



**CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED
DECEMBER 31, 2018 AND 2017**

Expressed in Canadian dollars



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Marifil Mines Limited:

Opinion

We have audited the consolidated financial statements of Marifil Mines Limited (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of comprehensive loss, cash flows and changes in shareholders' equity for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2.1 to the financial statements, which indicates that the Company incurred a net loss of \$1,581,815 for the year ended December 31, 2018 and has of that date the Company's accumulated deficit was \$17,173,366. As stated in Note 2.1, these events or conditions, along with other matters set forth in Note 2.1, indicate that a material uncertainty exists that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Cherry Ho.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, BC

April 30, 2019

MARIFIL MINES LIMITED
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018 AND 2017
Expressed in Canadian dollars

	Note	December 31, 2018	December 31, 2017
ASSETS			
Current assets			
Cash		\$ 246,120	\$ 33,487
Other receivables	5	87,055	7,389
Advances receivable	6	35,210	10,913
Prepaid expenses		4,761	8,934
		373,146	60,723
Exploration and evaluation assets	5	3,850,227	2,816,641
		\$ 4,223,373	\$ 2,877,364
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Trade payables and other liabilities	6	\$ 607,953	\$ 382,490
Loans payable to related parties	6	52,492	98,813
		660,445	481,303
Shareholders' equity			
Share capital	7	18,291,123	15,502,190
Shares to be issued	7	-	347,679
Contributed surplus	7	2,456,525	2,149,097
Deficit		(17,173,366)	(15,602,905)
Equity attributable to owners of parent		3,574,282	2,396,061
Equity attributable to non-controlling interests	12	(11,354)	-
		3,562,928	2,396,061
		\$ 4,223,373	\$ 2,877,364

Going concern (Note 2)

Subsequent events (Note 13)

Approved and authorized by the Board on April 30, 2019.

"Robert Abenante"

Robert Abenante

"Michael Sweatman"

Michael Sweatman

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

MARIFIL MINES LIMITED**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS****FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017****Expressed in Canadian Dollars**

		For the years ended December 31,	
	Note	2018	2017
EXPENSES			
General and administrative expenses	6	\$ 1,589,535	\$ 399,461
Foreign exchange loss (gain)		75,181	(4,754)
Finance costs	6	4,858	8,387
Gain on settlement of accounts payable	7(b),7(c)	(12,660)	(25,457)
Administrative charge income	5	(37,323)	–
Impairment (recovery) of exploration and evaluation assets	5	(37,776)	58,194
Net loss and comprehensive loss		1,581,815	435,831
Net loss for the year attributable to:			
Owners of the parent		\$ 1,570,461	\$ 435,831
Non-controlling interests		11,354	–
		\$ 1,581,815	\$ 435,831
Weighted average number of common shares outstanding (Note 7)			
		35,941,234	12,896,349
Basic and diluted loss per common share attributable to owners of the parent (Note 7)			
		\$ (0.04)	\$ (0.03)

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

MARIFIL MINES LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
Expressed in Canadian dollars

	2018	2017
OPERATING ACTIVITIES		
Net loss	\$ (1,581,815)	\$ (435,831)
Items not affecting cash		
Depreciation	-	278
Unrealized exchange (gain) loss	(5,977)	(2,496)
Impairment (recovery) of exploration and evaluation assets	(37,776)	58,194
Gain on debt settlement	-	(25,457)
Interest on related party loans	4,777	5,418
Share-based payments	183,623	53,035
	(1,437,168)	(346,859)
Changes in non-cash working capital items:		
Other receivables	(79,666)	(11,089)
Advances receivable	(39,778)	-
Prepaid expenses	4,171	(2,897)
Trade payables and other liabilities	289,525	261,848
Cash used in operating activities	(1,262,916)	(98,997)
INVESTING ACTIVITIES		
Cash expenditures on exploration and evaluation assets	(995,810)	(34,926)
Cash used in investing activities	(995,810)	(34,926)
FINANCING ACTIVITIES		
Proceeds from related party loans	-	58,142
Proceeds from private placement	2,510,000	103,000
Share issuance costs	(38,641)	(17,120)
Cash provided by financing activities	2,471,359	144,022
CHANGE IN CASH	212,633	10,099
CASH, BEGINNING OF YEAR	33,487	23,388
CASH, END OF YEAR	\$ 246,120	\$ 33,487

SUPPLEMENTARY CASH FLOW INFORMATION

	2018	2017
Obligation to issue shares for debt	\$ -	\$ 347,679
Obligation to issue performance shares	\$ -	\$ 53,035
Shares issued to settle debt	\$ 93,700	\$ -

