

Minefinders Corporation Ltd.

**Consolidated Financial Statements - Unaudited
(Thousands of United States dollars)
March 31, 2008**

Investor Relations
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Minefinders Corporation Ltd.
Consolidated Balance Sheets - Unaudited
(Thousands of United States dollars)

	March 31,	December 31,
	2008	2007
Assets		
Current		
Cash and cash equivalents	\$ 5,485	\$ 20,935
Receivables (Note 4)	13,204	10,431
Supply inventory	1,878	1,558
Prepaid expenses	353	456
	20,920	33,380
Mineral property, plant and equipment (Note 5)	179,336	160,181
	\$ 200,256	\$ 193,561
Liabilities and Shareholders' Equity		
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 8,652	\$ 4,532
Long-term debt (Note 6)	67,315	59,965
Asset retirement obligation (Note 7)	1,675	1,644
	77,642	66,141
Shareholders' equity		
Capital stock (Note 8)	172,660	172,319
Equity portion of convertible notes (Note 6)	27,366	27,366
Contributed surplus (Note 10)	19,271	18,797
Deficit	(101,752)	(96,131)
Accumulated other comprehensive income	5,069	5,069
	122,614	127,420
	\$ 200,256	\$ 193,561

Commitments and Contingencies (Note 11)

See accompanying notes to consolidated financial statements.

Minefinders Corporation Ltd.
Consolidated Statements of Operations - Unaudited
(Thousands of United States dollars, except per share amounts)

For the three months ended March 31,	2008	2007
Office and administration	\$ 2,027	\$ 1,417
Amortization and accretion of asset retirement obligation	140	52
Exploration	1,536	983
Stock option compensation – exploration (Note 10)	10	81
Stock option compensation (Note 10)	204	-
Accretion of convertible note discount (Note 6)	1,350	1,166
Interest on long-term debt (Note 6)	972	943
	6,239	4,642
Other items		
Financing fees	25	-
Foreign exchange (gain) loss	(531)	176
Gain on sale of assets	-	(6)
Interest income	(112)	(1,251)
Net loss for the period	\$ 5,621	\$ 3,561
Loss per share – basic and diluted	\$ (0.11)	\$ (0.07)
Weighted average shares outstanding	49,543,961	48,311,551

See accompanying notes to consolidated financial statements.

Minefinders Corporation Ltd.
Consolidated Statement of Changes in Shareholders' Equity - Unaudited
(Thousands of United States dollars)

	Capital stock	Equity portion of convertible notes	Contributed surplus	Deficit	Accumulated other comprehensive income	Total
Balance, January 1, 2007, as adjusted	165,537	27,366	12,957	(76,927)	5,069	134,002
Exercise of stock options for cash	6,782	-	-	-	-	6,782
Stock based compensation	-	-	5,840	-	-	5,840
Net loss	-	-	-	(19,204)	-	(19,204)
Balance, December 31, 2007,	172,319	27,366	18,797	(96,131)	5,069	127,420
Exercise of stock options for cash	341	-	-	-	-	341
Stock based compensation	-	-	474	-	-	474
Net loss	-	-	-	(5,621)	-	(5,621)
Balance, March 31, 2008	\$172,660	\$ 27,366	\$ 19,271	\$ (101,752)	\$ 5,069	\$122,614

See accompanying notes to consolidated financial statements.

Minefinders Corporation Ltd.
Consolidated Statements of Cash Flows - Unaudited
(Thousands of United States dollars)

For the three months ended March 31,	2008	2007
Cash flows used in operating activities		
Net loss for the period	\$ (5,621)	\$ (3,561)
Items not involving cash		
Amortization and accretion of asset retirement obligation	140	52
Gain on sale of assets	-	(6)
-41,941,150,764,995,896 (Ab of al)ss -		

Minefinders Corporation Ltd.
Consolidated Schedules of Exploration Costs - Unaudited
(Thousands of United States dollars)

For the three months ended March 31,	2008	2007
Dolores mine project		
Assaying and drilling	\$ 237	\$ 297
Equipment rentals and miscellaneous	4	64
Licenses and recording fees	-	2
Road building	-	79
Technical and professional services	253	134
Stock based compensation (Note 10)	-	81
Other	47	25
Total Dolores mine project	541	682
Other properties		
Assaying and drilling	623	27
Engineering and surveying	4	-
Equipment rentals and miscellaneous	24	32
Licenses and recording fees	121	63
Road building	1	-
Technical and professional services	170	220
Stock based compensation (Note 10)	10	-
Other	52	40
Total other properties	1,005	382
Exploration costs incurred during the period	1,546	1,064
Cumulative balance, beginning of period	65,539	57,280
Cumulative balance, end of period	\$ 67,085	\$ 58,344

See accompanying notes to consolidated financial statements.

