



**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2016 and 2015**

May 1, 2017

*The following discussion and analysis is prepared as of May 1, 2017, and should be read in conjunction with the financial statements of Marifil Mines Ltd. (the "Company") for the year ended December 31, 2016, which are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the notes thereto.*

*Marifil Mines Ltd. is classified as a "venture issuer" for the purposes of National Instrument 51-102.*

## **Introduction**

This section contains forward-looking statements that involve risks and uncertainties. The Company's actual results may differ materially from those discussed in forward-looking statements as a result of various factors, including those described under "Forward-Looking Information".

## **Forward Looking Information**

This MD&A contains "forward-looking information" and "forward-looking statements" (together, "forward looking statements") within the meaning of Canadian securities legislation and the United States Private Securities Litigation Reform Act of 1995. Such forward-looking statements concern the Company's anticipated results and developments in the Company's operations in future periods, planned exploration and development of its properties, plans related to its business and other matters that may occur in the future. These statements also relate to the ability of the Company to obtain all government approvals, permits and third party consents in connection with the Company's exploration and development activities; the Company's ongoing drilling program; the Company's future exploration and capital costs, including the costs and potential impact of complying with existing and proposed environmental laws and regulations; general business and economic conditions; analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management. Statements concerning mineral resource estimates may also be deemed to constitute forward-looking statements to the extent that they involve estimates of the mineralization that will be encountered if the property is developed. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as "expects" or "does not expect", "is expected", "anticipates" or "does not anticipate", "plans", "estimates" or "intends", or stating that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved) are not statements of historical fact and may be forward looking statements. While the Company has based these forward-looking statements on its expectations about future events as at the date that such statements were prepared, the statements are not a guarantee of the Company's future performance and are subject to risks, uncertainties, assumptions, and other factors which could cause actual results to differ materially from future results expressed or implied by such forward-looking statements. Such factors and assumptions include, amongst others, the effects of general economic conditions, the supply and demand for gold and other precious and base metals the level and volatility of prices of precious and base metals, the availability of financing to fund the Company's ongoing and planned exploration and possible future mining operation on reasonable terms, changing foreign exchange rates and actions by government authorities, market competition, risks involved in mining, processing, exploration and research and development activities, the political climate in Argentina, the Company's ongoing relations with its employees and with local communities and local governments, and uncertainties associated with legal proceedings and negotiations and misjudgments in the course of preparing forward-looking statements. In addition, there are also known and unknown risk factors which may cause actual events or results to differ from those expressed or implied by the forward-looking statements, including, without limitation:

- risks related to the Company's lack of revenues from operations and its continued ability to fund ongoing and planned exploration and possible future mining operations;
- risks related to the Company's history of losses, which will continue to occur in the future;
- risks related to governmental regulations;
- risks related to the uncertainty of the Company's ability to attract and retain qualified management;

- risks related to the Company's ability to successfully establish mining operations or profitably produce precious metals, base metals and or minerals;
- volatility in the market price of gold, silver, base metals and other minerals which could affect the profitability of possible future operations and financial condition;
- risks related to currency volatility;
- risks related to the inherently dangerous activity of mining, including conditions or events beyond the Company's control;
- risks related to the Company's primary properties being in Argentina, including political, economic, and regulatory instability;
- uncertainty as to actual capital costs, operating costs, production, and economic returns relating to potential mining operations;
- uncertainty in the Company's ability to obtain and maintain certain permits necessary for current and anticipated operations;
- risks related to the Company being subject to environmental laws and regulations;
- risks related to land reclamation requirements and loss of the property due to inability to meet contractual obligations;
- risks related to the Company's ability to attract necessary capital funding for mineral exploration in the future;
- risks related to officers and directors being or becoming associated with other natural resource companies which may give rise to conflicts of interests; and
- the volatility of the Company's common share price.

This list is not exhaustive of the factors that may affect the Company's forward-looking statements. Some of the important risks and uncertainties that could affect forward-looking statements are described further in this MD&A under "Risk Factors". Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in the forward-looking statements. Forward-looking statements are made based on management's experience, beliefs, estimates and opinions on the date the statements are made, and the Company undertakes no obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change, except as required by law.

Investors are cautioned against attributing undue certainty to forward-looking statements.

## **OVERVIEW**

Marifil Mines Limited. (“Marifil” or the “Company”) was incorporated on December 2, 2003 under the Yukon Business Corporation Act. On January 17, 2014, the Company changed its reporting jurisdiction from the Yukon to British Columbia. The Company is in the business of acquiring, exploring, and evaluating mineral resource properties in Argentina. The Company is a reporting issuer in the Provinces of Alberta, British Columbia, and Ontario. The Company’s Common Shares trade on the TSX Venture Exchange under the symbol MFM.

The Company operates in Argentina through its subsidiaries: (1) a wholly-owned subsidiary called Marifil S.A., which is a private corporation incorporated in Rio Negro Province under the laws of Argentina. The Company acquired Marifil S.A. by issuing 5,500,000 of its Common Shares to the Marifil S.A. shareholders when the Company completed its Initial Public Offering (“IPO”) on January 31, 2005; (2) a 51% owned subsidiary called Minas San Roque S.A., which is a private corporation incorporated in Rio Negro Province under the laws of Argentina and formed by the Company in 2012 to carry out exploration of the San Roque property.

The Company’s business model involves identifying good properties: adding value through judicious, cost effective exploration, and then farming out these properties to other mining companies. Over time, as our various projects mature, it is the Company’s intent to become a hybrid royalty company whereby we will have a mix of royalties, working interests, and carried interests in our projects.

Marifil has pursued a model which has seen the Company acquiring prospective properties and preparing these projects for Joint Venture, with the Company maintaining significant carried interests. This enables the Company to maintain exposure to value increases on a number of projects while also generating option payments to add to the balance sheet and mitigating exploration risk.

## **OVERALL PERFORMANCE FOR THE YEAR ENDED DECEMBER 31, 2016**

For the year ended December 31, 2016, the Company worked to maintain its core exploration assets. There were minimal exploration activities during the period and immaterial changes to properties. No acquisitions, sales or joint venture agreements were formalized during the period.

To maintain operations and keep current with claims, the Company completed two financings. On August 18, 2016, the Company completed a non-brokered private placement consisting of 6,996,800 share units at a price of \$0.015 per unit for gross proceeds of \$104,952. On June 3, 2016, the Company completed a non-brokered private placement consisting of 10,000,000 share units at a price of \$0.01 per unit for gross proceeds of \$100,000.

In the opinion of management, the primary operating jurisdiction of the Company, Argentina, saw improved conditions for mining and 2016 and the improved strength of the Canadian dollar against the Argentinian peso has further positioned the Company well for future operational expenses.

The Company’s financial condition remained relatively unchanged during the period. The Company’s working capital deficiency increased by \$112,021 to \$495,747 during the year ended December 31, 2016. Management anticipates reducing the working capital deficiency in fiscal 2017 through debt settlement agreements with management and through further financings, including a \$103,000 private placement completed on April 25, 2017.

## PROPERTY EXPLORATION SUMMARY

### 1. San Roque, epithermal gold-silver-indium, Rio Negro Province

San Roque is an 115,898-hectare property located in southern Argentina in the Province of Rio Negro. The property is near the Atlantic coast in a region of developed infrastructure. It contains a bulk tonnage base metal deposit comprising gold, silver, lead, zinc, and indium and a bulk tonnage epithermal gold-silver target. The mining rights are held by 16 mineral tenures, 3 of which are now granted titles covering 95 patented claims. These are core area claims covering the significant gold-silver-indium-lead-zinc epithermal sulphide mineralization. It is relatively flat desert terrain averaging about 200 meters in elevation and is accessible by vehicle year-round.

Polymetallic sulphide mineralization occurs as zones of multiple narrow, sheeted banded-textured quartz-carbonate veins, as linear breccias. These veins and breccias are surrounded by broader zones of stockwork and disseminated sulfides. Mineralization is hosted by Jurassic age volcanic and sedimentary rocks as well as Paleozoic age basement quartz mica schist. Steeply-dipping northwest and northeast-striking faults exert a strong control on the mineralization, and porphyritic syenite stocks may be associated with zones of mineralization.