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

MARIFIL MINES LIMITED
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
Expressed in Canadian dollars

	Note	Number of common shares*	Common shares amount	Contributed surplus	Shares to be issued	Deficit	Shareholders' equity	Non-controlling interests	Total equity
Balance as at December 31, 2016		12,190,870	\$ 15,416,310	\$ 2,096,062	\$ -	\$ (15,167,074)	\$ 2,345,298	\$ -	\$ 2,345,298
Proceeds from private placement	7	1,030,000	103,000	-	-	-	103,000	-	103,000
Share issuance costs	7	-	(17,120)	-	-	-	(17,120)	-	(17,120)
Reserve for issuance of performance shares	6	-	-	53,035	-	-	53,035	-	53,035
Obligation to issue shares for debt settlement	7	-	-	-	347,679	-	347,679	-	347,679
Net loss for the year		-	-	-	-	(435,831)	(435,831)	-	(435,831)
Balance as at December 31, 2017		13,220,870	15,502,190	2,149,097	347,679	(15,602,905)	2,396,061	-	2,396,061
Shares issued for settlement of debt		3,869,420	386,379	-	(347,679)	-	38,700	-	38,700
Issuance of performance shares	6	1,000,000	21,000	(21,000)	-	-	-	-	-
Proceeds from private placement	6,7	25,650,000	2,565,000	-	-	-	2,565,000	-	2,565,000
Share issuance costs – units	7	428,000	(144,805)	144,805	-	-	-	-	-
Share issuance costs – cash	7	-	(38,641)	-	-	-	(38,641)	-	(38,641)
Reserve for issuance of performance shares	6	-	-	41,464	-	-	41,464	-	41,464
Share-based payment of stock options	6,7	-	-	142,159	-	-	142,159	-	142,159
Net loss for the year		-	-	-	-	(1,570,461)	(1,570,461)	(11,354)	(1,581,815)
Balance as at December 31, 2018		44,168,290	\$ 18,291,123	\$ 2,456,525	\$ -	\$ (17,173,366)	\$ 3,574,282	\$ (11,354)	\$ 3,562,928

* 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 consolidated financial statements.

MARIFIL MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
Expressed in Canadian dollars

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

2.1 Going concern of operations

The Company has not generated revenue from operations. The Company incurred a net loss of \$1,581,815 for the year ended December 31, 2018 and as of that date the Company’s accumulated deficit was \$17,173,366. 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. These consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate.

2.2 Statement of compliance

These consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the international Accounting Standards Board (“IASB”). The consolidated annual financial statements were authorized for issue by the Board of Directors on April 30, 2019.

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments measured at fair value each reporting period. The consolidated annual financial statements are presented in Canadian dollars (“CDN\$”), unless otherwise stated, which is also the Company and its subsidiaries’ functional currency.

2. BASIS OF PREPARATION (continued)

2.3 Basis of measurement

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Principles of consolidation

These consolidated financial statements include the financial statements of the Company and entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity 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 Argentine subsidiaries are Marifil S.A., which is wholly-owned, and Minas San Roque S.A ("MSR"), in which the Company has a 51% ownership. The Company's Canadian subsidiary, Oxbow Holdings Corp., was dissolved on January 1, 2018. On December 31, 2018, three new subsidiaries of the Company were incorporated: Prosperity Growth Ltd., Synergistic Resources Ltd., and Emirates Growth Ltd. These new subsidiaries are not yet active.

Non-controlling interests are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of the acquisition. Changes in the Company's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

3.2 Foreign currency transactions

Foreign currency accounts are translated into Canadian dollars as follows:

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Financial Instruments

Recognition, classification and measurement

Financial assets are classified and measured based on the business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. IFRS 9 contains three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income and fair value through profit and loss. Financial assets are recognized in the statements of financial position if the Company has a contractual right to receive cash or other financial assets from another entity. Financial assets are derecognized when the rights to receive cash flows from the asset have expired or were transferred and the Company has transferred substantially all risks and rewards of ownership.

All financial liabilities are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instruments. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

Financial instruments are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

The Company has classified its other receivables, advances receivable, trade payables and other liabilities and loans payable to related parties as financial assets and financial liabilities measured at amortized cost. Such assets and liabilities are recognized initially at fair value inclusive of any directly attributable transaction costs and subsequently carried at amortized cost using the effective interest method, less any impairment losses. The Company has classified its cash as a financial asset measured at fair value through profit and loss.

Financial assets and financial liabilities are offset and the net amount presented in the statements of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company's derivatives are carried at fair value and are reported as assets when they have a positive fair value and as liabilities when they have a negative fair value. Changes in the fair values of derivative financial instruments are reported in the consolidated statements of loss and comprehensive loss.