Minefinders Corporation Ltd.
Notes to Consolidated Financial Statements - Unaudited
(Thousands of United States dollars, except per share amounts)

March 31, 2008 and 2007

1. Nature of Operations

The Company was organized on February 4, 1975 under the laws of the Province of Ontario and is engaged in the exploration, development, and acquisition of mineral deposits. The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business.

The Company is in the final stages of construction of its 100% owned Dolores gold and silver project in Mexico and believes it has sufficient liquidity to complete construction. In these financial statements, development costs incurred in the construction of the Dolores Mine have been deferred to mineral property, plant and equipment.

The Company expects that revenues from production will finance the operation of the Dolores Mine. The Company may have to raise additional funds over and above amounts raised to date to complete the acquisition, exploration and development of its property interests and, while it has been successful in doing so in the past, there can be no assurance that it will be able to do so in the future.

2. Basis of Presentation

These financial statements are presented in accordance with Canadian generally accepted accounting principles for interim financial statements, and are stated in thousands of United States dollars.

The interim financial statements do not include all the note disclosures required for annual financial statements but they are presented in accordance with the same accounting principles, policies, and methods that are used in the preparation of the Company's annual financial statements except as noted below (Note 3); therefore they should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2007.

The statements reflect all adjustments, consisting of normal recurring adjustments, which, in the opinion of management, are necessary for the fair presentation of the information contained in them.

3. Changes in Accounting Policies

- (a) Effective January 1, 2008, the Company adopted the new CICA guidelines of Section 1506, *Accounting Changes*, which establishes standards for changes in accounting policies, estimates, or errors. As a result of adopting this new standard, changes in accounting policies are only permitted when required by a primary source of GAAP or when the change will result in more reliable and more relevant information. In addition, changes in accounting policies must be applied retrospectively (unless doing so is impractical or is specified otherwise by a new standard), changes in estimates are to be recorded prospectively, and prior period errors are to be corrected retrospectively. There were no changes in policies or estimates during the period, except for those new standards adopted and noted below.

Minefinders Corporation Ltd.
Notes to Consolidated Financial Statements - Unaudited
(Thousands of United States dollars, except per share amounts)

March 31, 2008 and 2007

3. Changes in Accounting Policies - Continued

- (b) Effective January 1, 2008, the Company adopted the new CICA guidelines of Section 1535, *Capital Disclosures*, which requires companies to disclose their objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital, and whether companies have complied with externally imposed capital requirements and, if not in compliance, the consequences of such non-compliance.

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Company considers the items included in the consolidated statement of changes in shareholders equity as capital. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements, sell assets to reduce debt or return capital to shareholders. The Company is not subject to externally imposed capital requirements.

- (c) Effective January 1, 2008, the Company adopted the CICA guidelines of Section 3031, *Inventories*, which replaces Section 3030 of the same name. This standard harmonizes accounting for inventories under Canadian GAAP with International Financial Reporting Standards. Under this standard, inventories are measured at the lower of cost and net realizable value. Similar inventories within a consolidated group are to be measured using the same method, and the reversal of previous write-downs to net realizable value are required when there is a subsequent increase in the value of inventories.

The Company's inventory balance consists of materials and supplies inventory which is valued at the lower of cost and net realizable value. Cost is measured using the first-in, first out ("FIFO" method) as applicable. There were no inventories recognized as an expense during the period, and no write-downs or reversals of past write-downs.

- (d) Effective January 1, 2008, the Company adopted the CICA guidelines of Section 3862, *Financial Instruments – Disclosures*, and Section 3863, *Financial Instruments – Presentation*. These standards replace CICA 3861, *Financial Instruments – Disclosure and Presentation*.

