



CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
DECEMBER 31, 2016 AND 2015**

Expressed in Canadian Dollars



INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Marifil Mines Ltd.

We have audited the accompanying consolidated financial statements of Marifil Mines Ltd. which comprise the consolidated statements of financial position as at December 31, 2016 and 2015 and the consolidated statements of comprehensive loss, cash flows and changes in shareholders' equity for the years then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Marifil Mines Ltd. as at December 31, 2016 and 2015, and its financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 to these consolidated financial statements which describes the existence of a material uncertainty that may cast significant doubt about the ability of Marifil Mines Ltd. to continue as a going concern.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, British Columbia

May 1, 2017

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

	Note	December 31, 2016	December 31, 2015
ASSETS			
Current assets			
Cash and cash equivalents	12	\$ 23,388	\$ 20,815
Other receivables	5	7,213	6,584
Prepaid expenses		6,037	8,568
Total current assets		36,638	35,967
Equipment	6	1,135	1,677
Exploration and evaluation assets	7	2,839,910	2,957,376
		\$ 2,877,683	\$ 2,995,020
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Trade payables and other liabilities	11	\$ 474,427	\$ 367,505
Loans payable to related parties	8	57,958	52,188
Total liabilities		532,385	419,693
Shareholders' equity			
Share capital	9	15,416,310	15,216,958
Contributed surplus		2,096,062	2,096,062
Deficit		(15,167,074)	(14,737,693)
		2,345,298	2,575,327
		\$ 2,877,683	\$ 2,995,020

Approved and authorized by the Board on May 1, 2017

"John Hite"

John Hite

"Michael Sweatman"

Michael Sweatman

MARIFIL MINES LTD.**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS****AS AT DECEMBER 31, 2016 AND 2015****Expressed in Canadian Dollars**

	Note	2016	2015
EXPENSES			
General and administration		\$ 348,864	\$ 325,625
General exploration		-	28,820
Foreign exchange loss		44,295	82,642
Finance costs		13,515	5,876
Impairment of exploration and evaluation assets	7	22,707	1,577,337
Net loss and comprehensive loss		\$ (429,381)	\$ (2,020,300)
Weighted average number of common shares outstanding	9	113,146,377	94,085,719
Basic and diluted loss per common share		\$ (0.00)	\$ (0.02)

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

MARIFIL MINES LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
Expressed in Canadian Dollars

	Note	2016	2015
OPERATING ACTIVITIES			
Net loss		\$ (429,381)	\$ (2,020,300)
Items not affecting cash			
Depreciation		542	156
Unrealized exchange loss		(1,748)	8,832
Impairment of exploration and evaluation assets	7	22,707	1,577,337
Share based payments	9	-	79,287
		(407,880)	(348,812)
Changes in non-cash working capital items:			
Trade payables and other liabilities		103,564	144,266
Prepaid expenses		2,531	(2,721)
Other receivables		2,582	3,204
Cash used in operating activities		(299,203)	(204,063)
INVESTING ACTIVITIES			
Recovery of IVA on exploration and evaluation assets, net of cash expenditures		94,759	30,643
Cash provided by investing activities		94,759	30,643
FINANCING ACTIVITIES			
Interest on related party loans		7,283	5,876
Shares issued for cash	9	204,952	161,113
Cash paid for share issuance costs	9	(5,600)	(2,620)
Cash provided by financing activities		206,635	158,493
Effect on foreign exchange rate changes on cash		382	-
CHANGE IN CASH AND CASH EQUIVALENTS		2,573	(14,927)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		20,815	35,742
CASH AND CASH EQUIVALENTS, END OF YEAR		\$ 23,388	\$ 20,815
SUPPLEMENTARY CASH FLOW INFORMATION			
Interest paid		\$ -	\$ -
Taxes paid		\$ -	\$ -

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

MARIFIL MINES LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
Expressed in Canadian dollars