Impairment of financial assets

The Company recognizes loss allowances for expected credit losses on financial assets measured at amortized cost. Loss allowances for accounts receivables are always measured at an amount equal to lifetime expected credit losses if the amount is not considered fully recoverable. A financial asset carried at amortized cost is considered credit-impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Individually significant financial assets are tested for credit-impairment on an individual basis. The remaining financial assets are assessed collectively.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

In assessing collective impairment, the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

Losses are recognized in the statements of comprehensive loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the statements of comprehensive loss.

Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of common shares are recognized as a deduction from shareholders' equity, net of tax.

3.4 Exploration and evaluation assets

Pre-exploration costs

Costs incurred prior to acquiring the right to explore an area of interest are expensed as incurred.

Exploration and evaluation expenditures

Once the legal right to explore a property has been acquired, all costs related to the acquisition, exploration and evaluation of resource properties are capitalized and classified as intangible assets. These expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the period in which they occur.

The Company has classified exploration and evaluation assets as intangible assets as opposed to property plant and equipment since the assets are identifiable i.e. distinguishable from goodwill and arise from contractual rights via licensing through local governments or agreements, the Company retains control over the asset as a result of past events, and there is potential for future economic benefits.

The Company enters into joint venture agreements ("JV"), whereby the Company will transfer part of a mineral interest, as consideration, for an agreement by the JV partner to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the JV partner on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess cash accounted for in income as a gain on disposal.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to the statement of comprehensive loss/income.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, property is considered to be a mine under development and is classified as "mines under construction." Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Impairment of tangible and intangible assets

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period.

For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately on the statement of comprehensive loss/income.

3.6 Share-based payments

The Company grants stock options to buy common shares of the Company to directors, officers, employees, and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee. The fair value of stock options is measured on the date of grant using the Black-Scholes option pricing model and is recognized over the vesting period. Share-based payments are initially recorded to contributed surplus. Subsequently, consideration paid for the shares on the exercise of share-based payments are credited to share capital.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

3.7 Warrants issued in equity financing transactions

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate resource properties. These equity financing transactions may involve issuance of common shares or units. A unit comprises a certain number of common shares and a certain number of share purchase warrants ("Warrants"). Depending on the terms and conditions of each financing agreement ("Agreement"), the Warrants are exercisable into additional common shares prior to expiry at a price stipulated by the Agreement. Warrants that are part of units are assigned a residual value if the unit is issued at a price exceeding the market price of underlying share at the time of issuance otherwise the warrants are assigned no value and included in share capital with the common shares that are concurrently issued. Warrants that are issued as payment for an agency fee or other transactions costs are accounted for as share-based payments.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Income taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the current period. Deferred income tax assets, including the benefit of losses available to be carried forward to future years, and liabilities are recognized for temporary differences between the tax and accounting basis of assets and liabilities. Deferred tax assets are recognized only if it is probable that they can be realized.

3.9 Provisions

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

3.10 Loss per share

Basic loss per share is computed by dividing net earnings or loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings or loss per share is computed similar to basic earnings or loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that proceeds from such exercises were used to acquire common stock at the average market price during the reporting period. Escrowed shares will be excluded from basic earnings per share.

3.12 Adoption of new standards and interpretations and recent accounting pronouncements

New accounting standards adopted effective January 1, 2018

Effective January 1, 2018, the following standards were adopted without any material impact on the consolidated financial statements.

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).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

New Standard IFRS 15 'Revenue from Contracts with Customers':

The Company has adopted IFRS 15, Revenue from Contracts with Customers (IFRS 15) 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, 2017. IFRS 15 addresses the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The adoption of IFRS 15 supersedes the guidance found in 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. The Company has no revenues or contracts with customers from which revenue or cash inflows will arise.

The Company has concluded that the adoption of IFRS 15 did not require any transitional adjustments to the amount or timing of revenue or cash flows.

