



**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017**

Expressed in Canadian Dollars  
(Unaudited)

THE ACCOMPANYING CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS  
ENDED SEPTEMBER 30, 2018 AND 2017 HAVE NOT BEEN REVIEWED OR AUDITED BY THE CORPORATION'S  
AUDITORS

#### **NOTE TO READER**

Under National Instrument 51-102, if an auditor has not performed a review of the interim financial statements they must be accompanied by a note indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements have been prepared by and are the responsibility of the management. The Corporation's independent auditor has not performed a review of these interim financial statements.

**MARIFIL MINES LIMITED****CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION****AS AT SEPTEMBER 30, 2018 AND DECEMBER 31, 2017**

Expressed in Canadian Dollars

	Note	September 30, 2018 <i>(Unaudited)</i>	December 31, 2017
<b>ASSETS</b>			
<b>Current assets</b>			
Cash	10	\$ 97,038	\$ 33,487
Other receivables	5	42,762	7,389
Advances receivable	7	30,166	10,913
Prepaid expenses		36,058	8,934
		206,024	60,723
<b>Exploration and evaluation assets</b>	6	3,642,385	2,816,641
		\$ 3,848,409	\$ 2,877,364
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Trade payables and other liabilities	7	\$ 410,054	\$ 382,490
Loans payable to related parties	7	48,651	98,813
		458,705	481,303
<b>Shareholders' equity</b>			
Share capital	8	17,851,335	15,502,190
Shares to be issued	8	50,000	347,679
Contributed surplus	9	2,319,639	2,149,097
Deficit		(16,831,270)	(15,602,905)
		3,389,704	2,396,061
		\$ 3,848,409	\$ 2,877,364

Going concern (Note 2)

Subsequent events (Note 11)

**Approved and authorized by the Board on November 29, 2018.**

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Robert Abenante

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Michael Sweatman

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

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**MARIFIL MINES LTD.****CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS****FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017**

Expressed in Canadian Dollars

**(Unaudited)**

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	For the three months ended September 30,		For the nine months ended September 30,	
	<b>2018</b>	2017	<b>2018</b>	2017
<b>EXPENSES</b>				
General and administration	\$ <b>229,602</b>	\$ 57,003	\$ <b>1,185,198</b>	\$ 192,841
General exploration	-	-	-	6,967
Foreign exchange (gain) loss	<b>107,439</b>	(532)	<b>39,547</b>	16,472
Finance costs	<b>1,241</b>	2,608	<b>3,620</b>	5,750
Gain on settlement of accounts payable	-	-	-	(7,694)
<b>Net loss and comprehensive loss</b>	\$ <b>338,282</b>	\$ 59,079	\$ <b>1,228,365</b>	\$ 214,336
<b>Weighted average number of common shares outstanding (Note 10)</b>	<b>34,118,083</b>	13,959,783	<b>30,181,844</b>	12,786,987
<b>Basic and diluted loss per common share (Note 10)</b>	\$ <b>(0.01)</b>	\$ (0.00)	\$ <b>(0.04)</b>	\$ (0.02)

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

**MARIFIL MINES LIMITED**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017**  
**Expressed in Canadian Dollars**  
**(Unaudited)**

	2018	2017
<b>OPERATING ACTIVITIES</b>		
Net loss	\$ (1,228,365)	\$ (214,336)
Items not affecting cash		
Depreciation	-	1,053
Gain on debt settlement	-	(7,694)
Unrealized exchange (gain) loss	3,539	4,851
Share-based payments	165,937	-
	<b>(1,058,889)</b>	<b>(216,126)</b>
Changes in non-cash working capital items:		
Trade payables and other liabilities	53,364	69,529
Advances receivable	(19,253)	-
Prepaid expenses	(27,124)	(1,430)
Other receivables	(35,373)	(5,285)
<b>Cash used in operating activities</b>	<b>(1,087,275)</b>	<b>(153,312)</b>
<b>INVESTING ACTIVITIES</b>		
Cash expenditures on exploration and evaluation assets	(825,744)	27,522
<b>Cash used in investing activities</b>	<b>(825,744)</b>	<b>27,522</b>
<b>FINANCING ACTIVITIES</b>		
Interest on related party loans	1,299	5,009
Proceeds from private placement	1,945,000	103,000
Obligation to issue shares	50,000	-
Share issuance costs	(19,729)	-
<b>Cash provided by financing activities</b>	<b>1,976,570</b>	<b>108,009</b>
<b>CHANGE IN CASH</b>	<b>63,551</b>	<b>(17,794)</b>
<b>CASH, BEGINNING OF PERIOD</b>	<b>33,487</b>	<b>23,388</b>
<b>CASH, END OF PERIOD</b>	<b>\$ 97,038</b>	<b>\$ 5,594</b>

