



**UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED MARCH 31, 2016 AND 2015**

Expressed in Canadian Dollars

THE ACCOMPANYING FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED  
MARCH 31, 2016 AND 2015 HAVE NOT BEEN REVIEWED OR AUDITED BY THE  
CORPORATIONS AUDITORS

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**MARIFIL MINES LTD.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS AT MARCH 31, 2016 AND DECEMBER 31, 2015**  
**Expressed in Canadian Dollars**  
**(Unaudited)**

	March 31, 2016	December 31, 2015
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 4,935	\$ 20,815
GST Receivable	1,176	6,584
Prepaid expenses (Note 5)	5,938	8,568
Total current assets	12,049	35,967
<b>Equipment</b> (Note 6)	1,648	1,677
<b>Resource Properties</b> (Note 7)	2,838,203	2,957,376
	\$ 2,851,900	\$ 2,995,020
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities (Notes 8, 9, and 10)	\$ 401,045	\$ 419,693
Total liabilities	401,045	419,693
<b>Shareholders' equity</b>		
Share capital (Note 11)	15,216,958	15,216,958
Contributed surplus	2,096,062	2,096,062
Deficit	(14,862,165)	(14,737,693)
	2,450,855	2,575,327
	\$ 2,851,900	\$ 2,995,020

Going concern of operations (Note 2.1)

**Approved and authorized by the Board on May 30, 2016**

*"John Hite"*

\_\_\_\_\_  
John Hite

*"Michael Sweatman"*

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Michael Sweatman

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

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**MARIFIL MINES LTD.****CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS****FOR THE THREE MONTHS ENDED MARCH 31, 2016 AND 2015****Expressed in Canadian Dollars****(Unaudited)**

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	<b>2016</b>	<b>2015</b>
<b>EXPENSES</b>		
Depreciation (Note 6)	\$ 28	\$ 38
Director fees (Note 10)	9,728	9,500
Filing fees	6,346	6,163
Investor relations	330	647
General exploration	-	6,631
Office and miscellaneous	54,235	20,965
Professional fees (Note 10)	27,750	27,500
<b>Loss before other items</b>	<b>(98,416)</b>	<b>(71,444)</b>
<b>OTHER INCOME (EXPENSES)</b>		
Foreign exchange loss	(24,304)	9,063
Other expenses	(1,753)	(1,332)
<b>Net loss and comprehensive loss</b>	<b>\$ (124,472)</b>	<b>\$ (70,103)</b>
<b>Weighted average number of common shares outstanding</b>	<b>104,911,883</b>	<b>90,861,883</b>
<b>Basic and diluted loss per common share</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>

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, 2016 AND 2015**  
**Expressed in Canadian Dollars**  
**(Unaudited)**

	<b>2016</b>	<b>2015</b>
<b>OPERATING ACTIVITIES</b>		
Net loss	\$ (124,472)	\$ (70,103)
Items not affecting cash		
Depreciation	29	38
Unrealized foreign exchange	24,304	-
	(100,139)	(71,141)
Changes in non-cash working capital items:		
Accounts payable and accrued liabilities	(18,648)	7,888
Prepaid expenses	2,630	2,608
GST Receivable	5,408	59,746
<b>Cash used in operating activities</b>	<b>(110,749)</b>	<b>177</b>
<b>INVESTING ACTIVITIES</b>		
Cash expenditures on resource properties, net of change in IVA	94,869	(33,934)
Resource property option payments received	-	-
<b>Cash used in investing activities</b>	<b>94,869</b>	<b>(33,394)</b>
<b>FINANCING ACTIVITIES</b>		
<b>Cash used in financing activities</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN CASH AND EQUIVALENTS</b>	<b>(15,880)</b>	<b>(33,757)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>20,815</b>	<b>35,742</b>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>\$ 4,935</b>	<b>\$ 1,985</b>

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

**MARIFIL MINES LTD.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**MARCH 31, 2016 AND 2015**  
Expressed in Canadian dollars  
(Unaudited)