Accounting standards and amendments issued but not yet effective

A number of 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:

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed below:

a) Resource properties exploration and evaluation expenditures

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

b) Title to exploration and evaluation assets

Although the Company has taken steps to verify title to resource properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects. Title to resource properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance history characteristic of many resource properties. The Company has investigated title to all its resource properties and, to the best of its knowledge; title to all properties is in good standing. The properties in which the Company has committed to earn an interest are in Argentina.

c) Income taxes

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

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

d) Going concern

The Company's ability to execute its strategy by funding future working capital requirements requires judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, such as expectations of future events that are believed to be reasonable under the circumstances

e) Functional currency

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

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods are outlined below:

f) Share-based payment transactions

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

During the year, the Company recorded a share-based payment in conjunction with the expected issuance of performance shares. Specifically, the Company entered into a contract with an executive that allowed for the issuance into escrow and subsequent release upon successful achievement of certain performance based milestones. Significant judgement and estimates were made in assessing whether those conditions would be met.

g) Site closure and reclamation provisions

The Company assesses its mineral properties' rehabilitation provision at each reporting date or when new material information becomes available. Exploration, development, and mining activities are subject to various laws and regulations governing the protection of the environment. In general, these laws and regulations are continually changing, and the Company has made, and intends to make in the future, expenditures to comply with such laws and regulations.

MARIFIL MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
Expressed in Canadian dollars

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

Accounting for reclamation obligations requires management to make estimates of the future costs that the Company will incur to complete the reclamation work required to comply with existing laws and regulations at each location. Actual costs incurred may differ from those amounts estimated. Also, future changes to environmental laws and regulations could increase the extent of reclamation and remediation work required to be performed by the Company. Increases in future costs could materially impact the amounts charged to operations for reclamation and remediation. The provision represents management's best estimate of the present value of the future reclamation and remediation obligation. The actual future expenditures may differ from the nil amounts currently provided due to minimal site disturbance.

h) Impairment

The Company assess each asset every reporting period to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long-term commodity prices, regulatory and political environment, discount rates, operating costs, future capital requirements, closure and reclamation costs, exploration potential. These estimates and assumptions are subject to risk and uncertainty. Therefore, there is a possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of assets.

Management has assessed each of its mineral assets based on their exploration potential and has determined that certain exploration and evaluation assets were impaired. Further discussion is included in note 5.

5. 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	24,517	95,949	11,738	-	132,204
Exploration costs	-	824,365	23,564	-	847,929
Change in IVA	-	-	-	15,677	15,677
Impairment of exploration and evaluation costs	-	-	37,776	-	37,776
Balance December 31, 2018	\$ 24,517	\$ 3,528,395	\$ 74,366	\$ 222,949	\$ 3,850,227

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.

MARIFIL MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
Expressed in Canadian dollars

5. EXPLORATION AND EVALUATION ASSETS (continued)

The Company has investigated title to all its resource properties and, to the best of its knowledge; title to all properties are in good standing unless specifically noted otherwise. All the resource properties are in Argentina.

Impuesto al Valor Agregado (“IVA”) represents value added sales taxes paid to the government of Argentina which is recorded when paid. When there is reasonable assurance that the Company will be able to obtain a refund of IVA taxes, the amounts received by the Company will be credited to the cost of the properties.

Carachi Pampa

On May 8, 2018, the Company, together with Compania Minera Esperanza S.A. (“Minera Esperanza”), signed a definitive exploration contract with an option to repurchase the claims from Minera Esperanza. 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 Marifil has not received an unencumbered title certificate for Carachi Pampa III. The terms of the option agreement are suspended until unfettered title documentation is obtained for Carachi Pampa III. Likewise the terms for the adjacent Carachi Pampa IV claim are suspended as it is integral to the same lithium option agreement.

San Roque Gold Property, Rio Negro Province

MSR, a 51% owned subsidiary of the Company, and 49% owned by Novagold Argentina Inc. (NovaGold) currently holds a 100% interest in the San Roque property consisting of 8 contiguous claims. As part of the Company’s 51% ownership of MSR, the other owner, NovaGold had an initial USD \$436,939 credit towards expenditures in MSR.

As at December 31, 2018, total costs incurred by MSR on the San Roque Gold Property plus additional allowable costs prescribed in the Amended Shareholders Agreement between the Company and NovaGold, exceeded the required 51% of expenditures, and Novagold’s 49% portion of expenditures such that the initial credit of USD \$436,939 has been expended. NovaGold will be required to contribute funds in response to cash calls from MSR in proportion to its ownership percentage.

The Amended Shareholders Agreement includes a recoverable 7% administration charge on total allowable expenditures incurred in MSR. As MSR incurred 100% of costs, 49% of this administration charge is recoverable from NovaGold. This charge of \$37,323 has been recorded as administrative charge income during the year ended December 31, 2018.

At December 31, 2018, other receivables included an administration cost recovery charge of \$37,323 (December 31, 2017: \$nil) due from NovaGold.

Las Aguilas, San Luis Province

The Las Aguilas nickel property is a 100% owned interest in mining rights located in San Luis province Argentina. The mining rights total 4 contiguous claims.