**SUPPLEMENTARY CASH FLOW INFORMATION**

	2018	2017
Interest paid	\$ -	\$ -
Taxes paid	\$ -	\$ -
Shares settled for debt	\$ 25,800	\$ -

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

**MARIFIL MINES LIMITED**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017**  
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(Unaudited)

		Number of Common Shares*	Common Shares Amount	Contributed Surplus	Shares to be Issued	Deficit	Balance
<b>Balance as at December 31, 2016</b>		12,190,870	\$ 15,416,310	\$ 2,096,062	\$ -	\$ (15,167,074)	\$ 2,345,298
Proceeds from private placement	8	1,030,000	103,000	-	-	-	103,000
Net loss for the period		-	-	-	-	(214,336)	(214,336)
<b>Balance as at September 30, 2017</b>		13,220,870	\$ 15,519,310	\$ 2,096,062	\$ -	\$ (15,381,410)	\$ 2,233,962
<b>Balance as at December 31, 2017</b>		13,220,870	\$ 15,502,190	\$ 2,149,097	\$ 347,679	\$ (15,602,905)	\$ 2,396,061
Shares issued for settlement of debt		3,869,420	373,479	-	(347,679)	-	25,800
Issuance of performance shares	9	1,000,000	120,000	(120,000)	-	-	-
Proceeds from private placement	8	20,000,000	2,000,000	-	50,000	-	2,050,000
Share issue costs – units	8	348,000	(124,605)	124,605	-	-	-
Share issue costs – cash	8	-	(19,729)	-	-	-	(19,729)
Reserve for issuance of performance shares	9	-	-	58,205	-	-	58,205
Share-based payment of stock options	8,9	-	-	107,732	-	-	107,732
Net loss for the period		-	-	-	-	(1,228,365)	(1,228,365)
<b>Balance as at September 30, 2018</b>		<b>38,438,290</b>	<b>\$ 17,851,335</b>	<b>\$ 2,319,639</b>	<b>\$ 50,000</b>	<b>\$ (16,831,270)</b>	<b>\$ 3,389,704</b>

\* The number of issued and outstanding shares has been adjusted to reflect the two for one share consolidation that was completed on January 22, 2018.

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

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**MARIFIL MINES LIMITED****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017****Expressed in Canadian Dollars****(Unaudited)**

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**1. NATURE OF OPERATIONS**

Marifil Mines Limited (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 241 - 970 Burrard Street, Vancouver, British Columbia, Canada.

Effective May 12, 2017, the Company effected a share consolidation on a five for one basis. As such, the Company's issued and outstanding shares of common stock were decreased on the basis of five old shares for one new share.

Effective January 22, 2018, the Company effected a share consolidation on a two for one basis. As such, the Company's issued and outstanding shares of common stock were decreased on the basis of two old shares for one new share.

These consolidated financial statements give retroactive effect to such share consolidations named above and all share and per share amounts have been adjusted accordingly.

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

**2. BASIS OF PREPARATION****1.1 Going Concern of Operations**

The Company has not generated revenue from operations. The Company incurred a net loss of \$1,228,365 for the period ended September 30, 2018 and as of that date the Company's accumulated deficit was \$16,831,270. 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.

**1.2 Statement of Compliance**

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34 "Interim Financial Reporting" ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). Accordingly, certain disclosures required in annual financial statements have been condensed or omitted. These Condensed Consolidated Interim Financial Statements are intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that these Condensed Consolidated Interim Financial Statements be read in conjunction with the most recent audited annual consolidated financial statements of the Company for the year ended December 31, 2017 available on [sedar.com](http://sedar.com) on May 1, 2017.

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

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**2. BASIS OF PREPARATION (continued)**

The condensed interim consolidated financial statements were authorized for issue by the Board of Directors on November 29, 2018.