On March 8, 2006, the Company signed an agreement with M.I.M. Argentina Exploraciones (MIM) to acquire the San Roque property. The Company committed to spending US\$50,000 annually on the property over the next four years (incurred). In addition, the Company had the right until June 5, 2012 to purchase 100% of the property by making cash payments of US\$400,000 (paid).

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

In March 2011, NovaGold drilled 15 angle holes for 3,538 meters. Every drill hole encountered some degree of mineralized rock, indicating the partnership was exploring a very large, complex and variously mineralized sulphide system containing gold, silver, indium, lead, zinc and some copper and molybdenum.

In February 2012, NovaGold drilled 19 angle holes for 4,278 meters. Again, all drill holes intercepted some degree of mineralization further indicating an extensive system of mineralization over several square kilometers. Mineralization is open in all directions and at depth with mineralization frequently starting at surface and has been followed to the bottom of the deepest holes at depths up to 200 vertical meters.

On June 22, 2012, NovaGold relinquished its right to earn 70% equity in the property, but continues to hold a 49% interest in Minas San Roque S.A. Marifil controls the property and would like to proceed with follow-up drilling starting on "34-zone" and is negotiating a shareholder agreement whereby it can carry out further exploration on the property. All future costs are to be shared proportionate to the percentage ownership noted above. NovaGold has a \$436,939 initial credit towards the budget.

Marifil estimates that more than US\$8,000,000 has been invested in exploration of the San Roque property. This effort has produced sufficient data to determine a National Instrument 43-101 compliant resource which the Company intends to accomplish as soon as possible. It has also yielded excellent drilling targets on extensions of known mineralized zones and also some new areas of gold mineralization worthy of follow-up.

To see all the results from the NovaGold's drilling program please see the Company's website at [www.marifilmines.com](http://www.marifilmines.com)

Six campaigns of drilling by MIM, Marifil and NovaGold since 2001 total 108 drill holes for 15,837 meters, of which 11 holes for 5,262 meters are reverse circulation drilling and the remainder diamond core drilling. Drilling has outlined an area of semi-continuous polymetallic mineralization covering approximately 0.3 x 0.9 kilometers in the "33-zone". Individual drill holes have intersected zones with assay averages as high as 1.16 g/t Au, 10.3 g/t Ag, 39.0 g/t In, 0.43 % Pb and 2.04% Zn over 120 meters (hole DDHMSR-0009). The mineralization is open-ended in every direction. Equally important, directly adjacent to the mineralization is a very strong and relatively untested induced polarization (IP) anomaly. Only the far south end of this one-kilometer-long IP anomaly has been drilled where Marifil had previously completed an isolated hole (MFDDH-0043) that intercepted 42.8 meters with an assay average of 0.29 g/t Au, 7.3 g/t Ag,

48.5 g/t In, 1.40 % Pb and 0.46 % Zn. NovaGold drilled DDHMSR-033 specifically as a step-out of that hole testing the IP anomaly which intercepted 0.85 g/t Au, 9.15 g/t Ag, 2.67 g/t In, 0.31 % Pb and 0.63 % zinc over 81 meters.

Significant results have also been encountered in the "51-zone", located approximately 1.0 kilometer southeast of the 33-zone, and in hole DDHMSR-0034, located 1.9 kilometer southeast of the "33-zone", designated the "34-zone". Three core holes (MFDDH-51, DDHMSR-002 and DDHMSR-003) in the "51-zone" average 0.41 g/t Au, 18.5 g/t Ag, 0.31% Pb and 0.44% Zn over aggregate drill hole length of 419.5 meters. In the 34-zone, NovaGold drilled hole DDHMSR-0034 which intercepted at surface 34 meters of 2.27 g/t Au, 42.62 g/t Ag 0.08 g/t In, 0.03% Pb and 0.08% Zn starting at 1 meter below the surface. This hole is a 50-meter step-back on a previous Marifil hole (MFDDH-0013) showing very favorable results including 22.16 g/t Au and 20.63 g/t Ag over 11.5 meters. "34-zone" is distinctly different than "33-zone" as it lacks significant base metal mineralization and quartz veining. The precious metal mineralization in "34-zone" is associated with variably silicified tuffs and volcanic sediments, and it is wide open for expansion by continued drilling. Marifil considers it to be an excellent near surface bulk tonnage gold drilling target that Marifil will focus on in the next phase of exploration. The Company is compositing coarse rejects and will have a laboratory conduct bottle roll cyanide tests to determine the amount of gold available for cyanide leaching.

Northwest-trending zones of elevated, multi-element soil geochemistry and linear IP chargeability highs coincide with known drilled structures and also signpost several other untested drill targets.

## **2. Las Aguilas, nickel-copper-cobalt-platinum Property, San Luis Province and San Luis Exploration Area, nickel-copper-cobalt-platinum, San Luis Province**

Las Aguilas is an 359-hectare property, consisting of four mining rights, located in central Argentina in the Province of San Luis. The property is approximately 800 kilometers west of Buenos Aires. The nearest urban center is the city of San Luis, approximately 35 kilometers to the east. Good roads access the property all year. Marifil currently holds a 100% interest in the thirteen mining rights with the concessions in various stages of maturation which consists of 126 individual mining claims, the core claims of which holds the National Instrument 43-101 as filed on SEDAR at [www.sedar.com](http://www.sedar.com) on May 11, 2011.

Mineralization at Las Aguilas is located within small, variably differentiated mafic/ultramafic bodies intruding a Precambrian metamorphic rock complex, and is typical of world-wide magmatic segregation type semi-massive sulfide deposits with 10% to 50% sulfides containing platinum group metals (PGMs). Three drilling campaigns by three different companies total 143 diamond drill core holes for 29,499 meters, plus a 113-meter-long adit for a 30 tonne metallurgical bulk sample was also completed. The National Instrument 43-101 report was completed by Wardrop Engineering Inc. on April 29, 2011. The "NI 43-101 Technical Report and Resource Estimate of the Las Aguilas Project, San Luis Province, Argentina" was posted on SEDAR at [www.sedar.com](http://www.sedar.com) on June 20, 2011. The report was authored by two Qualified Persons, Todd McCracken, P. Geo. and Callum Grant, P. Eng. They only used the most recent drilling to calculate and estimate the resource. That included 78 cored holes completed by Castillian Resources. The Las Aguilas resource is developed on two parallel nickel sulphide zones 300 meters apart (West and East deposits) that collectively contain about 3.2 million tonnes of Indicated reserves with an average grade 0.67% NiEq at a nickel equivalent cut-off grade of 0.41% (see below). Copper, platinum, palladium and cobalt figure significantly into the equivalent nickel cut-off grade.

Between 1970 and 1988, Direccion General de Fabricaciones Militares (DGFm) an agency of the Argentina Government which provides mining services, conducted geological, geophysical and metallurgical studies that included drilling 43 diamond core holes for 9,800 meters. DGFm also completed a feasibility study concluding the deposit could be economically mined (Barda Santiago Ing. De minas, 1988, I.M.A Reservdo, Viabilidad del Yacimiento Las Aguilas). For clarity purposes, the Company is not treating the DGFm historical reserves as current mineral resources or mineral reserves and a qualified person has not done sufficient work to classify the historical reserve as any kind of "ore" reserve.

During the period from 1999 to 2000 Marifil optioned the property to Western Mining Corp. who completed an airborne geophysical study, and to BHP Billiton World Exploration Group who completed extensive ground geophysical and geochemical surveys and drilled 22 diamond core holes for 6,842 meters.

Las Aguilas has two mineralized intrusions as initially defined by DGFm that are 300 meters apart. The Las Aguilas East and Las Aguilas West deposits. Mineralization comprises pyrrhotite, chalcopyrite and pentlandite (ores of copper, nickel, cobalt

and platinum) in a matrix-supported texture, with some fracture-controlled massive sulphide veins. Pyrrhotite and chalcopyrite occur as disseminations, patches of net-textured accumulations, as well as mineralized fractures and veinlets found throughout the intrusion. The sulphide content is 15% to 20% on average. Significant PGE mineralization, particularly represented by platinum and palladium, has been identified at Las Aguilas, as well as copper and minor gold contents. Petrographic studies identified merenskyite and sperrylite as the main PGE minerals.