For the year ended December 31, 2017, the Company recorded an impairment loss of \$37,776 on the Las Aguilas mineral property bringing its carrying value to \$nil. The impairment was recorded due to restrictive changes in mining legislation banning the use of harmful chemicals in mining and exploration in the Province of San Luis.

MARIFIL MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
Expressed in Canadian dollars

5. EXPLORATION AND EVALUATION ASSETS (continued)

During the year ended December 31, 2018, increased mining activity has been observed in the San Luis province despite the changes in legislation during 2017. Argentine legal counsel advised that said legislation would not be applicable to the Las Aguilas property as the substances in question are not generally used in the process of nickel production; therefore, \$37,776 has been recognized as a reversal of impairment of exploration and evaluation assets on the statement of loss and comprehensive loss for the year ended December 31, 2018.

Other Properties

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

a) K-1 Potash, Neuquen Province

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

b) K-2 Potash, Neuquen Province

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

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

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

d) Punta Colorada, Rio Negro Province

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

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

During the year ended December 31 2017, the Rio Negro Provincial Mines Department notified Marifil that it had revoked the concession because the Company had not reached commercial production of the limestone deposit within the 6-year time period required by terms of the concession. The Company could reapply for the concession but has been informed of revised concession terms that are beyond its current capabilities to satisfy. The Company took an impairment charge of \$20,418.

e) El Carmen, Chubut Province

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

6. RELATED PARTY BALANCES AND TRANSACTIONS

a) Related party balances

On July 29, 2014, the Company entered into a loan agreement with a director, whereas the director loaned the Company US\$20,000. The unsecured loan bears interest at 18% per year and matured on January 29, 2016. At the option of the lender, the loan can be converted into common shares of the Company at the market price of the Company's shares. As at December 31, 2018, the loan is outstanding and due on demand and the carrying value is \$49,081 (as at December 31, 2017: \$40,670).

On August 1, 2014, the Company entered into a 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 December 31, 2018, the carrying value is \$nil (as at December 31, 2017: \$nil).

On October 10, 2017, the Company entered into a 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 December 31, 2018, the loan is outstanding and due on demand and the carrying value is \$3,411 (as at December 31, 2017: \$3,143).

On October 11, 2017, the Company entered into a 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, as part of a private placement (note 7b)), the Company issued 50,000 common shares to settle the loan. As at December 31, 2018, the carrying value is \$nil (as at December 31, 2017: \$5,000).

On October 13, 2017, the Company entered into a 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, as part of a private placement (note 7b)), the Company issued 50,000 common shares to settle the loan. As at December 31, 2018, the carrying value is \$nil (as at December 31, 2017: \$5,000).

On November 8, 2017, the Company entered into a 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 December 31, 2018, the carrying value is \$nil (as at December 31, 2017: \$nil).

On December 22, 2017, the Company entered into a 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, as part of a private placement (note 7b)), the Company issued 450,000 common shares to settle the loan. As at December 31, 2018, the carrying value is \$nil (as at December 31, 2017: \$45,000).

During the year ended December 31, 2018, the Company recorded finance costs of \$4,777 (December 31, 2017: \$5,418) in connection with interest accrued under the loan agreements. As at December 31, 2018, the carrying value of short term loans payable to related parties including accrued interest was \$52,492 (December 31, 2017: \$98,813).

At December 31, 2018, trade payables and other liabilities included \$324,913 in payables (December 31, 2017: \$181,884) owing to officers and directors of the Company. \$33,718 is owing to directors of the company, \$4,771 is owing to an officer, \$58,913 is owing to a company controlled by an officer, \$7,242 is owing to the chief financial officer and a company controlled by the chief financial officer, \$220,270 is owing to the chief executive officer and companies controlled by the chief executive officer.

MARIFIL MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
Expressed in Canadian dollars

6. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

These amounts are non-interest bearing, unsecured and are due on demand.

At December 31, 2018, advances receivable included \$31,970 (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 years ended December 31, 2018 and 2017, key management compensation consisted of the following:

	2018	2017
Management fees	\$ 315,190	\$ 120,859
Management bonus	114,000	-
Director fees	51,832	39,541
Share based payments	179,810	53,035
	\$ 660,832	\$ 213,436

For the years ended December 31, 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.

On October 6, 2017, the Company entered into an Executive Consulting Agreement with 1053345 B.C. Ltd. for certain corporate consulting services provided by the Chief Executive Officer. As part of the compensation, the Company issued various performance shares of up to 1,000,000, which have entered into an escrow arrangement and will be released upon achievement of certain milestones; as at December 31, 2018, 175,000 were eligible for release. As at the effective date of the contract, Management estimated that 100% of the performance 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 year ended December 31, 2018, the Company recognized from the reserve and recorded a share-based payment expense of \$41,464 (2017: \$53,035). The contract also allowed for a \$100,000 bonus, which was awarded and paid during the year ended December 31, 2018.