**1.3 Basis of Measurement**

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

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

**1.4 Basis of Consolidation**

These condensed interim consolidated financial statements include the financial statements of the Company and entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of the Company's subsidiaries are included in the consolidated financial statements. All intercompany balances and transactions, income and expenses have been eliminated upon consolidation. The Company's subsidiaries in Argentina are Marifil S.A. which is wholly-owned, and Minas San Roque S.A in which the Company has a 51% ownership. The Company's subsidiary in Canada, Oxbow Holdings Corp. dissolved on January 1, 2018.

**3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies followed by the Company are set out in Note 4 to the audited consolidated financial statements for the year ended December 31, 2017 and have been consistently followed in the preparation of these consolidated condensed interim financial statements.

Except as disclosed in the Changes in Accounting Policies below, the Company has used the same accounting policies and methods of computation as in the audited annual consolidated financial statements for the year ended 31 December 2017.

*New standard IFRS 9 Financial Instruments*

The Company has adopted IFRS 9, Financial Instruments (IFRS 9) effective January 1, 2018 on a retrospective basis and applied the transitional provisions, so that any adjustments would be recorded in opening retained earnings at January 1, 2018. IFRS 9, addresses the classification, measurement and recognition of financial assets and financial liabilities. The adoption of IFRS 9 supersedes the guidance relating to the classification and measurement of financial instruments in IAS 39, Financial Instruments: Recognition and Measurement (IAS 39).

IFRS 9 requires financial assets to be classified into three measurement categories on initial recognition: (i) those measured at fair value through profit and loss, (ii) those measured at fair value through other comprehensive income and (iii) those measured at amortized cost. Measurement and classification of financial assets is dependent on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. For financial liabilities, the IFRS 9 requirements are similar to those of IAS 39. The main distinction is that, in

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cases where the fair value option is chosen for financial liabilities, the part of a fair value change relating to an entity's own

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

IFRS 9 introduces a single expected credit loss model for calculating impairment for financial assets, which is based on changes in credit quality since initial recognition. The adoption of the expected credit loss impairment model did not have a significant impact on the Company's condensed interim financial statements and did not result in a transitional adjustment.

The Company has no hedges on its condensed interim financial statements for the reporting period.

The Company has concluded that the adoption of IFRS 9 did not require any transitional adjustments to the classification or measurement of the Company's financial assets and financial liabilities.

**4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

There have been no material revisions to the nature and amount of changes in estimates of amounts reported in the annual financial statements 2017.

**5. OTHER RECEIVABLES**

At September 30, 2018 and December 31, 2017, amounts in other receivables are related to government sales tax receivables.

**6. EXPLORATION AND EVALUATION ASSETS**

	Carachi Pampa	San Roque, Rio Negro Province	Other Properties	Accumulated IVA, net of recoveries	Total
Balance, December 31, 2016	\$ -	\$ 2,583,756	\$ 51,810	\$ 204,344	\$ 2,839,910
Property payments	-	15,881	2,974	-	18,855
Exploration costs	-	8,444	4,698	-	13,142
Change in IVA	-	-	-	2,928	2,928
Impairment of exploration and evaluation costs	-	-	(58,194)	-	(58,194)
Balance, December 31, 2017	\$ -	\$ 2,608,081	\$ 1,288	\$ 207,272	\$ 2,816,641
Property payments	-	82,790	16,590	-	99,380
Acquisition costs	24,517	-	-	-	24,517
Exploration costs	-	572,576	156	-	572,731
Change in IVA	-	129,115	-	-	129,115
Impairment of exploration	-	-	-	-	-

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and evaluation costs

Balance September 30, 2018	\$	24,517	\$	3,392,562	\$	18,034	\$	207,272	\$	3,642,385
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**6. EXPLORATION AND EVALUATION ASSETS (continued)**

**Carachi Pampa**

On May 8, 2018, the Company together with Minera Esperanza signed a definitive exploration contract with an option to repurchase them. The contract's term is five years with scheduled option payments to be made each six months that total US\$1,860,000, with Minera Esperanza retaining a subordinate (to Marifil's NSR) 1.5% NSR of which 1% can be purchased for US\$1,000,000 and the remaining 0.5% for another US\$1,000,000.

Under terms of the Purchase Option, Marifil has made the first installment of US\$20,000. A clean title certificate has been delivered for Carachi Pampa IV, but as of August 15, 2018 Marifil is waiting on Minera Esperanza to deliver an unencumbered title certificate for Carachi Pampa III, which has been stalled in the provincial Mines Department processing system. Failing that clean title delivery, half of the initial payment will be returned to Marifil and all future payments including the purchase price will be reduced by 50%.

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.

