



**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**

Expressed in Canadian dollars

(Unaudited)

#### **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, 2020 AND DECEMBER 31, 2019

Expressed in Canadian dollars

	Note	September 30, 2020 <i>(Unaudited)</i>	December 31, 2019
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		\$ 48,993	\$ 26,296
Other receivables	5	61,677	79,946
Advances receivable	8	2,003	4,458
Prepaid expenses		6,064	-
		118,737	110,700
<b>Exploration and evaluation assets</b>	6	3,857,077	3,833,448
		\$ 3,975,814	\$ 3,944,148
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Trade payables and other liabilities	8	\$ 1,452,236	\$ 979,576
Loans payable to related parties	8	87,064	54,807
		1,539,300	1,034,383
<b>Non-current liabilities</b>			
Government assistance loan payable	7	40,000	-
		1,579,300	1,034,383
<b>Shareholders' equity</b>			
Share capital	9	19,211,873	19,211,873
Contributed surplus		2,501,058	2,501,058
Deficit		(19,287,203)	(18,779,105)
<b>Equity attributable to owners of the parent</b>		2,425,728	2,933,826
<b>Equity attributable to non-controlling interests</b>		(29,214)	(24,061)
		2,396,514	2,909,765
		\$ 3,975,814	\$ 3,944,148

Going concern (Note 2)

Approved and authorized by the Board on November 29, 2020.

*"Robert Abenante"*

Robert Abenante

*"Greg Burnett"*

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

**MARIFIL MINES LIMITED****CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

Expressed in Canadian dollars

(Unaudited)

		For the three months ended September 30,		For the nine months ended September 30,	
	Note	2020	2019	2020	2019
<b>EXPENSES</b>					
General and administration	10	\$ 172,816	\$ 456,112	\$ 489,948	\$ 1,028,171
General exploration		-	4,342	-	9,208
Foreign exchange (gain) loss		(3,457)	(1,040)	3,395	(3,936)
Finance costs	8	39,177	17,377	58,458	47,242
Administrative charge income	6	(1,027)	(4,940)	(2,320)	(10,850)
Write-down (recovery) of other receivables		(36,230)	36,230	(36,230)	36,230
<b>Net loss and comprehensive loss</b>		<b>\$ 171,279</b>	<b>\$ 508,081</b>	<b>\$ 513,251</b>	<b>\$ 1,106,065</b>
<b>Net loss for the period attributable to:</b>					
Owners of the Company		\$ 168,216	\$ 505,440	\$ 508,098	\$ 1,097,394
Non-controlling interests		3,063	2,641	5,153	8,671
		<b>\$ 171,279</b>	<b>\$ 508,081</b>	<b>\$ 513,251</b>	<b>\$ 1,106,065</b>
<b>Weighted average number of common shares outstanding</b>	9	<b>59,625,432</b>	57,234,184	<b>59,625,432</b>	59,399,209
<b>Basic and diluted loss per common share</b>	9	<b>\$ (0.00)</b>	\$ (0.01)	<b>\$ (0.01)</b>	\$ (0.02)

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

**MARIFIL MINES LIMITED**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**  
Expressed in Canadian dollars  
(Unaudited)

