



MINEFINDERS CORPORATION LTD.

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VANCOUVER, B.C.

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**3rd QUARTER 2007
FINANCIAL REPORT**

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

	September 30, 2007	December 31, 2006
Assets		
Current		
Cash and cash equivalents	\$ 44,372	\$ 121,995
Receivables (Note 6)	10,558	3,746
Prepaid expenses	471	1,350
	55,401	127,091
Deferred financing charges (Note 3)	-	2,368
Mineral properties, plant and equipment (Note 7)	205,957	126,061
	\$ 261,358	\$ 255,520
Liabilities and Shareholders' Equity		
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 10,615	\$ 7,899
Convertible notes (Note 8)	58,623	57,433
Asset retirement obligation (Note 9)	1,748	1,188
Future income taxes (Note 10)	7,701	-
	78,687	66,520
Shareholders' equity		
Capital stock (Note 11)	167,388	165,537
Convertible notes (Note 8)	27,366	27,366
Contributed surplus (Note 13)	18,622	12,957
Deficit	(41,385)	(27,540)
Accumulated other comprehensive income (Note 3)	10,680	10,680
	182,671	189,000
Commitments and Contingencies (Note 14)	\$ 261,358	\$ 255,520

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Administrative costs				
Accounting and auditing	\$ 213	\$ 163	\$ 731	\$ 426
Amortization and accretion	142	13	245	17
Consulting fees	131	157	582	341
Corporate relations	82	80	340	299
Legal	76	39	426	269
Office services and expenses	296	275	947	668
Stock option compensation (Note 13)	3,457	-	3,457	3,263
Shareholder reports and filing fees	42	36	226	247
Travel	157	32	341	85
Convertible notes discount (Note 8)	1,206	-	3,558	-
Interest on long-term debt (Note 8)	967	-	2,863	-
	6,769	795	13,716	5,615
Exploration costs written off	60	124	215	250
Loss from operations	(6,829)	(919)	(13,931)	(5,865)
Other items				
Financing fees	-	(686)	-	(686)
Foreign exchange gain (loss)	914	(171)	4,982	(762)
Gain on sale of assets	1	-	7	(7)
Interest income	646	867	2,798	1,919
Loss before income taxes	(5,268)	(909)	(6,144)	(5,401)
Provision for future income taxes (Note 10)	(7,701)	-	(7,701)	-
Net loss for the period	\$ (12,969)	\$ (909)	\$ (13,845)	\$ (5,401)
Loss per share – basic and diluted	\$ (0.27)	\$ (0.02)	\$ (0.29)	\$ (0.12)
Weighted average shares outstanding	48,688,173	47,862,728	48,561,386	43,317,854

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

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

	Capital stock	Convertible notes	Contributed surplus	Deficit	Cumulative translation adjustment	Accumulated other comprehensive income	Total
Balance, January 1, 2006	\$ 85,672	\$ -	\$ 7,954	\$ (21,796)	\$ 14,498	\$ -	\$ 86,328
Issue of common shares for cash, net of share issue costs	78,705	-	-	-	-	-	78,705
Exercise of stock options for cash	1,160	-	-	-	-	-	1,160
Issue of convertible notes	-	27,366	-	-	-	-	27,366
Stock based compensation	-	-	5,003	-	-	-	5,003
Net loss	-	-	-	(5,744)	-	-	(5,744)
Foreign exchange adjustment	-	-	-	-	(3,818)	-	(3,818)
Balance, December 31, 2006	165,537	27,366	12,957	(27,540)	10,680	-	189,000
Change in accounting policy (Note 3)	-	-	-	-	(10,680)	10,680	-
Balance, January 1, 2007 as adjusted	165,537	27,366	12,957	(27,540)	-	10,680	189,000
Exercise of stock options for cash	1,851	-	-	-	-	-	1,851
Stock based compensation	-	-	617	-	-	-	617
Net loss	-	-	-	(2,601)	-	-	(2,601)
Balance, March 31, 2007	167,388	27,366	13,574	(30,141)	-	10,680	188,867
Stock based compensation	-	-	427	-	-	-	427
Net income	-	-	-	1,725	-	-	1,725
Balance, June 30, 2007	167,388	27,366	14,001	(28,416)	-	10,680	191,019
Stock based compensation	-	-	4,621	-	-	-	4,621
Net loss	-	-	-	(12,969)	-	-	(12,969)
Balance, September 30, 2007	\$ 167,388	\$ 27,366	\$ 18,622	\$ (41,385)	\$ -	\$ 10,680	\$ 182,671