Effective October 6, 2017, the Company became party to an agreement whereby the Executive Vice President (“EVP”) is awarded certain bonuses upon certain events. The EVP is eligible to receive up to \$188,000 in bonuses. As at December 31, 2018, the Company has accrued \$14,000 in bonuses to the EVP.

As part of the private placement on February 15, 2018, related parties contributed \$342,500 and received 3,425,000 units.

During the year ended December 31, 2018, \$102,712 (December 31, 2017: \$nil) in management fees was capitalized to mineral properties.

7. Share Capital

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.

MARIFIL MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
Expressed in Canadian dollars

7. Share Capital (continued)

a) Authorized share capital

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

b) Shares issued

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 common share purchase 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, each of which includes one share and one common share purchase warrant. The warrant component of the share issuance costs was fair valued at \$61,965 and recorded as a reduction of share capital with a corresponding amount in contributed surplus. The warrants had a grant date fair value of \$0.18 per warrant, determined using the Black-Scholes Options Pricing Model with the following assumptions: no expected dividends; volatility of 359.77% based on historical volatility; risk-free interest rate of 1.78%; and an expected life of 2 years. The common share component of the share issuance costs was fair valued at \$62,640 or \$0.18 per share, based on the closing price of the stock on the date of the issuance. \$19,729 in share issuance costs were paid in cash.

On May 8, 2018, the Company issued 215,000 shares of the Company to settle amounts payable totalling \$51,360. The shares were recorded at fair value of \$38,700. The difference of \$12,660 between the fair value of the shares and the amounts payable was recorded as a gain and included in gain on settlement of debt.

On October 10, 2018, the Company closed a private placement of 5,650,000 units at \$0.10 per unit for gross proceeds of \$565,000. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire an additional common share at a price of \$0.15 per share for 24 months from the date of issuance. In connection with the private placement, the Company paid a finder's fee of 80,000 units, each of which includes one share and one common share purchase warrant. The warrant component of the share issuance costs was fair valued at \$9,800 and recorded as a reduction of share capital with a corresponding amount in contributed surplus. The warrants had a grant date fair value of \$0.12 per warrant determined using the Black-Scholes Options Pricing model with the following assumptions: no expected dividends; volatility of 271.21% based on historical volatility; risk-free interest rate of 2.27%; and an expected life of 2 years. The common share component of the share issuance costs was fair valued at \$10,400 or \$0.13 per share, based on the closing price of the stock on the date of the issuance. \$18,912 in share issuance costs were paid in cash.

c) Obligation to issue shares

During the year ended December 31, 2017, the Company agreed to issue 2,766,270 shares to directors and officers of the Company to settle amounts payable totalling \$276,627. The shares were recorded at fair value of \$221,302. The difference of \$55,325 between the fair value of the shares and the amounts payable was recorded to equity as a capital transaction because the settlement occurred between related parties.

During the year ended December 31, 2017, the Company agreed to issue 888,150 shares of the Company to settle amounts payable totalling \$88,815. The shares were recorded at fair value of \$71,052. The difference of \$17,763 between the fair value of the shares and the amounts payable was recorded as a gain and included in gain on settlement of debt.

MARIFIL MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
Expressed in Canadian dollars

7. SHARE CAPITAL (continued)

At December 31, 2017, included in shares to be issued was \$347,679 in total outstanding debts to be settled for 3,654,420 common shares as described above. These shares were issued on January 30, 2018.

d) Warrants

A summary of the warrant activity for the years ended December 31, 2018 and 2017 is as follows:

	2018		2017	
	Warrants	Weighted average exercise price	Warrants	Weighted average exercise price
Balance, beginning of year	6,694,680	\$0.80	5,664,680	\$0.76
Issued in private placement units	26,078,000	0.11	1,030,000	0.50
Expired	(1,900,000)	1.00	-	-
Balance, end of year	30,872,680	\$0.30	6,694,680	\$0.72

As at December 31, 2018 warrants outstanding were as follows:

Expiry date	Number	Exercise price	Weighted average remaining life
October 30, 2019	660,000	\$2.00	0.83
February 16, 2020	20,348,000	\$0.10	1.13
April 29, 2020	405,000	\$2.00	1.33
October 9, 2020	5,730,000	\$0.15	1.78
October 30, 2020	1,000,000	\$2.00	1.83
March 31, 2021	1,000,000	\$1.00	2.25
August 9, 2021	699,680	\$1.00	2.61
April 23, 2022	1,030,000	\$0.50	3.31
	30,872,680		1.41

As at December 31, 2018, the weighted average remaining contractual life of outstanding warrants was 1.41 years (December 31, 2017 – 2.33 years).

e) 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 with exercise prices 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.