These standards increase the disclosures currently required, which will enable users to evaluate the significance of financial instruments for an entity's financial position and performance, including disclosures about fair value. In addition, disclosure is required of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk, and market risk. The quantitative disclosures must provide information about the extent to which the company is exposed to such risk, based on information provided internally to the entity's key management personnel.

Minefinders Corporation Ltd.
Notes to Consolidated Financial Statements - Unaudited
(Thousands of United States dollars, except per share amounts)

March 31, 2008 and 2007

3. Changes in Accounting Policies – Continued

(i) Financial Assets and Liabilities

The Company's financial instruments consist of cash and cash equivalents, receivables, accounts payable and accrued liabilities, convertible notes and the balance outstanding on the revolving credit facility. Cash and cash equivalents are designated as held for trading and therefore carried at fair value, with the unrealized gain or loss recorded in income. Interest income and expense are both recorded in income.

The fair values of cash and cash equivalents, receivables, accounts payable and accrued liabilities approximate carrying value because of the short term nature of these instruments. The fair values of the convertible notes are determined as described in Note 6(a). The fair value for the credit facility represents the balance outstanding. There are no differences between the carrying values and the fair values of any financial assets or liabilities.

(ii) Financial Instrument Risk Exposure and Risk Management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management process. The types of risk exposure and the way in which such exposure is managed is provided as follows:

Credit Risk

The Company is primarily exposed to credit risk on its bank accounts. Credit risk exposure is limited through maintaining its cash and equivalents with high-credit quality financial institutions.

Liquidity Risk

The Company ensures that there is sufficient capital in order to meet short term business requirements, after taking into account the Company's holdings of cash and cash equivalents and available cash under the credit facility. The Company believes that these sources, in addition to revenues to be earned at the Dolores mine, will be sufficient to cover the expected short and long term cash requirements.

Market Risk

The significant market risk exposures to which the Company is exposed are foreign exchange risk, interest rate risk, and commodity price risk.

Minefinders Corporation Ltd.
Notes to Consolidated Financial Statements - Unaudited
(Thousands of United States dollars, except per share amounts)

March 31, 2008 and 2007

3. Changes in Accounting Policies – Continued

Foreign Currency Risk – The Company's operations in Mexico, Canada and the USA make it subject to foreign currency fluctuations. The Company's operating expenses are incurred in United States dollars ("US dollars"), Canadian dollars, and Mexican pesos, and the fluctuation of the US dollar in relation to these currencies will have an impact upon the profitability of the Company and may also affect the value of the Company's assets and the amount of shareholders' equity. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks.

Financial assets and liabilities denominated in currencies other than the US dollar are as follows:

	March 31, 2008		December 31, 2007	
	Financial Assets	Financial Liabilities	Financial Assets	Financial Liabilities
Canadian dollar	\$ 642	\$ 769	\$ 15,050	\$ 625
Mexican peso	13,749	6,147	11,274	1,329
	\$ 14,391	\$ 6,916	\$ 26,324	\$ 1,954

Of the financial assets listed above, \$621 (December 31, 2007 - \$3,027) represents cash held in Canadian dollars, and \$600 (December 31, 2007 - \$890) represents cash held in Mexican pesos. The remaining cash is held in United States dollars.

Interest Rate Risk – In respect of financial assets, the Company's policy is to invest cash at floating rates of interest and cash reserves are to be maintained in cash equivalents in order to maintain liquidity. Fluctuations in interest rates affect the value of cash equivalents.

In respect of financial liabilities, the convertible notes are not subject to interest rate risk given the fixed rate of 4.5% per annum. The credit facility is subject to risk as amounts outstanding are subject to charges at a bank base rate or a LIBOR-based rate (plus 25 to 200 basis points depending on type of loan and financial and operating measures), payable according to the quoted rate term. The interest rate charged for the period was 4.61% per annum.

Commodity Price Risk – The value of the Company's mineral resource properties is related to the price of gold and silver, and the outlook for these minerals. The Company does not have any hedging or other commodity based risks respecting its operations.

Minefinders Corporation Ltd.
Notes to Consolidated Financial Statements - Unaudited
(Thousands of United States dollars, except per share amounts)

March 31, 2008 and 2007

3. Changes in Accounting Policies - Continued

Gold and silver prices have historically fluctuated widely and are affected by numerous factors outside of the Company's control, including, but not limited to, industrial and retail demand, central bank lending, forward sales by producers and speculators, levels of worldwide production, short-term changes in supply and demand because of speculative hedging activities, and certain other factors.