Marifil optioned the property to Castillian Resources in 2007 and they conducted the latest round of drilling from which Wardrop calculated the National Instrument 43-101 mineral resource. Between November 2007 and February 2008 Castillian completed geological mapping, petrographic studies, 28,600-line km of BH-TEM, 3,569-line km of airborne VTEM, an environmental baseline study, and 78 HQ/NQ drilled holes totaling 12,857 meters, most of which were surveyed with down-hole geophysical instrumentation (BHEM).

The Castillian drilling extended the Las Aguilas West deposit an additional 100 meters south and 50 meters north. The Las Aguilas West deposit and intrusion have now been intersected by drilling over a length of 800 meters and to a vertical depth of 250 meters. The Las Aguilas West deposit is a 5 to 25-meter-wide tabular body contained within a pyroxenitic dike that shows mostly subvertical dips to the east, but in the southern third, the dips change from subvertical to the west to a shallow westerly dip. The mineralized intrusion appears to be cut off to the south by a noritic intrusion.

The East deposit is a 10 to 30-meter-thick lens-like body having 100 meters of strike length and plunging about 45 degrees to a vertical depth of at least 330 meters. The mineralization is hosted by a variety of ultramafic intrusive rocks. This resource occurs within a large fold and mineralization is open-ended down dip along the plunge of the fold. Drilling suggest that the size and grade of this deposit are increasing with depth.

Some highlights of Castillian's diamond core drilling are:

Las Aguilas West:

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

Las Aguilas East:

- LA08-078 -- 19.67 meters with 0.58% Ni, 0.42%Cu, 0.03%Co, 0.44 g/t Pt, 0.50 g/t Pd and 0.22 g/t Au, including 5.64 meters of 1.05% Ni, 0.62% Cu, 0.04% Co, 0.8 g/t Pt, 0.69 g/t Pd and 0.14 g/t Au.
- Marifil estimates that more than US\$ 20,000,000 has been spent exploring the Las Aguilas property.

The Las Aguilas property was returned to Marifil in 2009 when Castillian Resources terminated its option agreement.

A resource estimate completed in May 2011 concluded that the geological understanding is sufficient to support a resource estimation. The project now has a total of 143 completed drill holes, of those only the 79 Castillian holes within the area of interest were included in the National Instrument 43-101 as filed on [www.sedar.com](http://www.sedar.com) on June 20, 2011 due to data verification. The table below summarizes their resource estimate.

#### Las Aguilas Resource Estimate

Total Class	NiEq% Cut-off	Tonnes	Ni%	Cu%	Co%	Au (ppm)	Ag (ppm)	Pt (ppm)	Pd (ppm)	NiEq%
IND	East	1,036,800	0.52	0.35	0.03	0.09	0.53	0.19	0.19	0.77
	West	2,227,000	0.36	0.45	0.03	0.03	0.29	0.15	0.19	0.62
	<b>Total</b>	<b>3,263,800</b>	<b>0.41</b>	<b>0.42</b>	<b>0.03</b>	<b>0.05</b>	<b>0.37</b>	<b>0.16</b>	<b>0.19</b>	<b>0.67</b>

The nickel equivalent (Ni Eq.%) formula =  $[(\text{Ni grade} \times \$\text{Ni}) + (\text{Cu grade} \times \$\text{Cu}) + (\text{Co grade} \times \$\text{Co})] \times 20 + [(\text{Au grade} \times \$\text{Au}) + (\text{Ag grade} \times \$\text{Ag}) + (\text{Pt grade} \times \$\text{Pt}) + (\text{Pd grade} \times \$\text{Pd})] \times 0.0291667 / (\$ \text{Ni} \times 20)$ . The metal grades used in the formula are the separate metal grades presented in the table. As no recent metallurgical work has been completed on all of the elements, the Ni Eq. formula assumes 100% recovery based on in-situ material. The estimated resource was created in April of 2011 with the following commodity prices being used to calculate the Ni Eq.: Ni = \$9.02/lb, Cu = \$2.66/lb, Co = \$15.92/lb, Pt = \$1,842/ozt (ozt = ounces per tonne), Pd = \$681/ozt, Au = \$1,058/ozt, Ag = \$16.57/ozt.

The report recommends additional exploration expenditures where extension of the known zones offers the potential for resource expansion; particularly along strike on the West Zone and down-dip on the East Zone. Future work will follow up on prior extensive geophysical data to identify new step out drill targets within the prospective optioned claim area. The National Instrument 43-101 report recommends a down-hole geophysical survey to aid in the step-out drilling.

The Company is actively looking for a joint venture partner for its wholly-owned Las Aguilas property.

### **3. El Carmen, Oil and Gas prospect, Chubut Province**

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, Argentina's second most prolific oil producing region. Local oil development infrastructure is excellent. A favorable property report was produced by an independent consultant for the Company that is largely based on drilling results of fifty years ago that identifies significant hydrocarbon targets. This report is not NI 51-101 compliant.

The Company is actively looking for a joint venture partner for its wholly-owned El Carmen property.

### **4. K-2, Potash, Neuquen Province**

K-2 is a 87,385-hectare property located in the Neuquen Sedimentary Basin in the Province of Neuquen. Marifil owns 100% of the property and believes it overlies a large potash deposit; it has excellent industrial services and infrastructure development in the surrounding area. The Company has finalized a National Instrument 43-101 exploration report on the property. This report describes gamma ray, density, resistivity, induction, neutron logs and other analyses from four abandoned oil well holes. The four holes define an area 18 kilometres long in a north-south direction and 13 kilometres wide in an east-west direction. All four holes show excellent stratigraphic correlations with each other.

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

- Two sylvinite mineral occurrences have been identified in all of the analyzed drill holes.
- The sylvinite mineral occurrences were intercepted in drill holes between 1,300 and 1,500 meters.
- The lower horizon reported a grade of 21% K<sub>2</sub>O and a maximum thickness of 6 meters.
- The upper horizon reported a lower grade of 12% K<sub>2</sub>O over a greater thickness of 10 meters.
- The potash horizons show great continuity throughout the basin. Drill intercepts encountered in drill holes spaced up to 18 kilometers apart can be correlated both by stratigraphy and mineralization.

The Company is actively looking for joint venture partners for its K-2 property in combination with its other potash properties.

### **5. K-3 & K-4, Potash, Mendoza Province**

Marifil acquired these properties in January and February of 2011 by staking ground it believes to be highly prospective for potash, uranium, biogenic sulfur and asphaltites. There are no underlying third party agreements attached to these mining rights which total 15 contiguous claims for 113,263 hectares. The claims are located in the northern Neuquen Sedimentary Basin in areas of good road access.

The Neuquen Sedimentary Basin is Argentina's most prolific oil producing basin, and hosts the country's only potash mine, Potasio Rio Colorada, owned by Vale. The mine was under construction during the last quarter of 2012; however, in the first quarter of 2013 the project was halted due to disagreements between the Vale and the Argentinean government. The southern part of the Company's K-3 project lies about 50 kilometers northwest of Vale's Potasio Rio Colorada potash mine which has a resource of 2 billion tons of potassium chloride. Potasio Rio Colorada is scheduled to start production at the rate of 2.4 million tonnes of potash per year, and eventually be ramped up to 4 million tonnes per year.

Geologic mapping and basin analysis identified this large area as having good potential for salt horizons at depths ranging from 220 meters to 2,000 meters. The evaporated salt horizons are believed to range from 50 meters to 350 meters in thickness. Analysis of electric and gamma ray logs from abandoned oil wells is ongoing. Sylvite (a potash salt with the chemical formula KCl) typically occurs near the top of thick evaporate salt horizons.

The Company is actively looking for joint venture partners for its K-3 and K-4 property in combination with its other potash properties.

## **6. Punta Colorada (Sierra Grande), limestone, Rio Negro Province**

This 854-hectare property is held by a concession from Rio Negro Province and is located next to a bulk loading dock on the Atlantic coast. The dock extends 1,200 meters into the ocean, has a capacity of 1,500 tonnes per hour, and can handle ships up to 60,000-ton capacity.