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2007	2006	2007	2006
Cash flows used in operating activities				
Net loss for the period	\$ (12,969)	\$ (909)	\$ (13,845)	\$ (5,401)
Items not involving cash				
Amortization and accretion	142	13	245	17
Provision for future income taxes	7,701	-	7,701	-
(Gain) loss on sale of assets	(1)	-	(7)	7
Deferred exploration costs written off	60	124	215	250
Convertible notes discount	1,206	-	3,558	-
Foreign exchange gain	(914)	-	(4,982)	-
Stock option compensation	3,457	-	3,457	3,263
Deferred finance charges written off	-	196	-	-
Net change in non-cash working capital balances				
Receivables	(2,758)	(1,005)	(6,812)	(1,947)
Prepaid expenses	255	(617)	120	124
Accounts payable and accrued liabilities	1,184	494	810	380
	<u>(2,637)</u>	<u>(1,704)</u>	<u>(9,540)</u>	<u>(3,307)</u>
Cash flows used in investing activities				
Mineral properties and exploration costs	(2,711)	(4,833)	(5,367)	(11,245)
Plant, equipment and development costs	(22,290)	(17,768)	(68,773)	(26,089)
	<u>(25,001)</u>	<u>(22,601)</u>	<u>(74,140)</u>	<u>(37,334)</u>
Cash flows provided by financing activities				
Net proceeds on issue of common shares	-	107	1,851	78,692
Financing charges	-	(47)	(142)	(47)
	<u>-</u>	<u>60</u>	<u>1,709</u>	<u>78,645</u>
Effect of exchange rates on cash and cash equivalents	410	50	4,348	2,819
Increase (Decrease) in cash and cash equivalents	(27,228)	(24,195)	(77,623)	40,823
Cash and cash equivalents, beginning of period	71,600	97,427	121,995	32,409
Cash and cash equivalents, end of period	\$ 44,372	\$ 73,232	\$ 44,372	\$ 73,232
Supplemental Information				
Non-cash investing and financing activities:				
Amortization included in deferred exploration and development	\$ 73	\$ 85	\$ 196	\$ 100
Asset retirement obligation	\$ -	\$ 5	\$ 469	\$ 215
Stock option compensation	\$ 1,164	\$ -	\$ 2,208	\$ 1,521

Minefinders Corporation Ltd.
Consolidated Statements of Mineral Properties and
Deferred Exploration Costs - Unaudited
(Thousands of United States dollars)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Dolores Mine Project				
Deferred exploration costs				
Property acquisition costs	\$ -	\$ 495	\$ -	\$ 545
Assaying and drilling	822	-	1,668	1,422
Engineering and surveying	31	-	67	1,921
Equipment rentals and miscellaneous	24	-	94	193
Licenses and recording fees	3	-	5	1,265
Road building	45	-	132	2,200
Technical and professional services (Note 13)	153	-	652	693
Other	24	-	76	557
Total Dolores Mine Project	1,102	495	2,694	8,796
Other properties				
Deferred exploration costs				
Property acquisition costs	-	-	-	3
Assaying and drilling	745	831	1,578	971
Engineering and surveying	6	120	8	199
Equipment rentals and miscellaneous	57	144	340	237
Licenses and recording fees	84	82	199	180
Road building	-	75	-	75
Technical and professional services (Note 13)	927	226	1,193	931
Other	47	219	194	336
Total other properties	1,866	1,697	3,512	2,932
Mineral properties and deferred exploration costs during the period	2,968	2,192	6,206	11,728
Balance, beginning of period	68,194	65,617	65,111	53,697
Foreign exchange adjustment	-	166	-	2,676
Exploration costs written off	(60)	(124)	(215)	(250)
Balance, end of period	\$ 71,102	\$ 67,851	\$ 71,102	\$ 67,851

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

September 30, 2007 and 2006

1. 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 (Notes 3 and 4); therefore they should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2006.

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.