**7. 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 September 30, 2018, the loan is outstanding and due on demand and the carrying value is \$45,399 (as at December 31, 2017: \$40,670).

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. On November 9, 2017, the Company entered into a debt settlement agreement to issue 202,094 common shares to settle the loan and all accrued interest totaling \$20,209 (US\$15,913). As at September 30, 2018, the carrying value is \$nil (as at December 31, 2017: \$nil).

On October 10, 2017, the Company entered into another loan agreement with a director, whereas the director loaned the Company US\$2,500. The unsecured loan bears no interest and is due and payable on demand. As at September 30, 2018, the loan is outstanding and due on demand and the carrying value is \$3,236 (as at December 31, 2017: \$3,143).

On October 11, 2017, the Company entered into another loan agreement with a director, whereas the director loaned the Company \$5,000. The unsecured loan bears no interest and is due and payable on demand. On February 16, 2018, the Company issued 50,000 common shares to settle the loan. As at September 30, 2018, the carrying value is \$nil (as at December 31, 2017: \$5,000).

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**MARIFIL MINES LIMITED****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017**

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(Unaudited)

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**7. RELATED PARTY BALANCES AND TRANSACTIONS (continued)**

On October 13, 2017, the Company entered into another loan agreement with a director, whereas the director loaned the Company \$5,000. The unsecured loan bears no interest and is due and payable on demand. As at September 30, 2018, the loan is outstanding and due on demand and the carrying value is \$5,000. On February 16, 2018, the Company issued 50,000 common shares to settle the loan. As at September 30, 2018, the carrying value is \$nil (as at December 31, 2017: \$5,000).

On December 22, 2017, the Company entered into another loan agreement with a director, whereas the director loaned the Company \$45,000. The unsecured loan bears no interest and is due and payable on demand. On February 16, 2018, the Company issued 450,000 common shares to settle the loan. As at September 30, 2018, the carrying value is \$nil (as at December 31, 2017: \$45,000).

On November 8, 2017, the Company entered into another loan agreement with a director, whereas the director loaned the Company US\$5,000. The unsecured loan bears no interest and is due and payable on demand. On November 9, 2017, the Company entered into a debt settlement agreement to issue 63,490 common shares to settle the loan totaling \$6,349 (US\$5,000). As at September 30, 2018, the carrying value is \$nil. (as at December 31, 2017: \$nil).

During the three and nine months ended September 30, 2018, the Company recorded finance costs of \$1,175 and \$3,539, respectively, (September 30, 2017: \$1,811 and \$3,142, respectively) in connection with interest accrued under the loan agreements. As of September 30, 2018, the carrying value of short term loans payable to related parties including accrued interest was \$48,651 (December 31, 2017: \$98,813).

At September 30, 2018, trade payables and other liabilities included \$174,767 in payables (December 31, 2017: \$181,884) owing to officers and directors of the Company. These amounts are non-interest bearing, unsecured and are due on demand.

At September 30, 2018, advances receivable included \$24,838 (December 31, 2017: \$10,896) owing from an officer of the Company. This amount is non-interest bearing, unsecured and is due on demand.

**b) Related Party Transactions**

During the three and nine months ended September 30, 2018 and 2017, the Company incurred charges with an officer and directors, which comprise key management compensation as follows:

	<b>For the three months ended</b>		<b>For the nine months ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Management fees	\$ 52,420	\$ 18,000	\$ 181,389	\$ 54,000
Management bonus	-	-	100,000	-
Share based payments	13,505	-	165,937	-
Director fees	13,070	9,802	38,629	29,818
	<b>\$ 78,995</b>	<b>\$ 27,802</b>	<b>\$ 485,955</b>	<b>\$ 83,818</b>

For the three and nine months ended September 30, 2018 and 2017, 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.

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**7. RELATED PARTY BALANCES AND TRANSACTIONS (continued)**

On October 6, 2017, the Company executed an Executive Consulting Agreement with 1053345 B.C. Ltd. for certain corporate consulting services to be provided of Robert Abenante. As part of the compensation, the Company issued the consultant various performance shares of up to 1,000,000, which have entered into an escrow arrangement and will be released to the Consultant upon achievement of certain milestones; as at September 30, 2018, 175,000 were eligible for release. As at the effective date of the contract, Management estimated that 100% of the shares will vest and fair valued an equity reserve of \$120,000 based on the closing price of the stock on the date of the contract of \$0.12 per share. For the nine months ended September 30, 2018, the Company recognized from the reserve and recorded a share-based payment expense of \$58,205. The contract also allowed for a \$100,000 bonus, which was awarded and paid during the period.