	Note	Number of Common Shares	Common Shares Amount	Contributed Surplus	Deficit	Balance
Balance, December 31, 2014		90,861,883	\$ 15,058,465	\$ 2,016,775	\$ (12,717,393)	\$ 4,357,847
Proceeds from private placement	9	14,050,000	161,113	-	-	161,113
Share issuance costs		-	(2,620)	-	-	(2,620)
Share based payments		-	-	79,287	-	79,287
Net loss for the year		-	-	-	(2,020,300)	(2,020,300)
Balance, December 31, 2015		104,911,883	15,216,958	2,096,062	(14,737,693)	2,575,327
Proceeds from private placement	9	16,996,800	204,952	-	-	204,952
Share issuance costs		-	(5,600)	-	-	(5,600)
Net loss for the year		-	-	-	(429,381)	(429,381)
Balance, December 31, 2016		121,908,683	\$ 15,416,310	\$ 2,096,062	\$ (15,167,074)	\$ 2,345,298

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

MARIFIL MINES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
Expressed in Canadian Dollars

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 1300 - 1500 West Georgia 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 AND CONTINUANCE OF OPERATIONS

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 annual financial statements were authorized for issue by the Board of Directors on May 1, 2017.

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 annual 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.

The Company has not generated revenue from operations. The Company incurred a net loss of \$429,381 for the year ended December 31, 2016 and as of that date the Company’s accumulated deficit was \$15,167,074. 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. 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.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Principles 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 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.

3.2 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 using 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.

3.3 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. The Company has classified its cash and cash equivalents as financial assets at fair value through 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. The Company does not currently have any held to maturity financial assets or liabilities.

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. The Company has designated its other receivables as loans and receivables.

3.3 Financial Instruments (continued)

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 does not currently have any available-for-sale financial assets or investments in equity instruments.

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 loans payable, amounts due to related parties and trade payables, all of which are recognized at amortized cost. The Company has designated its trade payables and other liabilities and loans payable to related parties as other financial liabilities.

Derivatives

Derivative instruments are measured at fair value with any changes in the fair values of derivative instruments being recognized in comprehensive loss except for derivatives designated as effective cash flow hedges. The Company has no such designated hedges.

Embedded derivatives

An embedded derivative is separated from its host contract and accounted for as a derivative and measured at fair value unless certain criteria are met. The Company has identified that the warrants issued with the Company's share subscriptions contains an embedded derivative; these have been recorded as the Derivative liability. The Company does not have any other embedded derivatives

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition of financial instruments

Financial assets: Financial assets are derecognized only when the contractual rights to the cash flows from the financial assets expire, or when the Company transfers substantially all the risks and rewards of ownership of the financial asset. Gain or loss arising from derecognition is recognized in total comprehensive loss.

Financial liabilities: Financial liabilities are derecognized only when they are extinguished or when the obligation specified in the contract is discharged, cancelled, or expired. Gain or loss arising from derecognition is recognized in total comprehensive loss.

3.3 Financial Instruments (continued)

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, because 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 is 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 except for receivables, where the carrying amount is reduced using an allowance account. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

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

3.4 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.

3.5 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 resource 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 in income 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. 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. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to the statement of comprehensive loss/income.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, 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.

3.6 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 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.

3.7 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 share capital.

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.

3.8 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 resource 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 a residual value if the unit is issued at a price exceeding the market price of underlying share at the time of issuance otherwise the warrants are assigned no value and included in share capital with the common shares that are concurrently issued. Warrants that are issued as payment for an agency fee or other transactions costs are accounted for as share-based payments.

3.9 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 probable that they can be realized.

3.10 Provisions

Provisions are recorded when a present legal or constructive obligation exists because of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. At each financial position reporting date presented the Company has not incurred any decommissioning costs related to the exploration and evaluation of its mineral properties and accordingly no provision has been recorded for such site reclamation or abandonment.

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 period. As at December 31, 2016, the Company had 62,856,800 (2015 - 48,160,000) potentially dilutive shares outstanding.

3.12 Adoption of New Standards and Interpretations, and Recent Accounting Pronouncements

New accounting standards adopted effective January 1, 2016

Effective January 1, 2016, the following standards were adopted without any material impact on the consolidated financial statements.