Certain comparative figures have been reclassified to conform to current presentation.

2. Nature of Business

The accompanying financial statements have been prepared on a going-concern basis, which contemplates the realization of the assets and the satisfaction of liabilities and commitments in the normal course of business. The Company is in the advanced stages of construction of its 100% owned Dolores gold and silver project in Mexico and believes it has sufficient liquidity to complete construction. It is anticipated that the mine construction will be substantially completed by the end of fiscal 2007.

The ability to generate revenues from production is expected to 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.

3. New Accounting Standards

Effective January 1, 2007, the Company adopted the CICA guidelines of Section 3855, "Financial Instruments – Recognition and Measurement", Section 3861, "Financial Instruments – Disclosure and Presentation" and Section 1530, "Comprehensive Income" which address the classification, recognition and measurement of financial instruments in the financial statements and the inclusion of other comprehensive income. As a result of adopting these new standards, the Company reflected a presentational reclassification of amounts previously recorded in "Cumulative translation adjustment" to "Accumulated other comprehensive income".

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

September 30, 2007 and 2006

3. New Accounting Standards - Continued

Also, pursuant to Section 3855, "Financial Instruments – Recognition and Measurement", deferred financing charges relating to the issue of the convertible notes are no longer presented as a separate asset on the balance sheet. As provided for in the section, the Company has elected to include financing charges in the carrying value of the liability component of the convertible notes (Note 8).

4. Change in Functional Currency

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

September 30, 2007 and 2006

7. Mineral Properties, Plant and Equipment

Net carrying costs at September 30, 2007 and December 31, 2006:

	Mineral Properties	Deferred Exploration Costs	Construction in Progress	Plant and Equipment	Accumulated Amortization	September 30, 2007	Dec. 31, 2006
Dolores Property, Mexico	\$ 9,675	\$ 47,116	\$ 133,652	\$ 1,537	\$ (499)	\$ 191,481	\$ 114,916
Northern Sonora, Mexico	327	12,795	-	-	-	13,122	10,545
Nevada Properties, United States	111	1,077	-	281	(196)	1,273	460
Other	-	-	-	213	(132)	81	140
	\$ 10,113	\$ 60,988	\$ 133,652	\$ 2,031	\$ (827)	\$ 205,957	\$ 126,061

Dolores construction in progress of \$133,652 (2006 - \$60,198) represents mine development costs and plant and equipment purchased for use at the Dolores Mine. Amortization will commence when the Dolores mine begins operating and as the assets are put into service.

Mineral properties and deferred exploration costs 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.

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 \$158, 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.

Minefinders Corporation Ltd.
Notes to Consolidated Financial Statements - Unaudited
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September 30, 2007 and 2006

7. Mineral Properties, Plant and Equipment - Continued

United States Properties

The Company held a 100% interest in the Clear, Dottie and Gutsy properties (subject to NSR royalties of 3%). In 2003 the Company wrote off expenditures on the Dottie property of \$161 but retained title. In 2005 further expenditures on Dottie, and accumulated expenditures on Clear, were written off. The Washiki claim group and Cleo claims near the Clear property were also written off. In 2006, the Company acquired the 30 unpatented lode mining Wickes claims in Montana for \$2.

8. Convertible Notes

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.

	Convertible notes, liability component
Balance, December 31, 2006	\$ 57,433
Change in accounting policy (Note 3)	(2,368)
Balance, January 1, 2007 as adjusted	55,065
Accretion of debt discount for the period	3,558
Balance, September 30, 2007	\$ 58,623
	Convertible notes, equity component
Balance, December 31, 2006 and September 30, 2007	\$ 27,366

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9. 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 September 30, 2007 to be \$1,748 (December 31, 2006 - \$1,188). 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. During the three and nine month periods ending September 30, 2007, the Company charged to operations \$91 and \$91, respectively, of accretion, the increase in the carrying amount of the asset retirement obligation due to the passage of time (three and nine months ended September 30, 2006 - \$nil).