4. Receivables

Of the \$13,204 in receivables (December 31, 2007 - \$10,431), \$13,048 (December 31, 2007 - \$10,360) is value added tax ("VAT") paid in Mexico on goods and services for the construction of the Dolores mine. The VAT receivable is refundable from the Mexican tax authorities. Subsequent to March 31, 2008, \$9,954 of VAT was refunded to the Company.

5. Mineral Property, Plant and Equipment

Net carrying costs at March 31, 2008 and December 31, 2007:

	Mineral Property Acquisition Costs	Development Cost	Plant and Equipment	Accumulated Amortization	March 31 2008	December 31, 2007
Dolores Property, Mexico	\$ 9,675	\$ 133,047	\$ 37,960	\$ (1,945)	\$ 178,737	\$ 159,616
Northern Sonora, Mexico	327	-	62	(33)	356	359
Nevada Properties, United States	111	-	250	(201)	160	162
Other	-	-	195	(112)	83	44
	\$ 10,113	\$ 133,047	\$ 38,467	\$ (2,291)	\$ 179,336	\$ 160,181

Dolores development of \$133,047 (December 31, 2007 - \$129,310) represents mine development costs and plant and equipment purchased and under construction for use at the Dolores Mine. Amortization will commence when the Dolores mine begins operating and as the assets are put into service.

Minefinders Corporation Ltd.
Notes to Consolidated Financial Statements - Unaudited
(Thousands of United States dollars, except per share amounts)

March 31, 2008 and 2007

5. Mineral Property, Plant and Equipment - Continued

Mineral properties, plant and equipment relate to the following:

Mexican Properties

Dolores Property

The Dolores Property is in the Madera Mining District, in the state of Chihuahua. In 2006, the Company unified seven of the nine claims resulting in three concessions totaling 27,700 hectares. The Company has a 100% interest in all three concessions. The property is subject to underlying net smelter return ("NSR") royalties totaling 3.25% on gold and 2% on silver. On February 23, 2006 the Board of Directors approved construction of a mine at the Dolores property. Construction commenced during the second quarter of 2006 and completion is expected in the second quarter of 2008.

Northern Sonora Properties

The Company has a 100% interest in the mineral rights to 14 mineral concessions totaling 28,300 hectares in the State of Sonora. The Company makes annual rent payments to the landowners, currently approximately \$174, escalating by 10% per annum. Should mines be put in production on the properties, payments ranging from \$222 to \$500 will be due to these landowners.

United States Properties

The Company has a 100% interest (subject to NSR royalties of 3%) in the Dottie and Gutsy properties, located in Nevada. In 2006, the Company acquired the 30 unpatented lode mining Wickes claims in Montana for \$2. In addition, the Company holds claims in the Oro Blanco project area of Arizona.

Minefinders Corporation Ltd.
Notes to Consolidated Financial Statements - Unaudited
(Thousands of United States dollars, except per share amounts)

March 31, 2008 and 2007

6. Long-term Debt

	March 31, 2008	December 31, 2007
Convertible Notes (a)	\$ 61,315	\$ 59,965
Scotia Capital Revolving Credit Facility (b)	6,000	-
	\$ 67,315	\$ 59,965

(a) In October 2006, the Company issued \$85,000 in 4.5% unsecured convertible senior notes maturing on December 15, 2011, incurring a 3.5% underwriter's fee and other expenses, aggregating \$3,451 for net proceeds of \$81,549. Interest is payable semi-annually in arrears on June 15 and December 15 of each year, beginning June 15, 2007. The notes are convertible into common shares at approximately \$10.88 per share. A total of 7,812,500 common shares are issuable upon conversion and additional shares may become issuable following the occurrence of certain corporate acts or events. This adjustment provision is designed to compensate the noteholders for any such occurrence that causes economic loss to them.

The notes are classified as a liability, less the portion relating to the conversion feature net of related issue costs (\$27,366) which is classified as an equity component. As a result, the recorded liability to repay the notes is lower than its face value. Using the effective interest rate method and the 14.26% rate implicit in the calculation, the difference of \$28,359, characterized as the note discount, is being charged to operations and added to the liability over the term of the notes.