As part of the private placement closed on February 16, 2018, directors contributed \$342,500 to the private placement and 3,425,000 shares and warrants were issued to directors.

During the nine months ended September 30, 2018, \$84,233 in management fees was capitalized to mineral properties.

**8. SHARE CAPITAL**

Effective January 22, 2018, the Company effected a share consolidation on a two for one basis. As such, the Company's issued and outstanding shares of common stock were decreased on the basis of two old shares for one new share.

Effective May 12, 2017, the Company effected a share consolidation on a five for one basis. As such, the Company's issued and outstanding shares of common stock were decreased on the basis of five old shares for one new share.

a) Shares issued

On January 30, 2018, the Company issued 3,654,420 shares for settlement of accounts payable totaling \$347,679, settled during the year ended December 31, 2017.

On February 15, 2018, the Company closed a private placement of 20,000,000 units at \$0.10 per unit for gross proceeds of \$2,000,000. Each unit consists of one common share and one warrant. Each warrant entitles the holder to acquire an additional common share at a price of \$0.10 per share for 24 months from the date of issuance. In connection with the private placement the Company paid a finder's fee of 348,000 units; the finder's fee unit included one share and one share purchase warrant. These broker warrants were fair valued \$61,965 with an entry to reduce share capital and a corresponding amount to contributed surplus. The warrants had a grant date fair value of \$0.17 determined using the Black-Scholes Options Pricing model with the following assumptions: no expected dividends to be paid; volatility of 359.77% based on historical volatility; risk-free interest rate of 1.780%; and expected life of 2 years. In addition, the common shares issued with the warrants were fair valued at \$0.18 cents per share, based on the closing price of the stock on the date of the issuance, which resulted in a further share issuance cost of \$62,640 and a total finder's fee cost of \$124,605. In addition to the finder's fee, \$19,729 share issuance costs were paid in cash.

On May 8, 2018, the Company issued 215,000 shares to settle debt of \$25,800 pursuant to a debt settlement agreement, dated March 29, 2018, with a creditor.

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**8. SHARE CAPITAL (continued)**

b) Obligation to issue shares

At December 31, 2017, included in shares to be issued was the fair market value of \$347,679 in total outstanding debts to be settled for 3,654,420 common shares as described above.

At September 30, 2018, included in shares to be issued was \$50,000 cash received from a private placement of units closed October 10, 2018.

c) Warrants

A summary of the warrant activity for the nine months ended September 30, 2018 and the year ended December 31, 2017 is as follows:

	2018		2017	
	Warrants	Weighted Average Exercise	Warrants	Weighted Average Exercise Price
Balance, beginning of year	6,694,680	\$1.23	5,664,680	\$0.76
Issued in private placement units	20,348,000	0.10	1,030,000	0.50
Expired	(1,900,000)	1.00	-	-
Balance, end of year	25,142,680	\$0.33	6,694,680	\$0.72

As at September 30, 2018, the weighted average life of warrants outstanding was 1.58 years (December 31, 2017 – 2.33 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 February 6, 2018, the Company granted stock options for a total of 1,200,000 common shares of the Company to officers, directors and consultants of the Company. These stock options are exercisable at \$0.115 per share and will expire on February 4, 2020. 50% of the stock options vest immediately, 25% will vest six months from the grant date with the remaining vesting one year from the grant date.

On August 21, 2018, the Company granted stock options for a total of 1,000,000 common shares of the Company to officers, directors and consultants of the Company. These stock options are exercisable at \$0.11 per share and will expire on August 21, 2023. The options will vest over a twelve month period with 25% vesting every three months after the grant date.