10. Income Taxes

On October 1, 2007, the Government of Mexico enacted legislation which introduces certain tax reforms including a new minimum flat tax effective January 1, 2008. The tax reforms were substantively enacted for Canadian GAAP purposes on September 28, 2007, the date the legislation was signed by the President of Mexico. The Company has recorded a \$7,701 provision for future income taxes and a corresponding future income tax liability of the same amount to reflect the difference between the financial statement carrying value of existing assets and their respective tax bases resulting from the new minimum flat tax. As the new legislation was recently enacted, remains subject to ongoing varying interpretations, and there is the possibility of implementation amendments by the Government of Mexico, the estimated future income tax liability recorded at the balance sheet date may change.

11. Capital Stock

Authorized

Unlimited common shares, no par value

	Issued	Amount
Balance, January 1, 2006	36,641,841	\$ 85,672
Issue of common shares for cash, net of share issue costs	11,000,000	78,705
Exercise of stock options for cash	368,000	1,160
Exercise of stock options - cashless	12,375	-
Balance, December 31, 2006	48,022,216	165,537
Exercise of stock options for cash	484,000	1,851
Exercise of stock options - cashless	35,363	-
Balance, March 31, 2007	48,541,579	167,388
Exercise of stock options - cashless	146,594	-
Balance, June 30 and September 30, 2007	48,688,173	\$ 167,388

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

September 30, 2007 and 2006

11. Capital Stock – Continued

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

In May 2006, the shareholders approved an increase in the number of shares available for grant under the Plan by 3,417,980 to a total of 5,574,000. The term of options granted cannot exceed five 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 September 30, 2007, 904,000 shares were available for future grants under the Company's Plan.

	Number of Options	Weighted Average Exercise Price Cdn\$
Outstanding at January 1, 2006	3,745,000	\$ 6.95
Granted	1,260,000	9.00
Cancelled	(110,000)	10.02
Exercised for cash	(368,000)	3.56
Exercised-cashless	(30,000)	5.64
Outstanding at December 31, 2006	4,497,000	7.73
Granted	180,000	11.87
Exercised for cash	(484,000)	4.48
Exercised-cashless *	(55,000)	4.12
Outstanding at March 31, 2007	4,138,000	8.34
Granted	50,000	12.45
Exercised-cashless *	(240,000)	5.16
Outstanding at June 30, 2007	3,948,000	8.58
Granted	1,200,000	9.57
Cancelled	(40,000)	11.51
Outstanding at September 30, 2007	5,108,000	\$ 8.79

* During the nine months ended September 30, 2007, 295,000 vested options were exercised by the holders in exchange for the issue of 181,957 common shares by way of a cashless stock option exercise. No options were exercised during the three months ended September 30, 2007.

All options granted and outstanding as at September 30, 2006 were fully exercisable on the various grant dates. All options granted and outstanding as at September 30, 2007 were fully exercisable on the various grant dates except for 95,000 options of which 25,000 options with an exercise price of Cdn \$12.45 vest November 1, 2007 and 70,000 options with an exercise price of Cdn \$9.57 vest March 5, 2008. The weighted average grant-date fair value of options granted during the three and nine months ended September 30, 2007 was Cdn \$4.11 and Cdn \$4.43 per option, respectively (three and nine months ended September 30, 2006 – nil and Cdn \$4.45).

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

September 30, 2007 and 2006

11. Capital Stock – Continued

(a) Stock Options – continued

At September 30, 2007, the following stock options were outstanding and exercisable, except for 95,000 options with a weighted average exercise price of Cdn \$10.33 unvested at that date.

Number	Exercise Price Cdn \$	Expiry Date
860,000	\$ 6.45	December 23, 2007
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
348,000	\$ 5.64	July, 12, 2010
10,000	\$ 6.30	December 19, 2010
1,010,000	\$ 9.00	May 15, 2011
80,000	\$ 8.76	November 1, 2011
45,000	\$ 10.94	January 19, 2012
95,000	\$ 12.46	March 12, 2012
50,000	\$ 12.45	May 1, 2012
<u>1,200,000</u>	<u>\$ 9.57</u>	<u>September 5, 2012</u>
<u>5,108,000</u>		

12. Related Party Transactions

Related party transactions for the nine months ended September 30, 2007 not disclosed elsewhere in these consolidated financial statements were as follows:

- (a) The directors were paid fees of \$156 (2006 - \$84)

- (b) Legal services provided by a law firm in which one of the directors of the Company is a partner. The cost of these services was \$135 (2006 - \$243). The amount for 2006 includes \$80 for work related to the share issue in April 2006; there was no equivalent cost in 2007.