	March 31, 2008	December 31, 2007
Convertible notes, liability component		
Balance, beginning of period	\$ 59,965	\$ 55,065
Accretion of debt discount for the period	1,350	4,900
Balance, end of period	\$ 61,315	\$ 59,965
Convertible notes, equity component	\$ 27,366	\$ 27,366

Minefinders Corporation Ltd.
Notes to Consolidated Financial Statements - Unaudited
(Thousands of United States dollars, except per share amounts)

March 31, 2008 and 2007

6. Long-term Debt - Continued

(b) On December 19, 2007, the Company signed an agreement for a \$50 million revolving three year term credit facility with the Bank of Nova Scotia. The facility is available for drawdown in US or Canadian dollars with repayment at any time at a bank base rate or a LIBOR-based rate (plus 25 to 200 basis points depending on type of loan and financial and operating measures), payable according to the quoted rate term. The facility is collateralized by a pledge of the Company's shares in its US and Mexican subsidiaries and by physical assets at the Dolores Mine. The carrying values of these pledged assets total \$180,615, which is comprised of inventories, mineral properties, plant and equipment at Dolores. The Company must comply with terms in the agreement related to reporting requirements, conduct of business, insurance, notices, and must maintain certain covenants which take effect when the Dolores mine has been operational for two consecutive fiscal quarters. There have been no violations of any of the terms of the agreement since its inception.

As at March 31, 2008, a total of \$6,000 (December 31, 2007 – \$nil) has been drawn-down on the facility.

7. Asset Retirement Obligation

The Company's environmental permit requires that it reclaim any land it disturbs during the mine construction and mine operations. Although the timing and the amount of the actual expenditures are uncertain, the Company has estimated the present value of the future reclamation obligation arising from its activities to March 31, 2008 to be \$1,675 (December 31, 2007 - \$1,644). The present value of the future reclamation obligation assumes a discount rate of 7.65%, inflation rate of 2.5% and the commencement of reclamation activities after the life of the mine, which is estimated at 15.5 years.

	March 31, 2008	December 31, 2007
Balance, beginning of period	\$ 1,644	\$ 1,188
Liabilities incurred in the period	-	355
Accretion expense	31	101
Balance, end of period	\$ 1,675	\$ 1,644

Minefinders Corporation Ltd.
Notes to Consolidated Financial Statements - Unaudited
(Thousands of United States dollars, except per share amounts)

March 31, 2008 and 2007

8. Capital Stock

Authorized

Unlimited common shares, no par value

	Issued	Amount
Balance, December 31, 2006	48,022,289	\$ 165,537
Exercise of stock options for cash	1,224,000	6,782
Exercise of stock options - cashless	261,235	-
Balance, December 31, 2007	49,507,524	\$ 172,319
Exercise of stock options for cash	40,000	341
Exercise of stock options - cashless	19,432	-
Balance, March 31, 2008	49,566,956	\$ 172,660

(a) Stock Options (all per share amounts are in Canadian dollars)

The number of shares available for grant under the Company's stock option plan (the "Plan") is 5,574,000. The term of options granted cannot exceed ten years. The vesting of each option is determined by the Board of Directors and the exercise price is the fair market value of the Company's shares at the date of grant. At March 31, 2008, 1,055,555 shares were available for future grants under the Plan.

	Number of Options	Weighted Average Exercise Price Cdn\$
Outstanding at December 31, 2006	4,497,000	\$ 7.73
Granted	1,430,000	9.87
Cancelled	(40,000)	10.94
Exercised for cash	(1,224,000)	5.82
Exercised-cashless	(465,000)	5.53
Outstanding at December 31, 2007	4,198,000	9.26
Granted	100,000	11.10
Exercised for cash	(40,000)	8.52
Exercised-cashless *	(35,000)	5.64
Outstanding at March 31, 2008	4,223,000	\$ 9.34

* Of the 75,000 options exercised during the quarter ended March 31, 2008, 35,000 vested options were exercised by the holders in exchange for the issue of 19,432 common shares by way of a cashless stock option exercise.