The Company re-negotiated with the Province to clarify Marifil's rights to the property and to obtain a right to use the bulk loading dock. The Province agreed to the terms and the agreement was signed in October 2008.

The Company's objective at Punta Colorada is to identify a resource of 100 to 200 million tonnes of cement grade limestone. The Company confirms that the potential quantity disclosed is conceptual in nature, that there has been insufficient exploration to define a mineral resource and that it is uncertain if further exploration will result in the target being delineated as a mineral resource. The Company disclosed the conceptual information as being founded on the basis of its initial exploration program on the property as reported in: Bonuccelli Renzo S., January 2006, "Deposito De Caliza De Punta Colorada, Rio Negro, Argentina – Aspectos, Geologicos, Tecnicos y Economicos" (unpublished internal report). In December 2005, Marifil completed a small drill test consisting of 12 reconnaissance rotary drill holes for 131 meters. Drill cuttings as well as 28 rock chip channel samples from several small quarries, outcrops along the coastline and in the Seco Creek valley which crosses the property provided enough data to establish the presence of prospective cement grade limestone. In all, 117 samples were obtained for a cumulative total of limestone section sampling of 159 meters. Marifil believes the evidence gathered by the 2005 drilling and outcrops channel sampling indicates that prospective limestone beds underlie the entire 854 hectares (854,000 square meters) property and are a minimum of 10 meters thick. The surface area times the depth thickness (volume) times a specific gravity of 2.5 yields 213,500,000 tonnes. The Company believes this supports its conceptual target statement of 100 to 200 million tonnes, and therefore warranted a more extensive drilling program which was recently completed.

On August 20, 2014 the Company completed drilling on the property, the two vertical rotary drill holes H-5 and H-1 were both 17 meters deep and averaged 44.51% CaO (79.49% CaCO<sub>3</sub>) with 0.32% MgO and 41.73% CaO (74.52% CaCO<sub>3</sub>) with 1.36 MgO over that thickness, respectively. The two vertical channels I-8 and H-2 cut on outcrops both represent 7 meters of true thickness and average 40.09% CaO (71.60% CaCO<sub>3</sub>) with 0.25% MgO and 50.13% CaO (89.53% CaCO<sub>3</sub>) with 0.28 MgO, respectively.

The Company is actively looking for joint venture partners for its Sierra Grande property.

## **7. Codihue, biogenic sulfur deposit, Neuquen Province**

This acquisition by staking, is an outgrowth of Marifil's Neuquén Basin potash program, and involves much the same sedimentary evaporate formations. Marifil holds 7 unencumbered mine rights covering 51,500 hectares. Marifil's pioneering work found widespread sedimentary rock outcrops at Codihue that strongly resemble those of the Mishraq sulphur deposit in Iraq. Mishraq is the largest known biogenic sulphur deposit in the world, originally containing about 250 million tons of sulphur.

Surface evidence for an underlying sulphur deposit target at Codihue is very strong, and includes a gypsum horizon more than 200 meters thick which projects into the target area, a large collapsed anticlinal structure, karst-collapse features, deep-seated fractures, sulphurous springs, and outcrops of biogenetically altered evaporates resulting in porous beds of biocalcite; all evidence indicating replacement of gypsum by limestone.

Biogenic sulphur deposits are formed when hydrocarbons react with overlying gypsum deposits in the presence of anaerobic bacteria to reduce the sulphate ions of gypsum to polysulphides and/or hydrogen sulphide gas. The sulphides and hydrogen sulphide gas are oxidized to native sulphur in an anaerobic (oxygen free) environment. This process results in a 40% volume reduction of the gypsum as it is transformed into beds of biocalcite, or bioepigenetic limestone. The resulting loss of volume creates karsting and collapse features.

Biogenic sulphur deposits are amenable to solvent extraction by the Frasch process whereby hot water plus compressed air are forced down a triple tubed well and molten sulphur is lifted to the surface. The liquid sulphur can be shipped directly to end users. Sulphur's largest end use is in fertilizer but demand for sulphur to make sulphuric acid for leaching oxide copper deposits and uranium is a large and growing market. Argentina does not produce significant sulphur and Chile, Peru and Brazil are net importers.

An independent consultant completed a National Instrument 43-101 report on Codihue in April 2010, noting "The Codihue Biogenic Sulfur Project is at a very early stage of exploration" and recommended a two-phase exploration program involving drilling for a projected cost of US\$1 million.

The Company is actively looking for a joint venture partner for its Codihue property together with its other fertilizer mineral properties.

#### **8. Mechanquil biogenic sulphur deposit, Mendoza Province**

The staking acquisition is an outgrowth of Marifil's Northern Neuquen Basin potash program. It is included in the K-4 land package. The surface evidence, geology, and extractive processes are identical to those described above for Codihue.

The Company is actively looking for a joint venture partner for its Mechanquil property together with its other fertilizer mineral properties.

#### **9. Maipu, silver-lead-zinc, Santa Cruz Province**

The exploration target is a zone 70 to 90 meters wide and exposed for 500 meters vertically in a canyon. Similar outcrops occur 2,500 m to the south.

Future work on the property is hindered by an access problem, which the Company is working to resolve. As the Provincial government is formulating rules to regulate mining in the Andes, the Mining Department is delaying approval of Marifil's environmental report.

There are no assurances that the government will approve Marifil's environmental report.

#### **10. Lago Fontana (Ferrocarrilera), epithermal gold-silver plus base metals, Chubut Province**

The property consists of 16 mine rights covering 17,498 hectares, of which 11 of those mine rights are patented and cover 498 hectares. The property is located in the Andean Mountain front near the Argentine Chile boarder next to Fontana Lake, with good access by road and 400 kilometres from the large city of Comodoro Rivadavia.

A historical resource report was produced however it was not National Instrument 43-101 compliant. The historical resource of 840,000 tonnes with 1 g/t Au, 10 g/t Ag, 0.03% Cu, 0.95% Pb and 0.78% Zn, and at Cerro Cuchi Veta of 337,500 tonnes with 0.23 g/t Au, 10.75 g/t Ag, 0.65% Pb, 0.80% Zn and 0.10% Cu. comes from Spencer Frank, 1947 "Geology of the Fontana Mine and Surrounding Area" (unpublished report). Marifil S.A. retained an independent consulting geologist to review this and other work on the property. His analyses are in: Lencinas Andres N. PhD, 2004 December "Mina Ferrocarrilera Base Metal Project" (unpublished internal report). Dr. Lencinas, who is not a Qualified Person, reports the

irregular “ore shoots” reported by Mr. Spenser have a high probability of existence. Additionally, vein rock chip channel sampling by Silx Argentina S.A. (aka Apex Silver), who optioned the property from the Company (see below), yielded assays up to 0.51 g/t Au and 7.5% Pb and 5.3% Zn across 6.3 meters of vein width, thereby also supporting the conclusions of Spenser. These results are reported in: Lasry Andrés, Bilbao Carlos & Álvarez Néstor, February 2007, “Proyecto Lago Fontana, Chubut Province”. They summarize: “Preliminary resources of Veta Ferrocarrilera are 840,000 tonne with 1g/t Au, 10 g/t Ag, 332 ppm Cu, 0.95% Pb and 0.78% Zn, while Cerro Cuchi indicates 337,500 tonne with 0.23 g/t Au, 10.75 g/t Ag, 0.65% Pb, 0.80% Zn and 0.10% Cu. Probably this potential can be increased up to 2 Mt with good Zn, Pb grades and credits for Au-Ag-Cu.” It is unknown whether or not the Silx workers were Qualified Persons. The Company believes the all the work of Spenser, Lencinas and Lasry et al is credible.

This Property was optioned to Apex Silver Mines Ltd. on April 10, 2006. Apex began a comprehensive exploration program, finding strong stream sediment anomalies up to 43.3 g/t Au on extensions of the known mineralization, and further confirming the potential resource by extensive rock chip channel sampling yielding up to 0.51 g/t Au and 7.5% Pb and 5.3% Zn across 6.3 meters of vein width. The Apex exploration program was about 40% completed when in 2007 the Province enacted legislation to suspend mining activities along the front of the Andes Mountains including the Ferrocarrilera project area. As a result, Apex opted to terminate its option agreement.

