the San Roque gold project in Rio Negro province, Argentina. The Company committed to spending US$50,000 annually on the property over the next four years (incurred). In addition the Company had 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 Resources Inc. (NovaGold) an option to acquire a 49% interest in the San Roque property by incurring $3,000,000 in expenditures on the properties during the first two years of the agreement including making the $400,000 payment to MIM (paid in September 2011) and payments to Marifil of $100,000 per year. NovaGold complied with all terms of this agreement. NovaGold could earn an additional 21% (bringing their interest to 70%) by committing to spend an additional $6,000,000 in property expenditures over the next three years and paying Marifil $100,000 per year. All further expenditures were to be shared 70% NovaGold and 30% Marifil.

On June 22, 2012, NovaGold relinquished its right to earn 70% equity in the property, and is now seeking to sell its 49% interest in the San Roque property.

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, the Alto Rio Chubut Project which consists of five staked properties in the Rio Negro province of Argentina, the Codihue mine rights in Neuguen province of Argentina, the Lago Fontana project consisting of 16 mine rights located in Chubut Province of Argentina, and various claims in Salta and Catamarca Provinces of Argentina.

During the year ended December 31, 2012, the Company abandoned several claims and wrote off $155,167 (2011 - $546,886) of previously capitalized exploration costs related to these claims.

9. RESOURCE PROPERTIES *(cont'd)*

Other Properties *(cont'd)*

a) K-2 Potash Property, Neuquen Province

On September 19, 2008, the Company vended its K-2 potash property to Oxbow Holdings Corp. ("Oxbow"), a private Canadian corporation which Marifil owned a 58% interest in.

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 April 26, 2012, the Company purchased the remaining 42% of Oxbow for $132,240 and share consideration of 403,389 common shares, resulting in Marifil owning 100% of Oxbow Holdings Corp and the K-2 project. The purchase price of the 42% of Oxbow was accounted for as an asset acquisition and the total purchase price was allocated to K-2 as a property acquisition cost.

b) K-3 & K-4 Potash, Mendoza Province

Marifil acquired these properties in January and February of 2011 by staking ground it believes to be prospective for potash, uranium, biogenic sulfur and asphaltites. There are no underlying third party agreements attached to these mining rights which total 15 contiguous claims. The claims are located in the northern Neuquen Sedimentary Basin.

c) K-5 & K-6 Potash, Neuquen Province

On April 27, 2012, further amended March 1, 2013, the Company signed an agreement, with Oscar and Jesus Gonzalez, to acquire the Filo Morado Potash properties ("K-5 & K-6") in the Neuquen Sedimentary Basin. The five mining rights of K-6 belong to the same private party as those of K-5, and bring the area under mineral rights control in this agreement to a total of 52,172 hectares.

Terms of the amended March 1, 2013 agreement are as follows:

Dates		Cash Payments	
Upon signing the LOI agreement		US$ 25,000	(Paid)
Upon signing the definitive agreement		US$ 125,000	(Paid)
March 31, 2013		US$ 50,000	
September 30, 2013		US$ 50,000	
March 31, 2014		US$ 150,000	
March 31, 2015		US$ 200,000	
March 31, 2016		US$ 250,000	
March 31, 2017		US$ 3,400,000	
	Total	US$ 4,250,000	

Additionally, the owner retains a 2% NSR of which 1.5% Marifil is able to acquire upon a payment of US $1,500,000. The remaining 0.5% can be acquired for an additional payment of US $1,500,000. There are no work obligations in the agreement.

d) Arroyo Verde, Chubut Province

On January 10, 2012, amended March 6, 2013, the Company entered into an option agreement with a private party to purchase a 100% interest in the Arroyo Verde property in Chubut Province.

9. RESOURCE PROPERTIES *(cont'd)*

Other Properties *(cont'd)*

The payment terms of the amended March 6, 2013 agreement are as follows:

Dates		Cash Payments	
Upon signing the LOI agreement		US$ 35,000	(Paid)
December 5, 2013		US$ 35,000	
December 5, 2014		US$ 100,000	
December 5, 2015		US$ 150,000	
December 5, 2016		US$ 200,000	
December 5, 2017		US$ 250,000	
December 5, 2018		US$ 2,800,000	
	Total	US$ 3,570,000	

Additionally the seller retains a 1% Net Smelter Royalty ("NSR") which Marifil can acquire for a one-time payment of US$2,000,000.

e) Punta Colorada, Rio Negro Province

On October 10, 2008, the Company entered into an agreement whereby the Company was granted exclusive exploration rights and the right to use the nearby loading dock to the Punta Colorada 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.

f) Cerro Samenta Norte & Cerro Samenta Sur, Salta Province

Cerro Samenta property is located in the Puna region of northwestern Argentina. The Company holds 7 contiguous mines rights optioned from two private parties, known as Samenta Norte and Samenta Sur.