	<b>Number of Common Shares</b>	<b>Common Shares Amount</b>	<b>Contributed Surplus</b>	<b>Deficit</b>	<b>Balance</b>
<b>Balance, December 31, 2014</b>	90,861,883	15,058,465	2,016,775	(12,717,393)	4,357,847
Proceeds from private placement (Note 11)	6,600,000	132,000	-	-	132,000
Share issuance costs	-	(7,418)	-	-	(7,418)
Shares issued to settle payables (Note 11)	900,000	45,800	-	-	45,800
Shares issued as part of financing costs for loans payable (Note 9)	120,000	2,400	-	-	2,400
Net loss for the year	-	-	-	(440,775)	(440,775)
<b>Balance, March 31, 2015</b>	90,861,883	15,058,465	2,016,775	(12,717,393)	4,357,847
<b>Balance, December 31, 2015</b>	104,911,883	\$ 15,216,958	\$ 2,096,062	\$ (14,737,693)	\$ 2,575,327
Net loss for the year	-	-	-	(124,472)	(124,472)
<b>Balance, March 31, 2016</b>	104,911,883	\$ 15,216,958	\$ 2,096,062	\$ (14,862,165)	\$ 2,450,855

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

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**MARIFIL MINES LTD.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED MARCH 31, 2016 AND 2015  
Expressed in Canadian Dollars  
(Unaudited)**

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**1. NATURE OF OPERATIONS**

Marifil Mines Ltd. (the "Company" or "Marifil") was incorporated on December 2, 2003 under the Yukon Business Corporation Act. On January 17, 2014, the Company changed its reporting jurisdiction from Yukon to British Columbia. 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 Going Concern of Operations**

The Company has not generated revenue from operations. The Company incurred a net loss of \$124,472 for the three months ended March 31, 2016 and as of that date the Company's accumulated deficit was \$14,782,165. 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. 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. These factors comprise a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

**2.2 Statement of Compliance**

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34 "Interim Financial Reporting" ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). Accordingly, certain disclosures required in annual financial statements have been condensed or omitted. These Condensed Consolidated Interim Financial Statements are intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that these Condensed Consolidated Interim Financial Statements be read in conjunction with the most recent audited annual consolidated financial statements of the Company for the year ended December 31, 2015 available on [sedar.com](http://sedar.com) on April 29, 2016.

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

The condensed interim consolidated financial statements were authorized for issue by the Board of Directors on May 30, 2016.

**2.3 Basis of Measurement**

The condensed interim consolidated financial statements are presented in Canadian dollars, unless otherwise stated.

The preparation of the condensed consolidated financial statements in compliance with IFRS requires management to make certain accounting estimates. It also 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 judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are discussed in Note 4.

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**MARIFIL MINES LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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## **2.4 Basis of Consolidation**

These condensed interim 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 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**

The accounting policies followed by the Company are set out in Note 4 to the audited consolidated financial statements for the year ended December 31, 2015, and have been consistently followed in the preparation of these consolidated condensed interim financial statements except as disclosed below.

### **Adoption of New Standards and Interpretations, and Recent Accounting Pronouncements**

#### **New accounting standards adopted effective January 1, 2015**

There were no new or revised accounting standards scheduled for mandatory adoption on January 1, 2015, and thus no standards were adopted in 2015.

#### **Accounting Standards and Amendments Issued But Not Yet Effective**

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2015, and have not been applied in preparing these consolidated financial statements.

The following new standards, amendments and interpretations have not been early adopted in these consolidated financial statements and are not expected to have a material effect on the Company's future results and financial position:

*The following standards will be adopted by the Company effective January 1, 2018:*

- IFRS 15 'Revenue from Contracts with Customers': In May 2014, the IASB issued IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") which supersedes IAS 11 – Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers, and SIC 31 – Revenue – Barter Transactions Involving Advertising Services. IFRS 15 establishes a comprehensive five-step framework for the timing and measurement of revenue recognition.
- IFRS 9 'Financial Instruments': The IASB intends to replace IAS 39 – Financial Instruments: Recognition and Measurement in its entirety with IFRS 9 – Financial Instruments ("IFRS 9") which is intended to reduce the complexity in the classification and measurement of financial instruments.

*The following standard will be adopted by the Company effective January 1, 2019:*

IFRS 16 'Leases': IFRS 16 will be effective for accounting periods beginning on or after January 1, 2019. Early adoption will be permitted, provided the Company has adopted IFRS 15. This standard sets out a new model for lease accounting.

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**MARIFIL MINES LTD.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**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:

**a) Resource Properties Exploration and Evaluation Expenditure**

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether 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 the 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.

**b) Title to Resource Properties**

Although the Company has taken steps to verify title to resource 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 resource 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 resource properties. The Company has investigated title to all of its resource 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.