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)

September 30, 2007 and 2006

13. Stock Option Compensation

Compensation expense is determined using the Black-Scholes option pricing model. The Company granted 1,200,000 options during the three months ended September 30, 2007 (2006 – nil). The weighted average assumptions used in calculating the expense of options granted were: risk-free interest rate – 4.27%, expected volatility – 46% and expected life of the option – 53 months. The Company granted 1,430,000 options during the nine months ended September 30, 2007 (2006 – 1,140,000). The weighted average assumptions used in calculating the expense of options granted during the nine month period were: risk-free interest rate – 4.24% (2006 – 4.24%), expected volatility – 47.3% (2006 – 56%) and expected life of the option – 54 months (2006 – 53 months).

	Three months ended September 30,		Nine months ended September 30,	
	2007	2006	2007	2006
Compensation expense for the period:				
Charged to administration expense	\$ 3,457	\$ -	\$ 3,457	\$ 3,263
Charged to deferred exploration costs	760	-	840	619
Charged to development	404	-	1,368	902
	\$ 4,621	\$ -	\$ 5,665	\$ 4,784

Total expense was credited to contributed surplus.

14. Commitments and Contingencies

At September 30, 2007, the Company had remaining commitments expected to be paid in 2007 of \$21,419 on contracts totaling \$130,816 relating to equipment, engineering and construction at the Dolores Mine. Royalty payments on the Dolores property consisting of 3.25% of gold, and 2% of silver, net smelter revenues cannot be quantified until the project reaches production.

In addition, the Company has entered into operating leases for office premises that provide for minimum lease payments totaling \$286 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)

September 30, 2007 and 2006

15. 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 exploration expenditures

Under Canadian GAAP, expenditures on specific properties are capitalized until such time as it is established that no economically recoverable deposit exists, or the properties are sold or abandoned; related cash flows are reported as investing activities. US GAAP requires that mineral exploration expenditures be charged to the Statement of Loss and Deficit in the period incurred and the related cash flows be reported as operating activities. Accordingly, for US GAAP, all mineral exploration expenditures to date, including drilling and related costs incurred to convert existing resources to reserves or identify new inferred mineral resources, would be charged to the Statement of Loss and Deficit and the Statement of Cash Flows would report the expenditures as operating activities. In addition, foreign exchange adjustments resulting from the translation of deferred mineral exploration costs under Canadian GAAP have been excluded from the calculation of comprehensive loss under US GAAP as such costs would have been charged to expense as incurred under US GAAP.

(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. 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.

Under US GAAP, convertible debt instruments are 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.

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

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15. United States Generally Accepted Accounting Principles – Continued

(b) Convertible notes - Continued

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.

(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 September 30, 2007 under US GAAP.

The total intrinsic value of options exercised in the three month periods ended September 30, 2007 and 2006, was Cdn \$nil and Cdn \$281, respectively. The total intrinsic value of options exercised in the nine month periods ended September 30, 2007 and 2006 was Cdn \$6,249 and Cdn \$1,196, respectively. The total intrinsic value and weighted average contractual term of vested options at September 30, 2007 is Cdn \$9,657 and 2.7 years.

During the three and nine month periods ended September 30, 2007, \$264 and \$1,227, respectively, of stock based compensation related to development at Dolores was capitalized for Canadian GAAP and US GAAP (three and nine month periods ended September 30, 2006 – nil and \$902).

(d) Income taxes

For Canadian GAAP purposes, the introduction in Mexico of the new minimum flat tax is effective for the quarter ending September 30, 2007 as the tax reforms were substantively enacted on September 28, 2007, the date the legislation was signed by the President of Mexico (Note 10). Under US GAAP, these tax reforms are effective as of October 1, 2007, the date the legislation was published in the Diario Oficial. Accordingly, for US GAAP purposes, no provision for future income tax and no corresponding future income tax liability were recorded for the three and nine month period ended September 30, 2007 as a result of these reforms.