**MARIFIL MINES LIMITED**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017**  
**Expressed in Canadian Dollars**  
**(Unaudited)**

**8. SHARE CAPITAL (continued)**

As at September 30, 2018 options outstanding were as follows:

Number		Outstanding and Exercisable	Exercise Price	Expiry Date
85,000	Directors, Officers	85,000	\$1.00	April 5, 2020
400,000	Directors, Officers, and Consultants	400,000	\$0.50	June 28, 2020
1,200,000	Directors, Officers	900,000	\$0.115	February 4, 2020
1,000,000	Directors, Officers, and Consultants	-	\$0.11	August 21, 2023
<b>2,685,000</b>		<b>1,385,000</b>		

As at September 30, 2018, stock options outstanding had a weighted average life outstanding of 2.73 years (December 31, 2017 – 2.45 years). A summary of stock option activity for the nine months ended September 30, 2018 and the year ended December 31, 2017 is as follows:

	2018		2017	
	Options	Weighted Average Exercise	Options	Weighted Average Exercise
Balance, beginning of year	485,000	\$0.90	621,000	\$0.90
Expired	-	-	(136,000)	2.00
Granted	2,200,000	0.12	-	-
<b>Balance, end of year</b>	<b>2,685,000</b>	<b>\$0.20</b>	<b>485,000</b>	<b>\$0.59</b>

During the period ended September 30, 2018, the Company granted 1,200,000 (2017 – nil) stock options to directors and officers with a total fair value of \$94,227 (2017 - \$nil). 50% of the options vest immediately, 25% after 6 months, and the remaining 25% after one year. The expense is recorded over the vesting period. The options had a grant date fair value of \$0.11 determined using the Black-Scholes Options Pricing model with the following assumptions: no expected dividends to be paid; volatility of 365.7% based on historical volatility; risk-free interest rate of 1.809%; and expected life of 2 years.

During the period ended September 30, 2018, the Company granted 1,000,000 (2017 – nil) stock options to directors, officers and consultants with a total fair value of \$118,900 (2017 - \$nil). The options will vest over a twelve month period with 25% vesting every three months after the grant date. The expense is recorded over the vesting period. The options had a grant date fair value of \$0.12 determined using the Black-Scholes Options Pricing model with the following assumptions: no expected dividends to be paid; volatility of 327.76% based on historical volatility; risk-free interest rate of 2.080%; and expected life of 2.50 years.

e) Per share amounts

	For the three-month period ended September 30,		For the nine-month period ended September 30,	
	2018	2017	2018	2017
Weighted average number of shares – basic:				
Issued common shares as at July 1 and January 1	38,438,290	12,190,870	13,220,870	12,190,870
Effect of common shares issued during the period	-	1,768,913	21,281,181	596,117
Effect of escrowed shares	(4,320,207)	-	(4,320,207)	-
	<b>34,118,083</b>	<b>13,959,783</b>	<b>30,181,844</b>	<b>12,786,987</b>
Net loss per share – basic and diluted	\$ (0.01)	\$ (0.00)	\$ (0.04)	\$ (0.02)

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**9. CONTRIBUTED SURPLUS**

	Note	2018	2017
Balance, beginning of the period		\$ 2,149,097	\$ 2,096,062
Issuance of performance shares		(120,000)	-
Finders fee - units	8	124,605	-
Reserve for issuance of performance shares		58,205	-
Share-based payment	8	107,732	-
Balance, end of the period		\$ 2,319,639	\$ 2,096,062

On October 6, 2017, the Company executed an Executive Consulting Agreement with 1053345 B.C. Ltd. for certain corporate consulting services to be provided of Robert Abenante. As part of the compensation, the Company issued the consultant various performance shares of up to 1,000,000, which have entered into an escrow arrangement and will be released to the Consultant upon achievement of certain milestones; as at September 30, 2018, 175,000 were eligible for release. As at the effective date of the contract, Management estimated that 100% of the shares will vest and fair valued an equity reserve of \$120,000 based on the closing price of the stock on the date of the contract of \$0.12 per share. For the nine months ended September 30, 2018, the Company recognized from the reserve and recorded a share-based payment expense of \$58,205. The contract also allowed for a \$100,000 bonus, which was awarded and paid during the period.

**9. BASIS OF FAIR VALUE**

The Company's financial instruments consist of cash, other receivables, trade payables and other liabilities, and loans payable to related parties. 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 September 30, 2018:

	Level 1	Level 2	Level 3
Cash	\$ 97,038	\$ -	\$ -

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**11. SUBSEQUENT EVENTS**

On October 10, 2018, the Company closed a non-brokered private placement of 5,650,000 units at a price of \$0.10 per Unit for gross proceeds of \$565,000. Each Unit consists of one common share of the Company and one share purchase warrant. One Warrant entitles the holder to purchase one additional Share of the Company at a price of \$0.15 per Share for a period of two years from closing. The Company issued 80,000 common shares and 80,000 share purchase warrants as a finder's fee in connection with certain subscriptions in the Financing. The Finder's Warrants have the same terms as the Warrants.