- IFRS 11 '*Joint Arrangements*': Issued in May 2014 and amended to provide specific guidance on accounting for the acquisition of an interest in a joint operation that is a business.
- IFRS 10 '*Consolidated financial statements*' and IAS 28 '*Investments in associates and joint ventures*': Issued in September 2014 and amended to provide guidance on the equity method and consolidation exemptions.

Accounting Standards and Amendments Issued but Not Yet Effective

Several new standards, and amendments to standards and interpretations, are not yet effective, 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, 2017:

- IAS 7 '*Statement of cash flows*': Disclosure Initiative (Amendments to IAS 7). Issued in January 2016 and effective for periods beginning on or after January 1, 2017. Early adoption is permitted. This disclosure is intended to enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.
- IAS 12 '*Income Taxes*': Issued in January 2016 and effective for periods beginning on or after January 1, 2017. Early adoption is permitted and should be disclosed. This standard sets out amendments to the recognition of deferred tax assets for unrealized losses.

3.12 Adoption of New Standards and Interpretations, and Recent Accounting Pronouncements (continued)

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.

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 Exploration and Evaluation Assets

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 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 in Argentina.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

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 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 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.

MARIFIL MINES LTD.
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4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

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. OTHER RECEIVABLES

At December 31, 2016 and 2015, amounts in other receivables totalling \$7,213 and \$6,584, respectively, are related to government receivables.

6. EQUIPMENT

	Office Equipment	Computer Equipment	Software	Total
Cost basis				
Balance at December 31, 2015 and December 31, 2016	\$ 2,693	\$ 5,762	\$ 5,074	\$ 13,529
Depreciation				
Balance at December 31, 2015	\$ (1,344)	\$ (5,434)	\$ (5,074)	\$ (11,852)
Depreciation	(444)	(98)	-	(542)
Balance at December 31, 2016	\$ (1,788)	\$ (5,532)	\$ (5,074)	\$ (12,394)
Carrying amounts				
At December 31, 2015	\$ 1,349	\$ 328	-	\$ 1,677
At December 31, 2016	\$ 905	\$ 230	-	\$ 1,135

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7. EXPLORATION AND EVALUATION ASSETS

	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)
Impairment 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	-	6,569	18,540	909	-	26,018
Exploration costs	1,047	-	5,010	8,777	-	14,834
Change in IVA	-	-	-	-	(135,611)	(135,611)
Impairment of exploration and evaluation costs	-	(6,569)	-	(16,138)	-	(22,707)
Balance, December 31, 2016	\$ 35,274	\$ -	\$ 2,583,756	\$ 16,536	\$ 204,344	\$ 2,839,910

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 Company has investigated title to all its resource properties and, to the best of its knowledge; title to all properties are in good standing unless specifically noted otherwise. All the resource properties are 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 4 contiguous claims and 359 hectares.

Toruel, Rio Negro Province

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

7. EXPLORATION AND EVALUATION ASSETS (continued)

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 in 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 could exercise, at its option, the right to purchase 100% of the project for a payment of US\$500,000. The optionor would retain a 2% NSR, which could be purchased by the Company for US\$750,000.

In fiscal 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 \$1,577,337 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 16 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.

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 and 87,385 hectares.

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7. EXPLORATION AND EVALUATION ASSETS (continued)

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 and 113,263 hectares.

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) Pedernal, 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 6 contiguous claims known as the Pedernal property in the San Juan Province of Argentina in exchange for cash payments totalling US\$1,968,750 and incurring an aggregate of US\$945,000 in exploration expenditures on the property over a six-year period.

The seller would retain a 2% Net Smelter Royalty ("NSR"), of which the Company was entitled to acquire 1.5% of the NSR for a one-time payment of US\$2,000,000.

During the year ended December 31, 2016, the option agreement was terminated and the balance of \$2,497 in mineral property costs capitalized for the property was written-off.

f) El Carmen, Chubut Province

The El Carmen oil and gas properties are 100% owned interests in oil claims. El Carmen is a 2,025-hectare property consisting of four patented oil claims on the north flank of the Golfo San Jorge Sedimentary Basin on the Atlantic coast.