Minefinders Corporation Ltd.
Notes to Consolidated Financial Statements - Unaudited
(Thousands of United States dollars, except per share amounts)

March 31, 2008 and 2007

8. Capital Stock – Continued

(a) Stock Options – Continued

All options granted and outstanding as at March 31, 2008 were fully exercisable on the various grant dates except for 30,000 options with an exercise price of Cdn \$11.10 which vest on August 7, 2008. The weighted average grant-date fair value of options granted during the quarter ended March 31, 2008 was Cdn \$4.73 per option (2007 – Cdn \$6.05).

At March 31, 2008 the following stock options were outstanding and exercisable, except for 30,000 options with a weighted average exercise price of Cdn \$11.10 unvested at that date.

Number	Exercise Price Cdn \$	Expiry Date
655,000	\$ 10.65	September 26, 2008
50,000	\$ 12.53	March 17, 2009
75,000	\$ 8.25	May 17, 2009
630,000	\$ 8.80	June 14, 2009
303,000	\$ 5.64	July, 12, 2010
1,005,000	\$ 9.00	May 15, 2011
80,000	\$ 8.76	November 1, 2011
5,000	\$ 10.94	January 19, 2012
95,000	\$ 12.46	March 12, 2012
50,000	\$ 12.45	May 1, 2012
1,175,000	\$ 9.57	September 5, 2012
100,000	\$ 11.10	February 7, 2013
<u>4,223,000</u>		

Subsequent to March 31, 2008, the Company granted 665,000 stock options expiring five years from the grant date with an exercise price of Cdn \$10.58 and 50,000 stock options with an exercise price of Cdn \$12.45 were cancelled.

9. Related Party Transactions

Related party transactions for the quarter ended March 31, 2008 not disclosed elsewhere in these consolidated financial statements were as follows:

- a. The directors were paid fees of \$48 (2007 - \$33).
- b. Certain legal services were provided by a law firm in which a director of the Company was a partner. The cost of these services was \$55 in 2007. No services were provided in the current period.

Transactions with related parties were in the normal course of operations and were measured at the exchange value (the amount of consideration established and agreed to by the related parties).

Minefinders Corporation Ltd.
Notes to Consolidated Financial Statements - Unaudited
(Thousands of United States dollars, except per share amounts)

March 31, 2008 and 2007

10. Stock Option Compensation

Compensation expense is determined using the Black-Scholes option pricing model. The Company granted 100,000 options during the quarter ended March 31, 2008 (2007 – 180,000). The weighted average assumptions used in calculating the expense of options granted during the period were:

Three months ended March 31,	2008	2007
Risk-free rate	3.43%	3.95%
Dividend yield	nil	nil
Volatility factor of the expected market price of the Company's common shares	46%	55%
Weighted average expected life of the options (months)	55	60
Compensation expense for the period:		
Charged to income	\$ 204	-
Charged to exploration costs	10	81
Deferred to mineral property, plant and equipment	260	536
	\$ 474	\$ 617

Total stock based compensation was credited to contributed surplus.

11. Commitments and Contingencies

At March 31, 2008, the Company had remaining contractual commitments expected to be paid in 2008 of \$17,794 relating to equipment, engineering and construction at the Dolores Mine. In addition, there are royalty payments on the Dolores property consisting of 3.25% of gold and 2% of silver production.

The Company has also entered into operating leases for office premises that provide for minimum lease payments totaling \$167 over the next two years, excluding extensions.

Minefinders Corporation Ltd.
Notes to Consolidated Financial Statements - Unaudited
(Thousands of United States dollars, except per share amounts)

March 31, 2008 and 2007

12. United States Generally Accepted Accounting Principles

The consolidated financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). These principles differ in some respects from United States generally accepted accounting principles ("US GAAP"). The effect of such differences on the Company's consolidated financial statements is set out below:

(a) Mineral properties and start-up activities

US GAAP requires that mineral exploration expenditures, including drilling and related costs incurred to convert existing resources to reserves or identify new inferred mineral resources, be charged to operations in the period incurred and the related cash flows be reported as operating activities. During fiscal 2007, the Company changed its accounting policy with respect to accounting for exploration expenditures under Canadian GAAP. Prior to 2007, mineral property acquisition and exploration expenditures were deferred until such time as the related property was brought into commercial production, abandoned or sold. Under the new policy, exploration expenditures are expensed as incurred while acquisition expenditures continue to be capitalized. This accounting change has been applied retroactively with restatement of prior periods. As a result of this change in accounting policy, there is no difference between the financial position, results of operations, and cash flows under Canadian GAAP and US GAAP arising from the accounting for mineral property expenditures for the periods presented with the exception of mineral property acquisition costs of \$9,676 previously expensed under US GAAP that remain capitalized to mineral property, plant and equipment under Canadian GAAP.