Both property purchase option agreements were signed on May 27, 2011. The agreements are very similar, each with approximately the same obligations to be borne by Marifil. The combined payment schedule is as follows:

Dates		Cash Payments	
Upon signing the LOI agreement		US$ 31,500	(Paid)
Upon signing the definitive agreement		US$ 16,500	(Paid)
November 27, 2011		US$ 31,500	(Paid)
May 27, 2012		US$ 42,000	(Paid)
November 27, 2012		US$ 42,000	($21,000 Paid)
May 27, 2013		US$ 63,000	
November 27, 2013		US$ 63,000	
May 27, 2014		US$ 105,000	
November 27, 2014		US$ 105,000	
May 27, 2015		US$ 157,500	
November 27, 2015		US$ 157,500	
May 27, 2015		US$ 210,000	
Upon completion of the agreement		US$ 6,300,000	
	Total	US$ 7,324,500	

During the period, US $21,000 of the November 27, 2012 payment was made for the Cerro Samenta Norte property by a company Marifil Mines Ltd. has entered into a joint venture agreement with. Additionally, the two vendors each retain a 1% NSR which Marifil is able to acquire upon making a combined payment of US$ 2,100,000.

9. RESOURCE PROPERTIES *(cont'd)*

Other Properties *(cont'd)*

g) El Carmen, Chubut Province

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

Ilakon agreed to purchase the El Carmen property for US$250,000 (received) and issue Marifil an 8% production royalty from gross oil and gas sales. Annual advance royalty payments of $75,000 were due to Marifil beginning at the earlier of commencement of production or 24 months from the date of the Agreement.

On November 23, 2012, Ilakon terminated its exploration and licensing rights to the property, and returned the property to the Company.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Payables and accrued liabilities for the Company:

	March 31, 2013	December 31, 2012
Trade payable	$ 164,931	$ 78,885
Accrued liabilities	86,250	70,000
	$ 251,181	$ 148,885

11. RELATED PARTY TRANSACTIONS

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

Name of Subsidiary	Country of Incorporation	Ownership Interest	Principal Activity
Marifil S.A.	Argentina	100%	Mineral exploration
Oxbow Holding Corp.*	Canada	100%	*
Minas San Roque S.A.*	Argentina	51%	*

* The operations of Oxbow and Minas San Roque S.A. were inactive at December 31, 2012.

During 2013 and 2012, the Company incurred charges with directors, an officer and companies with directors and officers in common which comprise key management compensation as follows:

	March 31, 2013	March 31, 2012
Professional fees	$ 18,000	$ 10,778
Director fees	7,500	1,500
Management fees	121,931	88,320
Total	$ 147,430	$ 100,598

11. RELATED PARTY TRANSACTIONS *(cont'd)*

During the period $6,700 (2012 - $nil) in management fees were capitalized to mineral properties.

For the period ended March 31, 2013 and 2012, key management personnel were not paid post-employment benefits, termination benefits or any other long-term benefits.

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

At March 31, 2013 accounts payable included $39,543 (2012 - $54,536) owing to directors of the Company. These amounts are non-interest bearing and are due on demand.

12. SHARE CAPITAL AND RESERVES

Authorized share capital

The authorized share capital of the Company consists of an unlimited number of common shares without par value. All issued shares are fully paid.

Warrants

As at March 31, 2013, 20,050,000 share purchase warrants were outstanding. A summary of the warrant activity for the year ended December 31, 2012 and 2011 is as follows:

	Period Ended March 31, 2012		**Year Ended December 31, 2012**	
	Warrants	Weighted Average Exercise Price	Warrants	Weighted Average Exercise Price
Balance, beginning of the year	-	-	1,976,485	$0.38
Issued – March 14, 2013 Private Placement	20,050,000	$0.10	-	-
Exercised	-	-	(420,000)	$0.12
Expired	-	-	(1,556,485)	$0.45
Exercised	-	-	-	-
Balance, end of year	20,050,000	$0.10	-	-

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 or higher at the date of the grant, less any discounts permitted by regulatory authorities. Unless otherwise stated options vest when granted. As at March 31, 2013, options outstanding are as follows:

Number		Vested	Exercise Price	Expiry Date
2,000,000	Directors and Consultants	2,000,000	$0.20	January 24, 2016
850,000	Directors and Officer	850,000	$0.10	April 5, 2020
1,360,000	Directors, Officers and Employees	1,360,000	$0.20	June 17, 2017
4,210,000		4,210,000		

As at March 31, 2013, stock options outstanding had a weighted average life outstanding of 4.0 years (2012 – 4.3 years)

12. SHARE CAPITAL AND RESERVES *(cont'd)*

Stock options (cont'd)

A summary of stock option activity for the years ended December 31, 2012 and 2011 are as follows:

	Period Ended March 31, 2013		Year Ended December 31, 2012	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Balance, beginning of the year	4,630,000	$0.19	4,880,000	$0.34
Issued	-	-	1,360,000	$0.20
Exercised	-	-	-	-
Expired/Cancelled	(420,000)	$0.18	(1,610,000)	$0.66
Balance, end of period	4,210,000	$0.19	4,630,000	$0.19

The weighted average fair value at grant date of the options granted during the year ended March 31, 2013 was $0.09 per option (December 31, 2012: $0.23).