Marifil has no exploration plans at this time for the Lago Fontana property and does not consider the historical resource to be a current mineral resource. Exploration activity will resume, following-up on the geochemical anomalies generated by Apex, when the zone is released for mineral development by the Provincial Legislature. However, there can be no assurance that property will be released for future development.

## RESULTS OF OPERATIONS AND FINANCIAL CONDITION

### Selected Annual Information

Year Ended	December 31, 2016	December 31, 2015	December 31, 2014
Loss for the year	(429,381)	(2,020,300)	(440,775)
Loss per share, basic and fully diluted	(0.00)	(0.02)	(0.01)
Total Assets	2,877,683	2,995,020	4,618,566

As the Company is still an exploration company, the Company has recorded no revenue during the last three fiscal years.

The Company was relatively inactive over the course of 2016, while management waits for market conditions to improve. Net assets decreased by 117,337 due to a decrease in exploration and evaluation assets of \$117,466; \$135,611 of that change was accounted for from the receipt of sales tax paid to the government.

An impairment to the Toruel property of \$1,577,337 in 2015, accounted for the majority of the decrease in net loss of \$1,590,919.

The Company has had no non-current financial liabilities over the course of the last three fiscal years.

## Summary of Quarterly Results

The table below sets forth selected results of operations for the Company's eight most recently completed quarters (in Canadian dollars). All figures are in accordance with IFRS.

Period ending	Quarter	Total Revenues	Loss	Basic and fully diluted loss per share	Total Assets
December 31, 2016	Q4	-	(26,782) (i)	(0.00)	2,877,683
September 30, 2016	Q3	-	(142,543) (ii)	(0.00)	2,903,922
June 30, 2016	Q2	-	(135,584) (iii)	(0.00)	2,948,773
March 31, 2016	Q1	-	(124,472) (iv)	(0.00)	2,851,900
December 31, 2015	Q4	-	(1,800,734) (i)	(0.02)	2,995,020
September 30, 2015	Q3	-	(85,851) (ii)	(0.00)	4,632,918
June 30, 2015	Q2	-	(70,002) (iii)	(0.00)	4,633,199
March 31, 2015	Q1	-	(63,713) (iv)	(0.00)	4,608,209

- (i) The Company experienced a larger than normal loss in the quarter ending December 31, 2015 as compared to the current year's fourth quarter due to a \$1,577,337 resource property impairment, and a stock based compensation expense of \$79,287. The property impairment was due to the Company terminating the Toruel property joint venture agreement.
- (ii) The Company experienced a larger loss in the quarter ending September 30, 2016 as compared to the previous year's third quarter. The larger loss relates to foreign exchange loss due to a drop in the value of the Argentinian Peso, partially offset by a reduction in management fees.
- (iii) The Company experienced a larger loss in the quarter ending June 30, 2016 as compared to the previous year's second quarter. The larger loss was due to increased management and investor relations fees incurred in the fiscal 2016 quarter.
- (iv) The Company experienced a slightly smaller loss in the quarter ending March 31, 2016 as compared to the previous year's first quarter, mostly due to foreign exchange factors.

Except for the above increases, the Company has scaled back expenditures across all property and expense categories, and the quarterly losses would otherwise be consistent with prior quarterly losses.

## Results of Operations for the year ended December 31, 2016 and 2015

### Operating Expenses

Year Ended	December 31, 2016	December 31, 2015	Change \$	Change %
General and administrative:				
Amortization	542	156	386	247%
Directors fees	39,767	40,000	(233)	(1)%
Filing fees	19,518	19,927	(409)	(2)%
Investor relations & shareholder info <sup>(c)</sup>	23,573	11,358	12,215	108%
Office and miscellaneous	60,304	58,111	2,193	2.93%
Management fees <sup>(a)</sup>	74,014	-	74,014	100%
Professional fees <sup>(b)</sup>	131,146	116,786	14,360	12%
Stock based compensation <sup>(d)</sup>	-	79,287	79,287	(100)%
Total General & administrative expense	348,864	325,625	23,239	7%
General exploration	-	(28,820)	(28,820)	(100)%
Impairment of exploration assets <sup>(e)</sup>	(22,707)	(1,577,337)	(1,554,630)	(99)%
Foreign exchange loss <sup>(f)</sup>	(44,295)	(82,642)	(38,347)	(46)%
Finance costs	(13,515)	(5,876)	7,639	130%
Loss for the year	(429,381)	(2,020,300)	(1,590,919)	(79)%

During the period, the Company incurred a loss of \$423,979 compared to a loss of \$2,020,300 in 2015. The main reasons for the decreased net loss in the current period were due to the factors noted below:

- (a) Management fees include one-time charges paid to executive officers of the Company. No such fees were charged in the comparative period.
- (b) Professional fees include audit, CFO, and legal fees. Professional fees increased for the period ending in 2016 as a result of one-time legal expenses for work performed in Argentina.
- (c) Investor relations increased due to 2015 fees being invoiced during the 2016 year.
- (d) Stock based compensation decreased as a result of no options being granted during the 2016 year.
- (e) A one-time impairment and write-off to the Toruel property of \$1,577,337 in 2015 accounted for the decrease in impairment in 2016.
- (f) The Company also experienced a higher foreign exchange loss due to the increasing value of the Argentina Peso against the Canadian dollar; this was due to a positive net current asset balance from a significant tax receivable from the Argentinian government.

## LIQUIDITY

The Company has \$23,021 in cash to settle \$532,385 in current liabilities, and a working capital deficiency of \$495,747 at December 31, 2016 compared to a working capital deficiency of \$383,726 at December 31, 2015.

Management anticipates reducing the working capital deficiency in fiscal 2017 through debt settlement agreements with management and through further financings, including a \$103,000 private placement completed on April 25, 2017.

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

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

## CAPITAL RESOURCES

The Company's cash resources increased by \$2,573 during the period ended December 31, 2016 to \$23,388.

It is becoming increasingly difficult for the Company to raise funds to execute its business plan. Funds raised are increasingly dilutive to the Company's share structure due to the share performance in the capital markets. Management continues to monitor the capital markets for opportunities to raise additional funds.

During the years ended December 31, 2016 and December 31, 2015, the Company has closed the following private placements:

- On August 18, 2016, the Company closed a non-brokered private placement for gross proceeds of \$104,952.
- On June 3, 2016, the Company closed a non-brokered private placement for gross proceeds of \$100,000.
- On November 5, 2015, the Company issued 10,000,000 units in a non-brokered private placement for gross proceeds of \$100,000.
- On May 1, 2015, the Company issued 4,050,000 units in a non-brokered private placement for gross proceeds of \$60,750.

As of December 31, 2016, the Company had no major long term expenditure commitments outside of consultancy obligations and mineral property option payments. The Company has approximately \$400,000 in annual expenditures and property maintenance fees and will have raise capital or sell assets to meet these working capital requirements.

The Company will fund its ongoing operations and any capital commitments that it enters through the sale or joint venture agreement of one of its properties or through the issuance of equity in the Company.

In May 2016, the Company's agreement with Padernal properties was terminated due to the Company's non-compliance with the terms of the agreement.

At December 31, 2015, the Company terminated its joint venture agreements with property holders for the Toruel,

Cerro Samenta Norte and Cerro Samenta Sur properties.

If the Company was to miss an option payment with a property holder or fall out of compliance with a JV agreement it could negatively affect the Company by jeopardizing the Company's rights and or title to the property or the Company's ownership percentage or rights in a JV agreement with another Company.

#### TRANSACTIONS WITH RELATED PARTIES

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

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

\* The net assets of Oxbow are \$nil and its operations are inactive at December 31, 2016.