8. RELATED PARTY BALANCES AND TRANSACTIONS

a) Related Party Balances

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 matured 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. As at December 31, 2016, the loan is outstanding and 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 matured 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. As at December 31, 2016, the loan is outstanding and due on demand.

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8. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

During the year ended December 31, 2016, the Company recorded finance costs of \$5,821 (December 31, 2015 - \$5,876) in connection with interest accrued under the loan agreements. As of December 31, 2016, the balance of short term loans payable to related parties including accrued interest was \$57,958 (December 31, 2015 - \$52,188).

At December 31, 2016, trade payables included \$258,753 (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. Of the amount owing above, \$83,575 was outstanding to an officer who ceased to be a related party during the current reporting period.

b) Related Party Transactions

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

	Year ended	
	December 31, 2016	December 31, 2015
Management fees	\$ 149,014	\$ 72,000
Director fees	39,767	40,000
Share based payments	-	62,692
	\$ 188,781	\$ 174,692

For the years ended December 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.

9. 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 years ended December 31, 2016 and 2015

During the year ended December 31, 2016, the Company closed two private placements consisting of 10,000,000 units at \$0.01 per unit and 6,996,800 units at \$0.015 per unit for gross proceeds of \$204,952 less share issuance costs of \$5,600 for net proceeds of \$199,352. 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.

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 for gross proceeds of \$161,113 less share issue costs of \$2,620 for net proceeds of \$158,493. 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.

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9. SHARE CAPITAL AND RESERVES (continued)

c) Warrants

A summary of the warrant activity for the years ended December 31, 2016 and 2015 is as follows:

	2016		2015	
	Warrants	Weighted Average Exercise	Warrants	Weighted Average Exercise Price
Balance, beginning of year	39,650,000	\$0.07	26,650,000	\$0.09
Issued in private placement units	16,996,800	\$0.05	14,050,000	\$0.05
Expired	-	-	(1,050,000)	\$0.05
Balance, end of year	56,646,800	\$0.07	39,650,000	\$0.07

As at December 31, 2016, the weighted average life of warrants outstanding was 2.97 years (December 31, 2015 – 3.36 years).

(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.

On June 29, 2015, the Company granted 4,300,000 stock options to directors, officers and consultants and recorded a share-based payment of \$79,287. The fair value of these options was determined on the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions: Risk free interest rate of 0.98%, the expected life of 5 years, expected volatility of 393%, forfeiture rate of 0% and expected dividends of \$Nil.

As at December 31, 2016 options outstanding were as follows:

Number		Outstanding and Exercisable	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
4,000,000	Directors, Officers, and Consultants	4,000,000	\$0.05	June 28, 2020
6,210,000		6,210,000		

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9. SHARE CAPITAL AND RESERVES (continued)

As at December 31, 2016, stock options outstanding had a weighted average life outstanding of 2.78 years (December 31, 2015 – 2.58 years). A summary of stock option activity for the year ended December 31, 2016 and 2015 is as follows:

	2016		2015	
	Options	Weighted Average Exercise	Options	Weighted Average Exercise
Balance, beginning of year	8,510,000	\$0.11	4,210,000	\$0.19
Granted	-	-	4,300,000	\$0.05
Expired	(2,000,000)	\$0.20	-	-
Forfeited	(300,000)	\$0.05	-	-
Balance of year	6,210,000	\$0.09	8,510,000	\$0.11

10. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern 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.

There were no changes in the Company's approach to capital management during the year ended December 31, 2016.

11. FINANCIAL RISK MANAGEMENT

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

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

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

11. FINANCIAL RISK MANAGEMENT (continued)

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.

Exposure to foreign currency risk decreased overall during the period due to an increase in the value of the Canadian dollar compared to both the Argentinian peso. This was partially offset by an increase in net liabilities denominated in US dollars for the period.

As at December 31, 2016, if the Canadian dollar had weakened 5% against the US dollar and 20% against the volatile Argentina peso, with all other variables held constant, comprehensive loss would have been \$17,566 higher. Conversely, if the Canadian dollar had strengthened 5% against the US dollar and 20% against the volatile Argentine peso, with all other variables held constant, comprehensive loss would have been \$17,566 lower.