**c) 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.

**d) 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

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**4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)**

most appropriate inputs to the valuation model including the expected life of the stock option, volatility and dividend yield and making assumptions about them.

e) Site Closure and Reclamation Provisions

The Company assesses its mineral properties' rehabilitation provision at each reporting date or when new material information becomes available. Exploration, development and mining activities are subject to various laws and regulations governing the protection of the environment. In general, these laws and regulations are continually changing and the Company has made, and intends to make in the future, expenditures to comply with such laws and regulations. Accounting for reclamation obligations requires management to make estimates of the future costs that the Company will incur to complete the reclamation work required to comply with existing laws and regulations at each location. Actual costs incurred may differ from those amounts estimated. Also, future changes to environmental laws and regulations could increase the extent of reclamation and remediation work required to be performed by the Company. Increases in future costs could materially impact the amounts charged to operations for reclamation and remediation. The provision represents management's best estimate of the present value of the future reclamation and remediation obligation. The actual future expenditures may differ from the nil amounts currently provided due to minimal site disturbance.

f) 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 financings, 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. PREPAID EXPENSES**

The prepaid expenses for the Company are detailed as follows:

	March 31, 2016	December 31, 2015
Insurance	\$ 614	\$ 3,243
Vendor prepayments	5,324	5,325
	<b>\$ 5,938</b>	<b>\$ 8,568</b>

**MARIFIL MINES LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**6. EQUIPMENT**

	Office Equipment	Computer Equipment	Software	Total
<b>Cost basis</b>				
Balance at December 31, 2014, 2015 and March 31, 2016	\$ 2,693	\$ 5,762	\$ 5,074	\$ 13,529
<b>Depreciation</b>				
Balance at December 31, 2014	\$ (1,329)	\$ (5,293)	\$ (5,074)	\$ (11,696)
Depreciation	(15)	(141)	-	(156)
Balance at December 31, 2015	\$ (1,344)	\$ (5,434)	\$ (5,074)	\$ (11,852)
Depreciation	(3)	(26)	-	(29)
Balance at March 31, 2016	\$ (1,347)	\$ (5,460)	\$ (5,074)	\$ (11,881)
<b>Carrying amounts</b>				
At December 31, 2014	\$ 1,364	\$ 469	\$ -	\$ 1,833
At December 31, 2015	\$ 1,349	\$ 328	\$ -	\$ 1,677
At March 31, 2016	\$ 1,346	\$ 302	\$ -	\$ 1,648

**7. 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, 2014	\$ 20,761	\$ 1,575,800	\$ 2,545,885	\$ -	\$ 422,910	\$ 4,565,356
Property payments	2,170	1,537	384	1,530	-	5,621
Exploration costs	11,296	-	13,937	21,458	-	46,691
Change in IVA	-	-	-	-	(82,955)	(82,955)
Option and joint venture payments received	-	-	-	-	-	(82,141)
Write-off of exploration and evaluation costs	-	(1,577,337)	-	-	-	(1,577,337)
Balance, December 31, 2015	\$ 34,227	\$ -	\$ 2,560,206	\$ 22,988	\$ 339,955	\$ 2,957,376
Property payments	-	-	-	-	-	-
Exploration costs	-	-	-	4,889	-	4,889
Change in IVA	-	-	-	-	(124,061)	(124,061)
Write-off of exploration and evaluation costs	-	-	-	-	-	-
Balance, March 31, 2016	\$ 34,227	\$ -	\$ 2,560,206	\$ 27,876	\$ 215,894	\$ 2,838,203

Title to resource 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 resource properties. The

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**MARIFIL MINES LTD.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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(Unaudited)

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**7. RESOURCE PROPERTIES (continued)**

Company has investigated title to all of its resource properties and, to the best of its knowledge; title to all properties is in good standing. All the resource properties are located in Argentina.

Impuesto al Valor Agregado ("IVA") represents value added sales taxes paid to the government of Argentina which is 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 Las Aguilas nickel property is a 100% owned interest in mining rights located in San Luis province Argentina. The mining rights total 12 contiguous claims.