Minefinders Corporation Ltd.
Notes to Consolidated Financial Statements - Unaudited
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September 30, 2007 and 2006

15. United States Generally Accepted Accounting Principles – Continued

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

	Three months ended September 30,		Nine months ended September 30,	
	2007	2006	2007	2006
Statements of Loss and Deficit				
Net income (loss) per Canadian GAAP	\$ (12,969)	\$ (909)	\$ (13,845)	\$ (5,401)
Adjustments related to:				
Mineral exploration expenses	(2,968)	(1,573)	(6,206)	(10,958)
Convertible notes discount	1,097	-	3,205	-
Interest on convertible notes	967	-	2,863	-
Amortization of deferred financing charges	(48)	-	(143)	-
Provision for future income taxes	7,701	-	7,701	-
	<u>(952)</u>	<u>(1,573)</u>	<u>(281)</u>	<u>(10,958)</u>
Net income (loss) per US GAAP	(6,220)	(2,482)	(6,425)	(16,359)
Foreign exchange adjustment	-	129	-	2,703
Comprehensive income (loss) per US GAAP	<u>\$ (6,220)</u>	<u>\$ (2,353)</u>	<u>\$ (6,425)</u>	<u>\$ (13,656)</u>
Net earnings (loss) per share, basic and diluted	<u>\$ (0.13)</u>	<u>\$ (0.05)</u>	<u>\$ (0.13)</u>	<u>\$ (0.38)</u>
Statements of Cash Flows				
Cash flows used in operating activities per Canadian GAAP	\$ (2,637)	\$ (1,704)	\$ (9,540)	\$ (3,307)
Adjustments for mineral properties and exploration costs	(2,711)	(4,833)	(5,367)	(11,245)
Cash flows used in operating activities per US GAAP	<u>\$ (5,348)</u>	<u>\$ (6,537)</u>	<u>\$ (14,907)</u>	<u>\$ (14,552)</u>
Cash flows used in investing activities per Canadian GAAP	\$ (25,001)	\$ (22,601)	\$ (74,140)	\$ (37,334)
Adjustment for mineral properties and exploration costs	2,711	4,833	5,367	11,245
Cash flows used in investing activities per US GAAP	<u>\$ (22,290)</u>	<u>\$ (17,768)</u>	<u>\$ (68,773)</u>	<u>\$ (26,089)</u>

Minefinders Corporation Ltd.
Notes to Consolidated Financial Statements - Unaudited
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September 30, 2007 and 2006

15. United States Generally Accepted Accounting Principles – Continued

Balance Sheets	September 30, 2007	December 31, 2006
Assets per Canadian GAAP	\$ 261,358	\$ 255,520
Adjustment related to:		
Mineral exploration expenses	(71,862)	(65,656)
Convertible notes	6,423	1,688
Assets per US GAAP	\$ 195,919	\$ 191,552
Liabilities per Canadian GAAP	\$ 78,687	\$ 66,520
Adjustments related to:		
Convertible notes	26,377	27,567
Future income taxes	(7,701)	-
Mineral exploration expenses	(71,862)	

Adjustments related to:

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September 30, 2007 and 2006

15. United States Generally Accepted Accounting Principles – Continued

Consolidated summarized statement of cash flows – US GAAP
For the period from inception to September 30, 2007

Cash flows used in operating activities	\$ (82,867)
Cash flows used in investing activities	(123,079)
Cash flows provided by financing activities	245,271
Effect of exchange rates on cash and cash equivalents	<u>5,047</u>
Cumulative increase in cash and cash equivalents from inception being Cash and Cash equivalents, September 30, 2007	 <u>\$ 44,372</u>

(e) New accounting pronouncements

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 impact on the Company's September 30, 2007 interim consolidated financial statements resulting from the adoption of FIN 48.

Effective January 1, 2007, for US GAAP accounting purposes, the Company has adopted SFAS No. 155, "Accounting for Certain Hybrid Financial Instruments – an amendment of FASB Statements No. 133 and No. 140" ("SFAS 155"). SFAS 155 allows any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," to be carried at fair value in its entirety, with changes in fair value recognized in earnings. In addition, SFAS 155 requires that beneficial interests in securitized financial assets be analyzed to determine whether they are freestanding derivatives or contain an embedded derivative. There is no impact on the Company's September 30, 2007 interim consolidated financial statements resulting from the adoption of SFAS 155.