The remuneration of directors and other members of key management personnel during the years ended December 31, 2016 and 2015 were as follows:

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

For the year ended December 31, 2016, management fees comprised of accounting fees of \$24,000 accrued to Alex McAulay of Assent Advisory Partners and \$51,000 paid to Roger Foster of RLF Consulting (2015 - \$72,000 paid to Roger Foster of RLF Consulting) as well as \$38,955 to John Hite and \$35,059 to R. Walters of R.R. Walters Consulting for management consulting. Directors fees comprised of \$13,256 accrued to directors Greg Burnett, Michael Sweatman, and John Pearson (2015 - \$13,333 accrued to directors Greg Burnett, Michael Sweatman and John Pearson). Share based payments included \$nil for the year ended 2016 (2015 - \$62,692 accrued to R. Foster, D. Walters, G. Burnett, M. Sweatman, J. Pearson, J. Hite, and D. Buffone).

On August 30th, 2016, Roger Foster of RLF Consulting resigned as CFO of the Company and Alex McAulay of Assent Advisory Partners was appointed as Mr. Fosters replacement. As of this date, Mr. Foster ceased to be a related party of the Company.

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.

At December 31, 2016, trades payable included \$258,753 (December 2015 - \$179,587) owing to directors and officers of the Company, of which \$83,575 was payable to Roger Foster. These amounts are non-interest bearing, unsecured and are due on demand.

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).

### **Financial Instruments Risks**

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

#### **(a) Capital Management**

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

The Company considers the items included in the shareholders' equity as capital. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements, sell assets or incur debt. As at December 31, 2016, the Company does not have any debt instruments and is not subject to externally imposed capital requirements.

#### **(b) Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company maintains sufficient cash balances to meet current working capital requirements. Thus, it is dependent on obtaining regular financings in order to continue its exploration programs. Despite previous success in acquiring these financings, there is no guarantee of obtaining future financings. The Company's cash and equivalents are invested in business accounts with quality financial institutions, are available on demand for the Company's programs, and are not invested in any asset backed commercial paper.

The majority of the Company's cash and equivalents are held with major Canadian based financial institutions.

#### **(c) Currency Risk**

The Company's operations are in Canada and Argentina. The international nature of the Company's operations results in foreign exchange risk as transactions are denominated in foreign currency.

The Company holds cash balances and incurs payables that are denominated in the Canadian Dollar, the United States Dollar and the Argentine Peso. These balances are subject to fluctuations in the exchange rate between the Canadian Dollar, and the United States Dollar and the Argentine Peso, resulting in currency gains or losses for the Company. Based on the net Canadian dollar denominated asset and liability exposures as at December 31, 2016, a 10% fluctuation in the Canadian/Argentine and Canadian/US exchange rates will have limited impact on the Company's earnings.

The operating results and the financial position of the Company are reported in Canadian dollars. The fluctuations of the operating currencies in relation to the Canadian dollar will, consequently, have an impact upon the reported results of the Company and may also affect the value of the Company's assets and liabilities.

The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

#### **(d) Inflation Risk in Argentina**

Argentina has a history that includes high rates of inflation. This can affect the Company by increasing the cost of doing

business in the country as well as decreasing the real value of Argentine pesos kept in the Company's bank account in Argentina.

In December 2016, it was reported that the Consumer Price Index (CPI) of Argentina had increased 17% over the course of a nine months, indicating that inflation is consistently increasing and that expenditures incurred in Argentina will continue to rise. The Company limits the risk of inflation by limiting the amount of funds kept within the country. The Company only transfers funds necessary to pay current liabilities and does not maintain any large bank account balances within the country.

(e) Price Risk

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

The estimated fair value of financial assets is equal to their carrying values due to the short-term nature of these instruments.

**Fair Value Hierarchy**

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

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

**PROPOSED TRANSACTIONS**

In the normal course of business, the Company evaluates property acquisition transactions and in some cases, makes proposals to acquire such properties. These proposals, which are usually subject to board, regulatory and sometimes shareholder approvals, may involve future payments, share issuances, and property work commitments. These future obligations are usually contingent in nature and generally the Company is only required to incur the obligation if it wishes to continue with the transaction. As of the date of this report, the Company has a number of possible transactions that it is examining. Management is uncertain whether any of these proposals will ultimately be completed.

**Additional Disclosure for Venture Issuers without Significant Revenue**

During the years ended December 31, 2016 and 2015, our company incurred the following expenses:

	<b>2016</b>		<b>2015</b>
Capitalized acquisition costs	\$ 26,018	\$	12,234
Capitalized exploration costs	9,825		33,939
Operating expenses	341,988		354,445
Impairment of exploration and evaluation assets	22,707		1,577,337
	<u>\$ 400,538</u>	<u>\$</u>	<u>1,977,955</u>

Please refer to Note 7 of our consolidated financial statements for the year ended December 31, 2016 for a detailed description of the capitalized costs presented on a property by property basis.

## **Outstanding Share Data**

As of December 31, 2016, the Company had 56,646,800 warrants outstanding. In addition, stock options, granted to key employees, directors, officers, and consultants, to purchase 6,210,000 shares were outstanding at various exercise prices. The fair value of cash and cash equivalents and other assets are measured based on level 1 of the fair value hierarchy.

The Company has authorized an unlimited number of common shares without par value. As of December 31, 2016, there were 121,908,683 shares issued and outstanding (December 2015 – 104,911,883) if all warrants and options issued were exercised, a total of 185,065,483 shares would be issued and outstanding.

As of the date of this filing the Company had 132,208,683 shares issued and outstanding. If all warrants and options issued were exercised, a total of 205,365,483 shares would be issued and outstanding.

## **Controls and Procedures**

### **(a) Disclosure Controls and Procedures**

The Company has established disclosure controls and procedures to ensure that information disclosed in this MD&A and the related financial statements was properly recorded, processed, summarized and reported to the Company's Board and Audit Committee. The Company's certifying officers conducted or caused to be conducted under their supervision an evaluation of the disclosure controls and procedures as required under Canadian Securities Administration regulations, as at December 31, 2016. Based on the evaluation, the Company's certifying officers concluded that the disclosure controls and procedures were effective to provide a reasonable level of assurance that information required to be disclosed by the Company in its annual filings and other reports that it files or submits under Canadian securities legislation is recorded, processed, summarized and reported within the time period specified and that such information is accumulated and communicated to the Company's management, including the certifying officers, as appropriate to allow for timely decisions regarding required disclosure.

It should be noted that while the Company's certifying officers believe that the Company's disclosure controls and procedures provide a reasonable level of assurance and that they are effective, they do not expect that the disclosure controls and procedures will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

### **(b) Internal controls over Financial Reporting**

The Company's certifying officers acknowledge that they are responsible for designing internal controls over financial reporting, or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

There were no changes in these controls during the year ended December 31, 2016 that had materially affected, or are reasonably likely to materially affect, such controls.

### **(c) Limitations of Controls and Procedures**

The Company's management, including the Chief Executive Officer and Chief Financial Officer, believe that any disclosure controls and procedures or internal controls over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected.

These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any systems of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

### **CRITICAL ACCOUNTING ESTIMATES**

The Company is a venture issuer; therefore, this section is not applicable. For more information on critical accounting estimates refer to Note 3 in the financial statements for the year ended December 31, 2016.

### **SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies followed by the Company are set out in Note 3 to the audited financial statements for the year ended December 31, 2016, and have been consistently followed in the preparation of these consolidated financial statements.

#### **Adoption of new standards and interpretations, and recent accounting pronouncements**

##### **New accounting standards adopted effective January 1, 2016**

There were no new or revised accounting standards scheduled for mandatory adoption on January 1, 2016, and thus no standards were adopted in 2016.

##### **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.

#### **3.11 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.

## **INVESTMENT CONSIDERATIONS AND RISK FACTORS**

An investment in securities of the Company involves a high degree of risk and must be considered highly speculative due to the nature of the Company’s business and the present stage of exploration and development of its mineral properties. In addition to information set out or incorporated by reference in this MD&A, prospective investors should carefully consider the risk factors set out below. Any one risk factor could materially affect the Company’s financial condition and future operating results and could cause actual events to differ materially from those described in forward looking statements relating to the Company.