	For the nine months ended September 30, 2020	For nine months ended September 30, 2019
<b>OPERATING ACTIVITIES</b>		
Net loss	\$ (513,251)	\$ (1,106,065)
Items not affecting cash		
Write-down (recovery) of other receivables	(36,230)	36,230
Management bonus shares	-	15,000
Unrealized exchange (gain) loss	1,372	(3,136)
Interest on related party loans	4,885	3,600
Share-based payments	-	50,461
	<b>(543,224)</b>	<b>(1,003,910)</b>
Changes in non-cash working capital items:		
Other receivables	54,499	(31,255)
Advances receivable	2,455	21,895
Prepaid expenses	(6,064)	(4,383)
Trade payables and other liabilities	472,660	180,598
<b>Cash used in operating activities</b>	<b>(19,674)</b>	<b>(837,055)</b>
<b>INVESTING ACTIVITIES</b>		
Cash expenditures on exploration and evaluation assets	(23,629)	(252,194)
<b>Cash used in investing activities</b>	<b>(23,629)</b>	<b>(252,194)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from loans to related parties	26,000	-
Proceeds from government assistance loan payable	40,000	-
Proceeds from private placement	-	700,000
Proceeds on exercise of warrants	-	180,000
Share issuance costs	-	(4,250)
<b>Cash provided by financing activities</b>	<b>66,000</b>	<b>875,750</b>
<b>CHANGE IN CASH</b>	<b>22,697</b>	<b>(213,499)</b>
<b>CASH, BEGINNING OF PERIOD</b>	<b>26,296</b>	<b>246,120</b>
<b>CASH, END OF PERIOD</b>	<b>\$ 48,993</b>	<b>\$ 32,621</b>

**SUPPLEMENTARY CASH FLOW INFORMATION**

	2020	2019
Interest paid on loans to related parties	\$ -	\$ -
Taxes paid	-	-
	<b>\$ -</b>	<b>\$ -</b>

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, 2020 AND 2019**  
Expressed in Canadian dollars  
(Unaudited)

	Note	Number of common shares	Common shares amount	Contributed surplus	Shares to be issued	Deficit	Shareholders' equity	Non-controlling interests	Total equity
<b>Balance as at December 31, 2018</b>		44,168,290	\$ 18,291,123	\$ 2,456,525	\$ -	\$ (17,173,366)	\$ 3,574,282	\$ (11,354)	\$ 3,562,928
Proceeds from private placement	9	14,000,000	700,000	-	-	-	700,000	-	700,000
Share issuance costs – cash	9	-	(4,250)	-	-	-	(4,250)	-	(4,250)
Proceeds on exercise of warrants	9	1,907,142	180,000	-	-	-	180,000	-	180,000
Obligation to issue bonus shares	9	-	-	-	15,000	-	-	-	-
Share-based payment of stock options	9	-	-	50,461	-	-	50,461	-	50,461
Net loss for the period		-	-	-	-	(1,097,394)	(1,097,394)	(8,671)	(1,106,065)
<b>Balance as at September 30, 2019</b>		<b>60,075,432</b>	<b>\$ 19,166,873</b>	<b>\$ 2,506,986</b>	<b>\$ 15,000</b>	<b>\$ (18,270,760)</b>	<b>\$ 3,418,099</b>	<b>\$ (20,025)</b>	<b>\$ 3,398,074</b>
<b>Balance as at December 31, 2019</b>		<b>60,075,432</b>	<b>\$ 19,211,873</b>	<b>\$ 2,501,058</b>	<b>\$ -</b>	<b>\$ (18,779,105)</b>	<b>\$ 2,933,826</b>	<b>\$ (24,061)</b>	<b>\$ 2,909,765</b>
Net loss for the period		-	-	-	-	(508,098)	(508,098)	(5,153)	(513,251)
<b>Balance as at September 30, 2020</b>		<b>60,075,432</b>	<b>\$ 19,211,873</b>	<b>\$ 2,501,058</b>	<b>\$ -</b>	<b>\$ (19,287,203)</b>	<b>\$ 2,425,728</b>	<b>\$ (29,214)</b>	<b>\$ 2,396,514</b>

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 NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019****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 1200 - 625 Howe Street, Vancouver, British Columbia, Canada.

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

**2. BASIS OF PREPARATION****2.1 Going Concern of Operations**

The Company has not generated revenue from operations. The Company incurred a net loss of \$513,251 for the period ended September 30, 2020 and as of that date the Company's accumulated deficit was \$19,287,203. The Company has a working capital deficiency of \$1,420,563. The Company's continuation as a going concern is contingent on the completion of financings to adequately cover the Company's working capital deficit and planned exploration activities. 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 cast significant doubt about the Company's ability to continue as a going concern.