MARIFIL MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
Expressed in Canadian dollars

7. SHARE CAPITAL (continued)

As at December 31, 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	\$0.15	February 4, 2020
650,000	Directors, Officers, and Consultants	12,500	\$0.11	August 21, 2023
2,335,000		1,397,500		

As at December 31, 2018, the weighted average remaining contractual life of stock options outstanding was 2.16 years (December 31, 2017 – 2.45 years). A summary of stock option activity for the years ended December 31, 2018 and 2017 is as follows:

	2018		2017	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Balance, beginning of year	485,000	\$0.59	621,000	\$0.90
Granted	2,200,000	0.11	-	-
Expired	-	-	(136,000)	2.00
Forfeited	(350,000)	0.11	-	-
Balance, end of year	2,335,000	\$0.23	485,000	\$0.59

On February 4, 2018, the Company granted 1,200,000 stock options to directors and officers with a total fair value of \$115,307. 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 \$0.10 per option determined using the Black-Scholes Options Pricing model with the following assumptions: no expected dividends; volatility of 291.05% based on historical volatility; risk-free interest rate of 1.77%; and expected life of 1 year.

On August 21, 2018, the Company granted 1,000,000 stock options to directors, officers and consultants with a total fair value of \$118,932. 600,000 of the options vest 12 months from the grant date and the remaining options 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 per option determined using the Black-Scholes Options Pricing model with the following assumptions: no expected dividends; volatility of 327.8% based on historical volatility; risk-free interest rate of 2.08%; and expected life of 2.50 years. On October 28, 2018, 350,000 of these options were forfeited by consultants before the first vesting period.

f) Per share amounts

	For the years ended December 31,	
	2018	2017
Weighted average number of shares – basic:		
Issued common shares as at July 1 and January 1	13,220,870	12,190,870
Effect of common shares issued during the period	23,454,953	705,479
Effect of escrowed shares	(734,589)	-
	35,941,234	12,896,349
Net loss per share – basic and diluted	\$ (0.04)	\$ (0.02)

8. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern to support its business plan to be a royalty company, using the project generator model. The Board of Directors does not establish a quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain the future development of the business.

In the management of capital, the Company considers its capital to be the components of shareholders' equity and related party loans.

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

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

There are no external restrictions on the management of capital. There were no changes in the Company's approach to capital management during the year ended December 31, 2018.

9. FINANCIAL RISK MANAGEMENT

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

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

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

General objectives, policies, and processes:

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

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous reported periods unless otherwise stated in the note. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

MARIFIL MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
Expressed in Canadian dollars

9. FINANCIAL RISK MANAGEMENT (continued)

a) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as foreign currency exchange, interest rates, and commodity and equity price risk.

(i) Foreign currency risk:

Foreign currency risk is the risk that a variation in exchange rates between the Canadian dollar and Argentine peso as well as the Canadian dollar and the U.S. dollar will affect the Company's operations and financial results. The operating results and financial position of the Company are reported in Canadian dollars. The Company's operations are in Canada and Argentina.

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

As at December 31, 2018, if the Canadian dollar had weakened 5% against the U.S. dollar and 20% against the volatile Argentine peso, with all other variables held constant, comprehensive loss would have been \$9,204 lower. Conversely, if the Canadian dollar had strengthened 5% against the U.S. dollar so, with all other variables held constant, comprehensive loss would have been \$9,204 higher.

(ii) Interest rate risk:

Interest rate risk is the risk that future cash flows will fluctuate because of changes in market interest rates. The Company does not have any variable rate debt. The interest earned on cash and cash equivalents is insignificant and the Company does not rely on interest to fund its operations. As a result, the Company is not exposed to significant interest rate risk.

(iii) Commodity price risk:

Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company is exposed to price risk with respect to commodity prices. The Company closely monitors commodity price movements to determine the appropriate course of action to be taken by the Company.

b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments which are potentially subject to credit risk for the Company consist primarily of cash and cash equivalents and receivables. The Company believes it has no significant credit risk related to its cash and cash equivalents as the majority of its cash is held at a large Canadian bank. The Company's receivables consist mainly of input tax credits receivable from the Government of Canada and as result the Company does not believe it is subject to significant credit risk.

MARIFIL MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
Expressed in Canadian dollars

9. FINANCIAL RISK MANAGEMENT (continued)

c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. As at December 31, 2018, the Company had cash and cash equivalents of \$246,120 to settle current liabilities of \$660,445. The Company will require additional financings to meet its short-term financial obligations.