### **Exploration and Mining Risks**

Resource exploration and development and mining operations are highly speculative and characterized by a number of significant risks which even a combination of careful evaluation, experience and knowledge may not eliminate, including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits, but from finding mineral deposits which, though present, are insufficient in quantity and quality to be mined profitably. Few properties that are explored are ultimately developed into producing mines. There is no assurance that the Company’s mineral exploration and development programs will result in any discoveries of bodies of commercial mineralization. There is also no assurance that even if commercial quantities of mineralization are discovered, a mineral property will be brought into commercial production. The Company will continue to rely upon the advice and work of consultants and others for exploration, development, construction and operating expertise.

Substantial expenditures are required to establish and upgrade mineral resources, to establish mineral reserves, to develop metallurgical processes to extract metals from mineral resources and, in the case of new properties, to develop the mining and processing facilities and infrastructure at any site chosen for mining. No assurance can be given that the funds required for development can be obtained on a timely basis. Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are: the particular attributes of the deposit, such as size and grade; metal prices which are highly cyclical; and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. Unsuccessful exploration and development programs could have a material adverse impact on the Company’s operations and financial condition.

### **Factors beyond the Company’s Control**

The mining exploration business is subject to a number of factors beyond the Company’s control including changes in economic conditions, intense industry competition, variability in operating costs, changes in government and in rules and regulations of various regulatory authorities. An adverse change in any one of such factors would have a material adverse effect on the Company, its business and results of operations which might result in the Company not identifying a body of economic mineralization, completing the development of a mine according to specifications in a timely, cost effective manner or successfully developing mining activities on a profitable basis.

### **Uncertainty in the Estimation of Mineral Resources**

The figures for mineral resources contained in this MD&A are estimates only and no assurance can be given that the anticipated tonnages and grades will be achieved. Actual resources may not conform to geological, metallurgical or other expectations, and the volume and grade of ore recovered may be below the estimated levels. There are numerous uncertainties inherent in estimating mineral resources, including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of any resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. If the Company's actual mineral resources are less than current estimates or if the Company fails to develop its resource base through the realization of identified mineralized potential, its results of operations or financial condition may be materially and adversely affected. Evaluation of resources occurs from time to time and they may change depending on further geological interpretation, drilling results and metal prices. The category of inferred resource is often the least reliable resource category and is subject to the most variability. The Company regularly evaluates its resources and it often determines the merits of increasing the reliability of its overall resources

### **Reliance on Independent Contractors**

The Company's success depends to an extent on the performance and continued service of certain independent contractors. The Company has contracted the services of professional drillers and others for exploration, environmental, engineering and other services. Poor performance by such contractors or the loss of such services could have a material and adverse effect on the Company, its business and results of operations and result in the Company failing to meet its business objectives.

### **Impairments**

Mining interests are the most significant assets of the Company and represent capitalized expenditures related to the development of mining properties and related plant and equipment and the value assigned to exploration potential on acquisition. The costs associated with mining properties are separately allocated to exploration potential and mineral resources and include acquired interests in exploration stage properties representing the fair value at the time they were acquired. The values of such mineral properties are primarily driven by the nature and amount of material interests believed to be contained or potentially contained, in properties to which they relate.

The Company reviews and evaluates its mining interests for impairment on a quarterly basis or when events or changes in circumstances indicate that the related carrying amounts may not be recoverable, which becomes more of a risk in the global economic conditions that exist currently. Impairment is considered to exist if the total estimated future undiscounted cash flows are less than the carrying amount of the assets. An impairment loss is measured and recorded based on discounted estimated future cash flows. Future cash flows are estimated based on expected future production, commodity prices, operating costs and capital costs. There are numerous uncertainties inherent in estimating mineral resources. Differences between management's assumptions and market conditions could have a material effect in the future on the Company's financial position and results of operation.

### **Foreign Operations**

Part of the Company's operations are currently conducted in a foreign jurisdiction, Argentina, and as such, the Company's operations are exposed to various levels of political, economic, regulatory and other such risks and uncertainties such as extreme fluctuations in currency exchange rates; high rates of inflation; labor unrest; violence, terrorism or civil unrest; expropriation and nationalization; renegotiation or nullification of existing concessions, licenses, permits and contracts; illegal mining; changes in fiscal regimes, changes in royalty and taxation policies; uncertainty regarding enforceability of contractual rights and judgments; restrictions on foreign exchange and repatriation; changing political conditions, currency controls and governmental regulations that favor or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction.

The Company's operations and properties are subject to a variety of governmental regulations governing health and worker safety, employment standards, waste disposal, protection of historic and archaeological sites, mine development, protection of endangered and protected species and other matters.

The Company's mineral exploration and mining activities in Argentina may be adversely affected in varying degrees by changing government regulations relating to the mining industry or shifts in political conditions that increase the costs related to the Company's activities or the maintenance of its properties.

Changes, if any, in mining or investment policies or shifts in political attitude may adversely affect the Company's operations and financial condition. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, income and other taxes, expropriation of property, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety.

Failure to comply strictly with applicable laws, regulations and local practices relating to mineral right applications and tenure could result in loss, reduction or expropriation of entitlements, or the imposition of additional local or foreign parties as joint venture partners with carried or other interests.

The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on the Company's operations and financial condition.

Future changes in applicable laws and regulations or changes in their enforcement or regulatory interpretation could negatively impact current or planned exploration and development activities on the Company's properties or in respect of any other projects in which the Company becomes involved. Any failure to comply with applicable laws and regulations, even if inadvertent, could result in the interruption of exploration and development operations or material fines, penalties or other liabilities.

#### **Title Risks**

Although the Company believes that it has taken reasonable measures to ensure that title to the Company's properties are held by the Company, including obtaining title opinions, there is no guarantee that title to any of the claims comprising the Company's properties will not be challenged or impaired.

The Company's properties may be subject to prior unregistered agreements, interests or native land claims, and title may be affected by undetected defects. There may be valid challenges to the title of any of the claims comprising the Company's properties that, if successful, could impair development or operations. A defect could result in the Company losing all or a portion of its right, title, estate and interest in and to the properties to which the title defect relates.

#### **Additional Funding Required**

Further exploration on, and development of, the Company's properties may require significant additional financing. Accordingly, the continuing development of the Company's properties will depend upon the Company's ability to obtain financing through equity financing, debt financing, the joint venturing of projects or other external sources. Failure to obtain sufficient financing may result in a delay or an indefinite postponement of exploration, development or production on any or all of the Company's properties, or even a loss of property interest, or have a material adverse impact on the Company's future cash flows, earnings, results of operations and financial condition or result in the substantial dilution of its interests in its properties. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favorable to the Company. If the Company was required to arrange for debt financing it could be exposed to the risk of leverage, while equity financing may cause existing shareholders to suffer dilution. There can be no assurance that the Company will be successful in overcoming these risks or any other problems encountered in connection with such financings. Failure to raise capital when needed would have a material adverse effect on the Company's business, financial condition and results of operations.

The Company has and will continue to have negative operating cash flow until one or more of its mineral properties

commence commercial production should exploration and development efforts demonstrate that commercial production from such mineral properties is feasible.

### **Global Financial Conditions**

Current global financial conditions have been subject to increased volatility. The Company is exposed to liquidity risks in meeting its operating and capital expenditure requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact the ability of the Company to obtain loans and other credit facilities or equity or debt financing in the future and, if obtained, on terms favorable to the Company. If these increased levels of volatility and market turmoil continue, the Company's operations could be adversely impacted and the trading price of the common shares could be adversely affected.

### **Fluctuations in Metal Prices and Currencies**

The Company raises its equity in Canadian dollars and maintains its accounts in Canadian and US dollars as well as the Argentine peso. Foreign expenditures by the Company are subject to foreign currency fluctuations which may materially and adversely affect the Company's financial operations. Payments under certain of the Company's contracts are required to be paid in United States dollars. A substantial increase in the value of the United States dollar compared to the Canadian dollar would adversely affect the Company's expenses and would increase the percentage of the net proceeds of the Offering applied to such payments. The Company does not engage in any hedging or other transactions to protect itself against such currency fluctuations.

### **Market Price of Common Shares**

The trading price of the common shares is likely to be significantly affected by short term changes in mineral prices or in its financial condition or results of operations as reflected in its quarterly earnings reports. Other factors unrelated to the Company's performance that may have an effect on the price of the common shares include the following: the extent of analytical coverage available to investors concerning the Company's business; the lessening in trading volume and general market interest in the Company's securities may affect an investor's ability to trade significant numbers of common shares; and the price of the common shares and size of the Company's public float may limit the ability of some institutions to invest in the Company's securities.