The recent outbreak of the coronavirus, also known as "COVID-19", has spread across the globe and is impacting worldwide economic activity. Conditions surrounding the coronavirus continue to rapidly evolve and government authorities have implemented emergency measures to mitigate the spread of the virus. The outbreak and the related mitigation measures may have an adverse impact on global economic conditions as well as on the Company's business activities. The extent to which the coronavirus may impact the Company's business activities will depend on future developments, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions, business disruptions, and the effectiveness of actions taken in Canada and other countries to contain and treat the disease. These events are highly uncertain and as such, the Company cannot determine their financial impact at this time.

**2.2 Statement of Compliance**

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34 Interim Financial Reporting using accounting policies consistent with the International Financial Reporting Standards ("IFRS") as 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

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

statements be read in conjunction with the most recent audited annual consolidated financial statements of the Company for the year ended December 31, 2019 available on [sedar.com](http://sedar.com) on June 15, 2020.

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

The condensed interim consolidated financial statements were authorized for issue by the Board of Directors on November 30, 2020.

**2.3 Basis of Measurement**

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

The preparation of the condensed interim 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.

**2.4 Basis of Consolidation**

These condensed interim consolidated financial statements include the financial statements of the Company and entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of the Company's subsidiaries are included in the consolidated financial statements. All intercompany balances and transactions, income and expenses have been eliminated upon consolidation. The Company's 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 wholly-owned Canadian subsidiaries are Prosperity Growth Ltd., Synergistic Resources Ltd., and Emirates Growth Ltd.

**3 SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies followed by the Company are set out in Note 3 to the audited consolidated financial statements for the year ended December 31, 2019 and have been consistently followed in the preparation of these consolidated condensed interim financial statements.

The Company has used the same accounting policies and methods of computation as in the audited annual consolidated financial statements for the year ended December 31, 2019.

**4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

There have been no material revisions to the nature and amount of changes in estimates of amounts and critical judgements in applying accounting policies reported in the annual financial statements for the year ended December 31, 2019.

**MARIFIL MINES LIMITED****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**

Expressed in Canadian dollars

**(Unaudited)****5. OTHER RECEIVABLES**

As at September 30, 2020, amounts in other receivables are related to \$37,397 (December 31, 2019: \$30,731) in government sales tax receivables, and \$24,280 (December 31, 2019: \$49,215) in cash calls related to the operations at San Roque.

During the year ended December 31, 2019, the Company determined that a portion of VAT due to its Argentinian subsidiaries was non-refundable and has recorded a write-down of VAT included in other receivables of \$10,254 and a write-down to accumulated IVA (Note 6) for \$159,653 which was recognized as part of exploration and evaluation assets.

**6. EXPLORATION AND EVALUATION ASSETS**

	Carachi Pampa	San Roque, Rio Negro Province	Other Properties	Accumulated IVA, net of recoveries	Total
<b>Balance, December 31, 2018</b>	\$ 24,517	\$ 3,528,395	\$ 74,366	\$ 222,949	\$ 3,850,227
Property payments	10,124	13,348	339	-	23,811
Exploration costs	10,583	210,119	3,024	-	223,726
Change in IVA	-	-	-	18,290	18,290
Impairment of exploration and evaluation costs	(45,224)	-	(77,729)	(159,653)	(282,606)
Reclassification	-	81,586	-	(81,586)	-
<b>Balance December 31, 2019</b>	\$ -	\$ 3,833,448	\$ -	\$ -	\$ 3,833,448
Property payments	-	6,731	-	-	6,731
Exploration costs	-	16,105	-	-	16,105
Change in IVA	-	793	-	-	793
<b>Balance September 30, 2020</b>	\$ -	\$ 3,857,077	\$ -	\$ -	\$ 3,857,077

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 located 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.

During the year ended December 31, 2019, the Company determined that a portion of IVA was non-refundable and recorded an impairment of \$159,653 to accumulated IVA. The remaining IVA balance of \$81,586 was reclassified to the San Roque property for which they are directly attributable.