Toruel, Rio Negro Province

The Toruel copper-silver property is covered by two separate purchase agreements. The mining rights total 2 contiguous claims.

a) M.I.M. Argentina Exploraciones

On January 31, 2006, further amended April 23, 2011, January 30, 2013, May 9, 2014, and May 28, 2015, the Company entered into an agreement with M.I.M. Argentina Exploraciones to acquire a 100% interest in the Suerte 2 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. Additionally, the Company had to make a one-time payment of US\$375,000 on January 31, 2016. Due to the Company's non-compliance with the terms of the agreement, it was terminated in January 2016.

b) Ruben Davicino

On May 8, 2004, further amended January 9, 2011, December 6, 2012, February 28, 2013, March 1, 2014, September 1, 2014 and September 1, 2015, the Company entered into an agreement with Ruben Davicino, to acquire the Dos Amigos 1 property, wherein a payment schedule was determined with due dates as follows:

During the final 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.

In 2015 the Company decided to terminate the agreement with Ruben Davicino.

Due to termination of the agreements with M.I.M. Argentina Exploraciones and Ruben Davicino, the balance of \$1,577,467 in mineral property costs capitalized for the Toruel property was written-off at December 31, 2015.

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 mining rights total 18 contiguous claims and 115,898 hectares. The Company was committed to spending US\$50,000 annually on the property over four years ending in 2011 (spent) and by making cash payments of US\$400,000 (paid).

The Company currently holds a 51% interest in the San Roque property.

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**7. RESOURCE PROPERTIES (continued)**

Other Properties

Except as noted below, other Argentine properties include the Maipu mine rights located in Santa Cruz province, the Codihue mine rights in Neuquen province, the Lago Fontana mine rights in Chubut Province, the Mechanquil mine rights in Rio Negro province, the Milagros mine properties in Mendoza province, and various claims in Salta and Catamarca Provinces.

a) K-1 Potash, Neuquen Province

The company holds a 2% Net Smelter Royalty on this property located in Neuquen province Argentina.

b) K-2 Potash, Neuquen Province

The K-2 Potash property is a 100% owned interest in mining rights located in Neuquen province Argentina. The mining rights total 9 contiguous claims.

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

The K-3 and K-4 Potash properties are 100% owned interests in mining rights located in Mendoza province Argentina. The mining rights total 15 contiguous claims.

d) 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. The mining rights total 2 contiguous claims and 855 hectares. Under the terms of the agreement, the Company was granted a six-year term to carry out exploration, which has been completed. The Company has exploitation rights for a thirty-year term. The project is subject to a 5% royalty on the mine mouth value of the mineral extracted.

e) Pederal, Mendoza Province

On May 18, 2012, as amended on May 17, 2013, May 17, 2014, and May 17, 2015, the Company entered into an option agreement with a private party to purchase a 100% interest in the Pederal property in the San Juan Province of Argentina. The payment terms of the amended May 17, 2015 agreement are noted below. The mining rights total 6 contiguous claims.

Dates	Cash Payments		
Upon signing the amended agreement	US\$	10,000	(Paid)
May 17, 2014 (extended to May 17, 2016)	US\$	30,000	(Unpaid)
May 17, 2017	US\$	55,000	
May 17, 2018	US\$	86,250	
May 17, 2019	US\$	115,000	
May 17, 2020	US\$	172,500	
Upon completion of the agreement on May 17, 2021	US\$	1,500,000	
<b>Total</b>	<b>US\$</b>	<b>1,968,750</b>	

The seller retains a 2% Net Smelter Royalty ("NSR"). The Company can acquire 1.5% of the NSR for a one-time payment of US\$2,000,000.

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**7. RESOURCE PROPERTIES (continued)**Other Properties (continued)

Additionally, the Company needs to incur the following exploration expenditures:

Dates	Exploration Expenditures		
May 17, 2014 (extended to May 17, 2016)	US\$	85,000	Not incurred
May 17, 2017	US\$	120,000	
May 17, 2018	US\$	140,000	
May 17, 2019	US\$	200,000	
May 17, 2020	US\$	400,000	
Total	US\$	945,000	

The Company is not in compliance with the terms of this agreement and is negotiating an extension on this joint option agreement. There is no guarantee an extension will be granted by the property owner.

f) El Carmen, Chubut Province

The El Carmen oil and gas properties are 100% owned interests in oil claims. El Carmen is a 2001 hectare property consisting of four patented oil claims on the north flank of the Golfo San Jorge Sedimentary Basin on the Atlantic coast.