The table below summarizes the maturity profile of the Company's financial liabilities at December 31, 2018 and 2017:

As at December 31, 2018	On demand	Less than 1 year	1 -2 years	Later than 2 years	Total
Trade payables	\$ 289,272	\$ 64,123	\$ -	\$ -	353,395
Accrued liabilities	160,115	94,443	-	-	254,558
Loans payable to related parties	52,492	-	-	-	52,492
Total liabilities	\$ 501,879	\$ 158,566	\$ -	\$ -	660,445

As at December 31, 2017	On demand	Less than 1 year	1 -2 years	Later than 2 years	Total
Trade payables	\$ 197,244	\$ 85,012	\$ -	\$ -	282,256
Accrued liabilities	50,502	49,732	-	-	100,234
Loans payable to related parties	98,813	-	-	-	98,813
Total liabilities	\$ 346,559	\$ 134,744	\$ -	\$ -	481,303

10. BASIS OF FAIR VALUE

The Company's financial instruments consist of cash, other receivables, advances receivable, trade payables and other liabilities and loans payable to related parties. The fair value of the Company's other receivables, advances receivable, accounts payable and other liabilities 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;
- 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).

MARIFIL MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
Expressed in Canadian dollars

10. BASIS OF FAIR VALUE (continued)

The following table sets forth the Company's financial instruments measured at fair value on a recurring basis by level within the fair value hierarchy as at December 31, 2018:

	Level 1	Level 2	Level 3
Cash	\$ 246,120	\$ -	\$ -

11. INCOME TAXES

The differences between tax recovery for the 2018 and 2017 years ended, and the expected income tax recovery based on statutory rates arise as follows:

	2018	2017
Loss before income tax	\$ 1,581,815	\$ 435,831
Expected tax recovery based on statutory rate of 27% (2017 – 26%)	\$ 427,000	\$ 66,000
Effect of higher statutory tax rate for foreign subsidiaries	50,000	4,000
Permanent and other differences	21,000	(12,000)
Change in deferred tax assets	(498,000)	(58,000)
Total income tax recovery	\$ -	\$ -

The nature and tax effect on the temporary differences giving rise to potential deferred tax assets at December 31, 2018 and 2017 are as follows:

	2018	2017
Non-capital carry forwards	\$ 1,826,000	\$ 1,400,000
Share issue costs	12,000	2,000
Resource properties	245,000	246,000
Other deductible temporary differences	-	(63,000)
	2,083,000	1,585,000
Less: unrecognized deferred tax assets	(2,083,000)	(1,585,000)
	\$ -	\$ -

MARIFIL MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
Expressed in Canadian dollars

11. INCOME TAXES (continued)

At December 31, 2018, the Company has accumulated Canadian non-capital losses of \$6,763,000 for income tax purposes which may be deducted in the calculation of taxable income in future years. These losses expire as follows:

2026	\$	476,000
2027		535,000
2028		194,000
2029		441,000
2030		342,000
2031		678,000
2032		793,000
2033		483,000
2034		299,000
2035		273,000
2036		356,000
2037		485,000
2038		1,408,000
	\$	6,763,000

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

12. NON-CONTROLLING INTERESTS

The Company's Argentine subsidiary Marifil S.A. owns 51% of MSR. The remaining ownership interest in MSR is owned by NovaGold. MSR was formed for the sole exclusive purpose of proportionately investing together in the San Roque Gold Property.

At the time of formation of the entity, the formation was not considered a business combination and no NCI was recognized. Prior to formation, both the Company and NovaGold incurred their own respective resources exploring the properties. The carrying value of which, was not carried into MSR.

The following is summarized financial information of MSR prepared in accordance with IFRS.

	2018		2017	
Loss	\$	23,171	\$	-
Loss attributable to NCI	\$	11,354	\$	-
Current assets	\$	128,453	\$	250
Non-current assets		878,864		72,714
Current liabilities		(24,014)		(5,138)
Net assets	\$	983,303	\$	67,825
Net assets attributable to NCI	\$	481,818	\$	33,234

NovaGold and Marifil are required to contribute to the entity respectively according to each of their proportional interests. The Company has contributed \$1,014,798 (2017: \$37,302) to MSR.

13. SUBSEQUENT EVENTS

On March 18, 2019, the Company closed a non-brokered private placement of 14,000,000 units at \$0.05 per unit for gross proceeds of \$700,000. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire an additional common share at a price of \$0.07 per share for 24 months from the date of issuance.

On March 25, 2019, the Company issued 200,000 common shares in connection with a warrant exercise.