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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 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 the 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%.

During the year ended December 31, 2019, the Company determined that the above option agreement coming to fruition may be doubtful and, therefore, recorded an impairment to the Carachi Pampa property.

**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.

On May 14, 2018, the Company and Novagold (the "Shareholders") entered into an Amended Shareholders Agreement (the "Agreement") which details the management of MSR by the Shareholders. The Agreement requires the Shareholders to contribute funds to MSR as needed for operations and exploration requirements in proportion to each Shareholder's ownership percentage. At the inception of the original agreement, Novagold had a credit against its required contribution amount of US\$436,939.

Total costs incurred by MSR, and funded by the Company, on the San Roque Property plus additional allowable costs prescribed in the Agreement have exceeded the required 51% of expenditures, and Novagold's 49% portion of expenditures such that the initial credit of US\$436,939 has been expended. Under the Agreement, Novagold is now required to contribute funds in response to cash calls from MSR and provide funds in proportion to its ownership percentage.

The 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 has been recorded as administrative charge income for the nine months ended September 30, 2020 of \$2,320 (2019: \$10,850). At September 30, 2020, other receivables included an administration cost recovery charge of \$24,280 (December 31, 2019: \$49,215) 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.

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**MARIFIL MINES LIMITED****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**

Expressed in Canadian dollars

**(Unaudited)**

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**6. EXPLORATION AND EVALUATION ASSETS (continued)****Las Aguilas, San Luis Province (continued)**

During the year ended December 31, 2019, the Company was notified by the San Luis Provincial Mines Department that three of the Las Aguilas claims were revoked and declared vacant because of a four year period of inactivity on the mining claims. Ownership of the claims was purchased by third parties. The Company negotiated separate agreements with each of them whereby the Company could repurchase the three claims within a two year period. The effective dates of the repurchase agreements and their expiry dates are as follows: agreement for Marco Antonio claim was effective on March 26, 2019 and will expire on March 26, 2021; agreement for Virorco claim was effective on August 21, 2019 and will expire on August 21, 2019, and agreement for Las Anguilas I claim was effective on December 27, 2019 and will expire on December 27, 2019. While the Company may exercise the call option to repurchase the claims, there is no plan to explore the Las Aguilas property until market conditions improve. Therefore, the Company recorded an impairment of \$76,253 to deferred costs relating to the Las Aguilas property reducing its carrying value to \$nil.

**Other Properties**

Except as noted below, other Argentine properties include 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, San Juan, 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 &amp; 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.

The Company no longer plans to pursue exploration of the K-1, K-2, K-3 and K-4 properties and, therefore, has recorded an impairment of \$119 to deferred costs relating to these properties during the year ended December 31, 2019.

## d) 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.

The Company will no longer pursue exploration of the El Carmen property and, therefore, has recorded an impairment of \$1,357 to deferred costs relating to this property during the year ended December 31, 2019.

## e) Ortiquita, San Juan Province

In July 2020, the Company obtained the exploration rights for the Ortiquita property; a claim of 2,166 hectares in the San Juan Province.

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**MARIFIL MINES LIMITED****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**

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**7. GOVERNMENT ASSISTANCE LOAN PAYABLE**

On August 13, 2020, the Company received a \$40,000 loan as financial assistance from the government of Canada offered as part of the response to the Covid-19 global pandemic. The loan is interest free until December 31, 2022, and no principal payments will be due until December 31, 2022. \$10,000 of the loan will be forgiven if \$30,000 is repaid prior to December 31, 2022. If the balance is not paid by December 31, 2022, the remaining balance will be converted to a three-year term loan at 5% annual interest, paid monthly, effective January 1, 2023. The final balance must be repaid no later than December 31, 2025.