The grant date fair value was determined using the Black-scholes option-pricing model with the following weighted-average assumptions:

	2013	2012
Expected dividend yield	$0	$0
Share price at grant date	0.12	0.12
Expected stock price volatility	1.19%	1.19%
Risk-free interest rate	1.21%	1.21%
Expected life of options	5 years	5 years

13. FINANCIAL AND CAPITAL RISK MANAGEMENT

	March 31, 2013	December 31, 2012
Components of Capital:		
Shareholders' equity	$ 5,576,488	$ 5,010,128
Cash	763,588	63,023
	$ 6,340,076	$ 5,073,151

The company is exposed through its operations to the following financial risks:

- Market Risk
- Credit Risk
- Liquidity Risk

In common with all other businesses, the company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

13. FINANCIAL AND CAPITAL RISK MANAGEMENT *(cont'd)*

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, polices and processes for managing those risks or the methods used to measure them from previous years unless otherwise stated in the note.

General Objectives, Policies and Processes:

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function. The Board of Directors receive quarterly reports from the Company's Chief Financial Officer through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

a) Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks are comprised of four types of risk: foreign currency risk, interest rate risk, commodity price risk and equity price risk.

Foreign Currency Risk:

Foreign currency risk is the risk that a variation in exchange rates between the Canadian dollar and Argentine peso as well as the Canadian dollar and the US dollar will affect the Company's operations and financial results. To limit this risk the Company maintains the majority of its cash in Canadian dollars and considers foreign currency exposure at March 31, 2013 to be insignificant.

Equity Price Risk:

Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Company is exposed to this risk through its equity holdings. The available-for-sale investment in marketable securities is monitored by Management with decisions on sale taken at Management level.

Interest Rate Risk:

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company does not have any borrowings. Interest rate risk is limited to potential decreases on the interest rate offered on cash and cash equivalents held with chartered Canadian financial institutions. The Company considers this risk to be immaterial.

b) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments which are potentially subject to credit risk for the Company consist primarily of cash and cash equivalents. Cash and cash equivalents are maintained with financial institutions of reputable credit and may be redeemed upon demand.

c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The key to success in managing liquidity is the degree of certainty in the cash flow projections. If future cash flows are fairly uncertain, the liquidity risk increases.

13. FINANCIAL AND CAPITAL RISK MANAGEMENT *(cont'd)*

As at March 31, 2013, the Company has a working capital balance of $540,713.

The Company monitors its risk of shortage of funds though financing activities and by monitoring the maturity dates of existing trade and other accounts payable.

Determination of Fair Value:

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The Statement of Financial Position carrying amounts for cash and cash equivalents and trade and other payables approximate fair value due to their short-term nature. Due to the use of subjective judgments and uncertainties in the determination of fair values these values should not be interpreted as being realizable in an immediate settlement of the financial instruments.

The value of financial liabilities is equal to their fair values due to the short-term nature of these instruments. At March 31, 2013 and December 31, 2012, the Company's financial liabilities were held in US dollars, Canadian Dollars and the Argentine Peso.

Fair Value Hierarchy:

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities; and
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable marker data (unobservable inputs).

The following table sets forth the Company's financial assets measured at fair value by level within the fair value hierarchy as at March 31, 2012:

	Level 1	Level 2	Level 3
Cash	$ 763,588	$ -	$ -
Marketable Securities	-	-	-
Total	$ 763,588	$ -	$ -

The fair values of other financial instruments, which include other receivables, trade payable and due to related parties approximate their carrying values due to the short-term maturity of these instruments.

14. SEGMENTED REPORTING

The Company is organized into business units based on mineral properties and has one reportable operating segment, being that of acquisition and exploration activities. Geographical information on the Company's assets on a country-by-country basis is as follows:

March 31, 2013		**Canada**		**Argentina**		**Total**
Cash and cash equivalents	$	738,009	$	25,579	$	763,588
Other current assets		9,743		18,564		28,307
Equipment		998		1,876		2,874
Resource properties		-		5,032,900		5,032,900
Total assets	$	748,750	$	5,078,919	$	5,827,669

December 31, 2012		**Canada**		**Argentina**		**Total**
Cash and cash equivalents	$	55,229	$	7,794	$	63,023
Other current assets		28,008		17,468		45,476
Equipment		1,074		1,876		2,950
Resource properties		-		5,047,564		5,047,564
Total assets	$	84,311	$	5,074,702	$	5,159,013