**8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts payables and accrued liabilities consist of the following:

	March 31, 2016		December 31, 2015	
Trade payables	\$	263,807	\$	303,827
Accrued liabilities		135,304		113,540
Taxes payable		1,934		2,326
	\$	401,045	\$	419,693

**9. LOANS PAYABLE TO RELATED PARTIES**

On July 29, 2014, the Company entered into a loan agreement with a director, whereas the director loaned the Company US\$20,000. The unsecured loan bears interest at 18% per year and matures on January 29, 2016. At the option of the lender, the loan can be converted into common shares of the Company at the market price of the Company's shares. The loan remained outstanding subsequent to January 29, 2016 and is now due on demand.

On August 1, 2014, the Company entered into another loan agreement with a director, whereas the director loaned the Company US\$10,000. The unsecured loan bears interest at 18% per year and matures on February 1, 2016. At the option of the lender, the loan can be converted into common shares of the Company at the market price of the Company's shares. The loan remained outstanding subsequent to February 1, 2016 and is now due on demand.

On September 15, 2014, the Company issued 120,000 common shares valued at \$2,400 to these directors as part of the financing fee expense related to these loans.

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**10. RELATED PARTY TRANSACTIONS**

During the three months ended March 31, 2016 and 2015, the Company incurred charges with an officer and directors, which comprise key management compensation as follows:

		Three months ended	
		March 31, 2016	March 31, 2015
Professional fees	\$	18,000	\$ 18,000
Director fees		9,728	9,500
	\$	27,728	\$ 27,500

For the three months ended March 31, 2016 and 2015, key management personnel were not paid any 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, 2016, accounts payable included \$182,766 (December 31, 2015 - \$179,587) owing to officers and directors of the Company. These amounts are non-interest bearing, unsecured and are due on demand.

**11. SHARE CAPITAL AND RESERVES**

a) Authorized share capital

The authorized share capital of the Company consists of an unlimited number of common shares without par value.

b) Shares issued

During the three months ended March 31, 2016, the Company did not complete any share transactions. Subsequent to March 31, 2016 the Company announced a private placement consisting of 5,000,000 units at \$0.01 per unit. Each unit consists of one common share and one common share purchase warrant exercisable at \$0.05 per share for the 24 months from the date of issuance and \$0.10 for the next 36 months, subject to accelerated expiry in the event the Company's shares trade at \$0.20 per share for a period of 20 consecutive trading days. As of the date of this financial statement filing, the securities exchange has not granted final approval for the private placement.

During the year ended December 31, 2015, the Company closed two private placements consisting of 4,050,000 units at \$0.015 per unit, and 10,000,000 units at \$0.01 per unit. Each unit consists of one common share and one common share purchase warrant exercisable at \$0.05 per share for the 24 months from the date of issuance and \$0.10 for the next 36 months, subject to accelerated expiry in the event the Company's shares trade at \$0.20 per share for a period of 20 consecutive trading days.

c) Warrants

A summary of the warrant activity for the three months ended March 31, 2016 and year ended December 31, 2015 is as follows:

	2016		2015	
	Warrants	Weighted Average Exercise Price	Warrants	Weighted Average Exercise Price
Balance, beginning of year	39,650,000	\$0.09	26,650,000	\$0.09
Issued in private placement units	-	-	14,050,000	\$0.05
Expired	-	-	(1,050,000)	\$0.05
Balance, end of year	39,650,000	\$0.07	39,650,000	\$0.07

As at March 31, 2016, the weighted average life of warrants outstanding was 3.30 years (2015 – 3.36 years).

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**11. SHARE CAPITAL AND RESERVES (continued)**

(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 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, 2015 options outstanding were as follows:

Number		Vested	Exercise Price	Expiry Date
1,360,000	Directors, Officers and Consultants	1,360,000	\$0.20	June 17, 2017
850,000	Directors, Officers	850,000	\$0.10	April 5, 2020
4,300,000	Directors, Officers and Consultants	4,300,000	\$0.05	June 25, 2020
6,510,000		6,510,000		

As at March 31, 2015, stock options outstanding had a weighted average life outstanding of 3.29 years (December 31, 2015 – 2.58 years). A summary of stock option activity for the three months ended March 31, 2016 and December 31, 2015 is as follows:

	2016		2015	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Balance, beginning of year	8,510,000	\$0.11	4,210,000	\$0.19
Granted	4,300,000	\$0.05	4,300,000	\$0.05
Expired	(2,000,000)	\$0.20	-	-
Balance March 31, 2016 and December 31, 2015	6,510,000	\$0.07	8,510,000	\$0.11

**12. FINANCIAL AND CAPITAL RISK MANAGEMENT**

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support its business plan to be a royalty company, using the project generator model. The Board of Directors does not establish a quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain the future development of the business.