**8. RELATED PARTY BALANCES AND TRANSACTIONS**

## a) Related Party Balances

On July 29, 2014, the Company entered into a loan agreement with a director, whereas the director loaned the Company US\$20,000. The unsecured loan bears interest at 18% per year and matured on January 29, 2016. At the option of the lender, the loan can be converted into common shares of the Company at the market price of the Company's shares. During the nine months ended September 30, 2020, the Company recorded finance costs of \$3,737 (2019: \$3,600) in connection with interest accrued under the loan. As at September 30, 2020, the loan is outstanding and due on demand and the carrying value is \$56,574 (December 31, 2019: \$51,553) included in loans payable to related parties.

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 September 30, 2020, included in loans payable to related parties is the carrying value of \$3,341 (December 31, 2019: \$3,254).

On May 22, 2020, the Company received an aggregate of \$26,000 cash in exchange for two \$13,000 promissory notes, with a director and a company controlled by an officer, respectively. The notes each carry an interest rate of 12%, accrued monthly, with a maturity date of April 30, 2021. The notes can be settled in either cash or common shares of the Company. If settled in shares, the terms will be agreed upon between the Company and the note holder. If the Company does not fully repay each note upon maturity, the Company shall pay a penalty of 10% on the principal of the note. During the nine months ended September 30, 2020, the Company recorded finance costs of \$1,148 (2019: \$nil) in connection with interest accrued under the notes. As at September 30, 2020, included in loans payable to related parties is the carrying value of \$27,149 (December 31, 2019: \$nil).

During the nine months ended September 30, 2020, the Company recorded finance costs of \$20,152 (2019: \$nil) related to accrued interest on amounts due to companies controlled by officers and directors. Interest is accrued at 10% per annum, compounded monthly.

As at September 30, 2020 and December 31, 2019. The assets and liabilities of the Company include the following amounts receivable and payable from directors and officers:

	September 30, 2020	December 31, 2019
Advances receivable <sup>(1)</sup>	\$ -	\$ 1,089
Trade payables and other liabilities <sup>(2)</sup>	\$ 755,377	\$ 502,956

<sup>(1)</sup> This amount is non-interest bearing, unsecured and is due on demand.

<sup>(2)</sup> Includes \$4,000 (December 31, 2019: \$4,000) in rent fees accrued to a company controlled by the Chief Executive Officer.

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**(Unaudited)**

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

b) Related Party Transactions

During the nine months ended September 30, 2020 and 2019, the Company incurred charges with an officer and directors, which comprise key management compensation as follows:

	For the nine months ended	
	2020	September 30, 2019
Management fees	\$ 206,825	\$ 213,539
Share-based payments	-	48,324
Director fees	-	33,195
Consulting fees	45,000	30,000
	\$ 251,825	\$ 325,058

For the nine months ended September 30, 2020 and 2019, 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 up to 1,000,000, various performance shares which have been entered into an escrow arrangement and will be released upon achievement of certain milestones. As at September 30, 2020, 550,000, (December 31, 2019: 550,000) 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. As at December 31, 2019, the shares were fully vested; therefore, no further share-based payment expense will be recorded for this transaction.

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 September 30, 2020, the Company has accrued \$14,000 in cash bonuses and \$15,000 in bonus shares to the EVP (December 31, 2019: \$14,000 and \$15,000, respectively).

During the nine months ended September 30, 2020, \$6,598 (December 31, 2019: \$67,336) in management fees was capitalized to mineral properties.

On January 1, 2019, the Company entered into a lease agreement with a company controlled by an officer. The terms of the lease are \$2,000 per month on a month to month basis and may be terminated at the Company’s option with six months’ notice. As of September 30, 2019, this agreement was terminated by the lessor. For the nine months ended September 30, 2020 rent expense incurred under this agreement was \$nil (2019: \$12,000).

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**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**  
**Expressed in Canadian dollars**  
**(Unaudited)**

**9. SHARE CAPITAL**

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

*For the nine months ended September 30, 2020:*

No securities were issued during the period.

*For the nine months ended September 30, 2019:*

The Company issued 1,907,142 shares pursuant to warrant exercises and received \$180,000 cash.