Under Canadian GAAP, start-up operating costs, net of associated revenues, incurred prior to reaching commercial production levels are capitalized. Under US GAAP, these start-up costs are expensed. At March 31, 2008, there is no difference between the financial position, results of operations, and cash flows under Canadian GAAP and US GAAP arising from this difference for the periods presented.

(b) Convertible notes

Under Canadian GAAP, the liability and equity components of the convertible notes are determined and separately classified on the consolidated balance sheets. The liability component represents the present value of the interest and principal payments on the notes and the equity component represents the fair value of the holders' conversion feature at inception. The stated interest payments and the expense arising from adjusting the time value of the principal of the notes over time ("convertible notes discount expense") are presented separately in the consolidated statements of operations. As a result of the January 1, 2007 prospective adoption of Section 3855, "Financial Instruments – Recognition and Measurement" for Canadian GAAP accounting purposes, financing charges attributable to the liability component of the convertible notes are included in their carrying value.

Minefinders Corporation Ltd.
Notes to Consolidated Financial Statements - Unaudited
(Thousands of United States dollars, except per share amounts)

March 31, 2008 and 2007

12. United States Generally Accepted Accounting Principles – Continued

(b) Convertible notes - Continued

Under US GAAP, the Company first analyzes the convertible debt instruments to determine if there are any embedded derivatives that must be bifurcated. There were none for these instruments. The convertible debt instruments are then accounted for in accordance with Emerging Issues Task Force Issue 00-27 which requires the Company to classify as equity any amounts representing a beneficial conversion feature. As the conversion price exceeds the fair value of the underlying common shares on the issue date, no beneficial conversion feature is recognized under US GAAP and the entire proceeds are classified as debt until such time as they are converted to equity. Accordingly, for US GAAP purposes, the convertible notes are presented on the consolidated balance sheets as a liability. No convertible notes discount expense is recognized and no deferred financing charges are allocated to equity. The total deferred financing charges are recorded as an asset.

Under Canadian GAAP, the Company has elected to expense interest on the convertible notes to earnings whereas under US GAAP this interest is capitalized to development costs to the extent the proceeds from the issue of the convertible notes are used in the development of the Dolores property. In addition, under Canadian GAAP interest on the convertible notes is classified as cash flow used in operating activities whereas under US GAAP this interest is classified as cash flow used in investing activities.

(c) Stock option compensation

There is no difference between the financial position, results of operations, and cash flows under Canadian GAAP and US GAAP arising from the accounting for stock-based compensation for the periods presented. A cumulative adjustment (for the initial adoption of SFAS 123R under US GAAP) of \$3,438 is included in the net loss from inception to March 31, 2008 under US GAAP.

The total intrinsic value of options exercised during the quarter ended March 31, 2008 was Cdn \$383 (2007 – Cdn \$4,213). The total intrinsic value and weighted average contractual term of vested options at March 31, 2008 is Cdn \$13,578 and 2.8 years.

During the quarter ended March 31, 2008, \$260 of stock based compensation related to development at Dolores was capitalized for Canadian GAAP and US GAAP (2007 - \$617).

Minefinders Corporation Ltd.
Notes to Consolidated Financial Statements - Unaudited
(Thousands of United States dollars, except per share amounts)

March 31, 2008 and 2007

12. United States Generally Accepted Accounting Principles – Continued

The impact of the above on the financial statements is as follows:

For the three months ended March 31,	2008	2007
Statements of Loss and Deficit		
Net loss per Canadian GAAP	\$ (5,621)	\$ (3,561)
Adjustments related to:		
Convertible notes discount	1,350	1,166
Interest on convertible notes	972	943
Amortization of deferred financing charges	(166)	(165)
	<u>2,156</u>	<u>1,944</u>
Net loss per US GAAP	(3,465)	(1,617)
Foreign exchange adjustment	-	-
Comprehensive loss per US GAAP	<u>\$ (3,465)</u>	<u>\$ (1,617)</u>
Net loss per share, basic and diluted	<u>\$ (0.07)</u>	<u>\$ (0.03)</u>