11. FINANCIAL RISK MANAGEMENT (continued)

(ii) Interest Rate Risk:

Interest rate risk is the risk that future cash flows will fluctuate because of changes in market interest rates. The Company has two interest bearing loans with related parties, per note 8. They bear interest at 18% and are due on demand. As at December 31, 2016, If the interest rates had fluctuated by 3%, with all other variable held constant, comprehensive loss would have been \$1,209 higher or lower. 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.

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 December 31, 2016, the Company had cash and cash equivalents of \$23,388 to settle current liabilities of \$532,385. The Company will require additional financings to meet its short-term financial obligations.

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11. FINANCIAL RISK MANAGEMENT (continued)

The table below summarizes the maturity profile of the Company's financial liabilities at December 31, 2016 and 2015:

As at December 31, 2016	On demand	Less than 1 year	1 -2 years	Later than 2 years	Total
Trade payables	\$ 293,343	\$ 6,722	\$ -	\$ -	300,065
Accrued liabilities	129,532	43,000	-	-	172,532
Taxes payable	1,830	-	-	-	1,830
Loans payable to related parties	57,958	-	-	-	57,958
Total liabilities	\$ 482,663	\$ 49,722	\$ -	\$ -	532,385

As at December 31, 2015	On demand	Less than 1 year	1 -2 years	Later than 2 years	Total
Trade payables	\$ 67,503	\$ 68,386	\$ -	\$ -	251,640
Accrued liabilities	83,039	30,500	-	-	113,539
Taxes payable	2,326	-	-	-	2,326
Loans payable to related parties	-	52,188	-	-	52,188
Total liabilities	\$ 152,868	\$ 151,074	\$ -	\$ -	419,693

12. BASIS OF FAIR VALUE

The Company's financial instruments consist of cash and cash equivalents, receivables, accounts payable, and loans payable. The fair value of the Company's other 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 December 31, 2016:

	Level 1	Level 2	Level 3
Cash	\$ 23,388	\$ -	\$ -

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13. INCOME TAXES

The differences between tax recovery for the 2016 and 2015 years ended and the expected income tax recovery based on statutory rates arise as follows:

	2016	2015
Loss before income tax	\$ 429,381	\$ 2,020,300
Expected tax recovery based on statutory rate of 26% (2015 – 26%)	\$ 113,000	\$ 525,000
Impact of change in tax rates	-	-
Effect of higher statutory tax rate for foreign subsidiaries	10,000	162,000
Expired losses	-	(145,000)
Option income received	-	-
Permanent and other differences	19,000	(92,000)
Unrealized foreign exchange	-	-
Change in deferred tax assets	(142,000)	(450,000)
Total income tax recovery	\$ -	\$ -

The nature and tax effect on the temporary differences giving rise to potential deferred tax assets at December 31, 2016 and 2015 are as follows:

	2016	2015
Non-capital carry forwards	\$ 1,322,000	\$ 1,200,000
Share issue costs	6,000	10,000
Resource properties	1,183,000	1,174,000
Other deductible temporary differences	(10,000)	(25,000)
	2,501,000	2,359,000
Less: unrecognized deferred tax assets	(2,501,000)	(2,359,000)
	\$ -	\$ -

At December 31, 2016, the Company has accumulated Canadian non-capital losses of \$4,867,000 for income tax purposes which may be deducted in the calculation of taxable income in future years. These losses expire as follows:

2026	\$ 476,000
2027	535,000
2028	194,000
2029	441,000
2030	341,000
2031	679,000
2032	793,000
2033	482,000
2034	299,000
2035	273,000
2036	354,000
	\$ 4,867,000

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13. INCOME TAXES (continued)

The potential benefit of these non-capital loss carry-forwards has not been recognized in these financial statements as it is not considered probable that sufficient future taxable profit will allow the deferred assets to be recovered.

14. SUBSEQUENT EVENTS

Subsequent to December 31, 2016, the Company received consideration of \$103,000 for subscriptions of 10,300,000 units related to a private placement. 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.