On March 18, 2019, the Company closed a 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. In connection with the private placement, \$4,250 share issuance costs were paid in cash.

c) Warrants

A summary of the warrant activity for the nine months ended September 30, 2020 and 2019 is as follows:

	2020		2019	
	Warrants	Weighted Average Exercise Price	Warrants	Weighted Average Exercise Price
Balance, beginning of period	42,305,538	\$0.21	30,872,680	\$0.30
Issued in private placement units	-	-	14,000,000	0.07
Exercised	-	-	(750,000)	0.10
Expired	(25,933,000)	0.21	-	-
Balance, end of period	16,372,538	\$0.23	44,122,680	\$0.23

As at September 30, 2020 warrants outstanding were as follows:

Expiry date	Number	Exercise price	Weighted average remaining life
March 18, 2021	13,642,858	\$0.07	0.46
March 31, 2021	1,000,000	\$1.00	0.50
August 9, 2021	699,680	\$1.00	0.86
April 23, 2022	1,030,000	\$0.50	1.56
Outstanding as at September 30, 2020	16,372,538		0.55

As at September 30, 2020, the weighted average remaining contractual life of warrants outstanding was 0.55 years (December 31, 2019 – 0.69 years).

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**9. SHARE CAPITAL (continued)**

d) Stock options

The Company has an incentive stock option plan whereby share purchase options may be granted to directors, officers, employees and consultants of the Company and its subsidiaries. The total number of shares reserved under the plan may not exceed more than 10% of the outstanding shares at the time of granting the option. Options are granted at the market price or higher at the date of the grant, less any discounts permitted by regulatory authorities. Unless otherwise stated options vest when granted.

During the nine months ended September 30, 2020, \$nil (2019: \$50,461) in stock-based compensation expense was recorded. \$Nil (2019: \$28,306) was included in management fees, \$nil (2019: \$20,018) was included in directors' fees and \$nil (2019: \$2,137) was included in consulting fees.

A summary of stock option activity for the nine months ended September 30, 2020 and the year ended December 31, 2019 is as follows:

	2020		2019	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Balance, beginning of period	2,285,000	\$0.23	2,335,000	\$0.23
Granted	-	-	-	-
Forfeited	-	-	-	-
Expired	(1,685,000)	0.15	-	-
Balance, end of period	600,000	\$0.11	2,335,000	\$0.21

As at September 30, 2020, options outstanding were as follows:

Number	Outstanding and Exercisable	Exercise Price	Expiry Date
600,000	Directors, Officers, and Consultants	\$0.11	August 21, 2023

As at September 30, 2020, the weighted average remaining contractual life of stock options outstanding was 2.89 years (December 31, 2019 – 1.10 years).

e) Per share amounts

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	2019	2020	2019
Weighted average number of shares – basic:				
Issued common shares as at July 1 and January 1	60,075,432	57,268,290	60,075,432	44,168,290
Effect of common shares issued during the period	-	790,894	-	16,055,919
Effect of escrowed shares	(450,000)	(825,000)	(450,000)	(825,000)
	59,625,432	57,234,184	59,625,432	59,399,209
Loss per share – basic and diluted	\$(0.00)	\$(0.01)	\$(0.01)	\$(0.02)

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(Unaudited)

**10. GENERAL AND ADMINISTRATION EXPENSES**

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	2019	2020	2019
Consulting fees	\$ 57,000	\$ 59,507	\$ 171,000	\$ 143,503
Directors fees	-	14,136	-	53,213
Filing fees	1,894	1,273	12,431	40,251
Investor relations & shareholder info	10,500	22,500	31,500	68,874
Management fees	66,066	80,949	206,825	241,845
Marketing	-	240,793	-	320,036
Office and miscellaneous	10,488	14,233	28,789	57,231
Professional fees	26,868	22,721	39,403	103,218
	<u>\$ 172,816</u>	<u>\$ 456,112</u>	<u>\$ 489,948</u>	<u>\$ 1,028,171</u>

**11. BASIS OF FAIR VALUE**

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