Balance Sheets	March 31,	December 31,
	2008	2007
Assets per Canadian GAAP	\$ 200,256	\$ 193,561
Adjustment related to:		
Mineral properties	(9,676)	(9,676)
Capitalized interest	5,514	4,542
Convertible notes	2,496	2,662
Assets per US GAAP	<u>\$ 198,590</u>	<u>\$ 191,089</u>
Liabilities per Canadian GAAP	\$ 77,642	\$ 66,141
Adjustments related to:		
Convertible notes	23,733	25,035
Liabilities per US GAAP	<u>\$ 101,375</u>	<u>\$ 91,176</u>
Shareholders' equity per Canadian GAAP	\$ 122,614	\$ 127,420
Adjustments related to:		
Mineral properties	(9,676)	(9,676)
Convertible notes	(15,723)	(17,831)
Shareholders' equity per US GAAP	<u>\$ 97,215</u>	<u>\$ 99,913</u>

Minefinders Corporation Ltd.
Notes to Consolidated Financial Statements - Unaudited
(Thousands of United States dollars, except per share amounts)

March 31, 2008 and 2007

12. United States Generally Accepted Accounting Principles – Continued

(d) Exploration stage company

The Company meets the definition of a development stage enterprise under Statement of Financial Accounting Standards No. 7, Accounting and Reporting by Development Stage Enterprises. As such, the following disclosure of the consolidated summarized statements of loss and deficit and cash flows since inception of the Company on February 4, 1975 (“inception”) are required under US GAAP:

Consolidated summarized statement of loss and deficit – US GAAP
For the period from inception to March 31, 2008

Mineral exploration expenses	\$ (77,056)
Administrative and other costs	(33,461)
Interest income	<u>8,754</u>
Net loss from inception to March 31, 2008	
being the deficit accumulated during the exploration stage	<u>\$ (101,763)</u>

Consolidated summarized statement of cash flows – US GAAP
For the period from inception to March 31, 2008

Cash flows used in operating activities	\$ (94,974)
Cash flows used in investing activities	(162,911)
Cash flows provided by financing activities	256,543
Effect of exchange rates on cash and cash equivalents	<u>6,827</u>
Cumulative increase in cash and cash equivalents from inception	
being Cash and Cash equivalents, March 31, 2008	<u>\$ 5,485</u>

(e) Income taxes

Effective January 1, 2007, for US GAAP accounting purposes, the Company has adopted FASB Interpretation No. 48, “Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109” (“FIN 48”). FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The provisions of FIN 48 are to be applied to all tax positions upon initial adoption, with the cumulative effect adjustment reported as an adjustment to the opening balance of retained earnings. There is no effect on the Company’s March 31, 2008 consolidated financial statements resulting from the adoption of FIN 48.

Minefinders Corporation Ltd.
Notes to Consolidated Financial Statements - Unaudited
(Thousands of United States dollars, except per share amounts)

March 31, 2008 and 2007

12. United States Generally Accepted Accounting Principles – Continued

(e) Income taxes - Continued

FIN 48 requires that interest expense and penalties related to unrecognized tax benefits be recognized in the Statement of Operations. FIN 48 allows recognized interest and penalties to be classified as either income tax expense or another appropriate expense classification. If the Company recognizes interest expense or penalties on future unrecognized tax benefits, they will be classified as income tax expense.

The Company files income tax returns in Canada, the United States and Mexico. Years ranging from 2001 through 2007, as applicable, are subject to examination by the taxing authorities in the respective jurisdictions where returns are filed.

(f) New accounting pronouncements

Effective January 1, 2008, for US GAAP accounting purposes, the Company has adopted SFAS No. 157, "Fair Value Measurement" ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. The statement only applies to fair value measurements that are already required. There is no effect on the Company's March 31, 2008 consolidated financial statements resulting from the adoption of SFAS 157.

Effective January 1, 2008, for US GAAP accounting purposes, the Company has adopted SFAS No. 159, "Fair Value Option for Financial Assets and Liabilities" ("SFAS 159"). SFAS 159 permits entities to choose to measure various financial instruments and certain other items at fair value. There is no effect on the Company's March 31, 2008 consolidated financial statements resulting from the adoption of SFAS 157.