In the management of capital, the Company considers components of shareholders' equity.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company has historically relied on the equity markets to fund its activities. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an on-going basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the year.

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

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**12. FINANCIAL AND CAPITAL RISK MANAGEMENT (continued)**

- a) Market Risk
- b) Credit Risk
- c) 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.

**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.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous reported periods unless otherwise stated in the note. 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 of loss that may arise from changes in market factors such as foreign currency exchange, interest rates, and commodity and equity price risk.

**(i) 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. The operating results and financial position of the Company are reported in Canadian dollars. The Company's operations are in Canada and Argentina.

Based on the net Canadian dollar denominated asset and liability exposures as at December 31, 2015, a 10% fluctuation in the Canadian/Argentine and Canadian/US exchange rates will have no significant impact on the Company's earnings.

**(ii) 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 have interest bearing debt. The interest earned on cash and cash equivalents is insignificant, and the Company does not rely on interest to fund its operations. As a result, the Company is not at a significant risk to fluctuating interest rates.

**(iii) Equity and Commodity Price Risk:**

The Company is exposed to price risk with respect to equity and commodity prices. Equity price risk is defined as the potential adverse impacts on the Company's earnings due to movements in individual equities or the general movements in the level of the stock market. The Company is exposed to this risk through its own equity, and the holdings of other companies through the available-for-sale investment in marketable securities. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors individual equity and commodity price movements, and the stock market to determine the appropriate course of action to be taken by the Company.

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**12. FINANCIAL AND CAPITAL RISK MANAGEMENT (continued)**

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 and receivables. The Company believes it has no significant credit risk related to its cash and cash equivalents as the majority of its cash is held at a large Canadian bank. The Company's receivables consist mainly of input tax credits receivable from the Government of Canada and as result the Company does not believe it is subject to significant credit risk.

c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. As at March 31, 2016, the Company had cash and cash equivalents of \$4,935 to settle current liabilities of \$401,045. The Company will require additional financings in 2016 to meet its short-term financial obligations.

At March 31, 2016 and December 31, 2015, the Company's financial liabilities were held in US dollars, Canadian Dollars and the Argentine Pesos. A 10% fluctuation in the Canadian/Argentine and Canadian/US exchange rates will have no significant impact on the Company's earnings.

Fair Value Hierarchy:

The Company's financial instruments consist of cash and cash equivalents, receivables, accounts payable, amounts due to related parties and loans payable. The fair value of the Company's receivables, accounts payable and loans payable to related parties approximate the carrying value, which is the amount on the consolidated statements of financial position due to their short-term maturities or ability of prompt liquidation. The Company's cash and cash equivalents, is measured at fair value under the fair market hierarchy, based on level one quoted prices in active markets for identical assets.

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 instruments measured at fair value on a recurring basis by level within the fair value hierarchy as at March 31, 2016:

	Level 1	Level 2	Level 3
Cash	\$ 4,935	\$ -	\$ -

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**13. SEGMENTED REPORTING**

The Company is organized into business units based on 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, 2016	Canada		Argentina		Total
Cash and cash equivalents	\$	152	\$	4,783	\$ 4,935
Other current assets		7,114		-	7,114
Equipment		359		1,289	1,648
Resource properties		-		2,838,203	2,957,376
<b>Total assets</b>	<b>\$</b>	<b>7,625</b>	<b>\$</b>	<b>2,844,275</b>	<b>\$ 2,851,900</b>

December 31, 2015	Canada		Argentina		Total
Cash and cash equivalents	\$	18,693	\$	2,122	\$ 20,815
Other current assets		15,152		-	15,152
Equipment		388		1,289	1,677
Resource properties		-		2,957,376	2,957,376
<b>Total assets</b>	<b>\$</b>	<b>34,233</b>	<b>\$</b>	<b>2,960,787</b>	<b>\$ 2,995,020</b>

**14. SUBSEQUENT EVENTS**

On to March 29, 2016 the Company announced a private placement consisting of 5,000,000 units at \$0.01 per unit. Each unit consists of one common share and one common share purchase warrant exercisable at \$0.05 per share for the 24 months from the date of issuance and \$0.10 for the next 36 months, subject to accelerated expiry in the event the Company's shares trade at \$0.20 per share for a period of 20 consecutive trading days. As of the date of this financial statement filing, the securities exchange has not granted final approval for the private placement.