As a result of any of these factors, the market price of the common shares at any given point in time may not accurately reflect the Company's long term value. Securities class action litigation often has been brought against companies following periods of volatility in the market price of their securities. The Company may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources.

### **Dilution to Common Shares**

During the life of the Company's outstanding common share purchase warrants, as well as options and other rights granted or assumed by the Company, if any, the holders are given an opportunity to profit from a rise in the market price of the common shares. The Company's ability to obtain additional financing during the period such rights are outstanding may be adversely affected and the existence of the rights may have an adverse effect on the price of the common shares. The holders of common share purchase warrants, options and other rights of the Company may exercise such securities at a time when the Company would, in all likelihood, be able to obtain any needed capital by a new offering of securities on terms more favorable than those provided by the outstanding rights.

The increase in the number of common shares in the market and the possibility of sales of such shares may have a depressive effect on the price of the common shares. In addition, as a result of such additional common shares, the voting power of the Company's existing shareholders will be diluted.

### **Future Sales of Common Shares by Existing Shareholders**

Sales of a large number of common shares in the public markets, or the potential for such sales, could decrease the trading price of the common shares and could impair the Company's ability to raise capital through future sales of common shares.

### **Volatility of Share Price**

The price of the shares of resource companies tends to be volatile, as has been particularly evidenced during the recent economic crisis. The market price of the common shares has experienced wide fluctuations which may not necessarily be related to the operating performance, underlying asset values or prospects of the Company. Fluctuations in the market price for precious metals and other elements which are beyond the control of the Company could materially affect the price of the securities of the Company.

### **Future Profits or Losses and Production Revenues and Expenses**

There can be no assurance that significant losses will not occur in the near future or that the Company will be profitable in the future. The Company's operating expenses and capital expenditures may increase in subsequent years as required consultants, personnel and equipment associated with advancing exploration, development and commercial production of the Company's properties and any other properties that the Company may acquire are added. The amounts and timing of expenditures will depend on the progress of ongoing exploration and development, the results of consultants' analyses and recommendations, the rate at which operating losses are incurred, the execution of any joint venture agreements with strategic partners and the Company's acquisition of additional properties, in addition to other factors, many of which are beyond the Company's control.

The Company expects to incur expenditures and losses unless and until such time as the Company's properties are acquired or achieve a sufficient level of commercial production and revenues to fund continuing operations. The development of the Company's properties will require the commitment of substantial resources to conduct the time consuming exploration and development of properties. There can be no assurance that the Company will generate any revenues or achieve profitability, nor can there be any assurance that the underlying assumed levels of expenses will prove to be accurate.

### **Labor and Employment Matters**

While the Company has good relations with its contractors and employees, its operations are dependent upon the efforts of its contractors and employees. In addition, relations between the Company and its contractors and employees may be affected by changes in the scheme of labor relations that may be introduced by the relevant governmental authorities in jurisdictions the Company carries on business. Changes in such legislation or in the relationship between the Company and its employees may have a material adverse effect on the Company's operations and financial condition.

### **Acquisitions and Integration**

From time to time, the Company examines opportunities to acquire additional mining assets and businesses. Any acquisition that the Company may choose to complete may be of a significant size, may change the scale of the Company's business and operations, and may expose the Company to new geographic, political, operating, financial and geological risks. The Company's success in its acquisition activities depends on its ability to identify suitable acquisition candidates, negotiate acceptable terms for any such acquisition, and integrate the acquired operations successfully with those of the Company. Any acquisitions would be accompanied by risks. For example, there may be a significant change in commodity prices after the Company has committed to complete the transaction and established the purchase price or exchange ratio; a material ore body may prove to be below expectations; the Company may have difficulty integrating and assimilating the operations and personnel of any acquired companies, realizing anticipated synergies and maximizing the

financial and strategic position of the combined enterprise, and maintaining uniform standards, policies and controls across the organization; the integration of the acquired business or assets may disrupt the Company's ongoing business and its relationships with employees, customers, suppliers and contractors; and the acquired business or assets may have unknown liabilities which may be significant. If the Company chooses to raise debt capital to finance any such acquisition, the Company's leverage will be increased. If the Company chooses to use equity as consideration for such acquisition, existing shareholders may suffer dilution. Alternatively, the Company may choose to finance any such acquisition with its existing resources. There can be no assurance that the Company would be successful in overcoming these risks or any other problems encountered in connection with such acquisitions.

### **Competition**

The Company's business is intensely competitive in all of its phases and the Company will compete with other mining companies for natural resource acquisition opportunities, many of which have greater resources and technical facilities than the Company. Competition in the mining industry is primarily for mineral rich properties which can be developed and can produce economically; the technical expertise to find, develop, and operate such properties; the skilled labor to operate such properties; and the capital for the purpose of funding such properties. Many competitors not only explore for and mine metals, but also conduct refining and marketing operations on a worldwide basis. Such competition may result in the Company being unable to (i) acquire desired properties, (ii) recruit or retain qualified employees or (iii) raise or generate the capital necessary to fund its operations and develop its properties. The Company's inability to compete with other mining companies for these resources could have a material adverse effect on its operations, financial condition and trading price of the securities of the Company.

### **Loss of Key Employees**

The Company depends on the business and technical expertise of a number of key personnel, including its directors and executive officers and key personnel working fulltime in management and administrative capacities or as consultants.

The number of persons skilled in the acquisition, exploration and development of mining properties is limited and competition for such persons is intense. As the Company's exploration and development activities expand, it will require additional key personnel. The Company does not maintain life insurance for such personnel. The loss of any key personnel, or the failure to retain such personnel, could have a material adverse effect on the Company's operations and financial condition.

### **Litigation and Tax Risks**

All industries, including the mining industry, are subject to legal claims, with and without merit. Defense and settlement costs can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, there can be no assurance that the resolution of any particular legal proceeding will not have a material effect on the Company's operations and financial position.

The Company's joint venture interests are subject to the risks normally associated with the conduct of joint ventures. The existence or occurrence of one or more of the following circumstances and events, for example, could have a material adverse impact on the Company's profitability or the viability of its interests held through joint ventures, which could have a material adverse impact on future cash flows, earnings, results of operations and financial condition: disagreement with joint venture partners on previous exploration results or future exploration programs; inability of joint venture partners to meet their obligations to the joint venture or third parties; or litigation arising between joint venture partners regarding joint venture matters.

Certain of the officers and directors of the Company reside outside of Canada and, similarly, a majority of the assets of the Company are located outside of Canada. It may not be possible for investors to effect service of process within Canada upon the directors and officers not residing in Canada. It may also not be possible to enforce against the Company and

certain of its directors and officer's judgments obtained in Canadian courts.

### **No History of Dividends**

Investors cannot expect to receive a dividend on their investment in the foreseeable future, if at all. Accordingly, it is likely investors will not receive any return on their investment in the Company's securities other than possible capital gains.

### **Conflicts of Interest**

Certain directors and officers of the Company are also directors or officers or shareholders of other companies that are similarly engaged in the business of acquiring, developing and exploiting natural resource properties. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interest which they may have in any project or opportunity of the Company. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his interest and abstain from voting on such matter.

Directors and officers with conflicts of interests will be subject to, and will follow the procedures set out in, applicable corporate and securities legislation. In determining whether or not the Company will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

### **These risk factors could materially affect the Company's future results and could cause actual events to differ materially from those described in forward-looking statements relating to the Company.**

Certain statements contained in this document constitute "forward looking" statements. Such forward looking statements involve known and unknown risks, uncertainties, and other factors which may cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance, or achievements expressly stated or implied by such forward looking statements.

### **Other Information**

Other information can be found at the following websites [www.sedar.com](http://www.sedar.com) or [www.marifilmines.com](http://www.marifilmines.com).

This Management Discussion and Analysis has been reviewed and approved by Richard Walters and John Hite, President as the Company's Qualified Persons responsible for preparing and approving all technical information disclosed, as required by National Instrument 43-101.