

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") provides a discussion and analysis of the financial condition and results of operations of Malbex Resources Inc. ("Malbex" or the "Company") to enable a reader to assess material changes in the financial condition and results of operations of the Company as at and for the three months ended December 31, 2009 and 2008. This MD&A should be read in conjunction with the unaudited interim consolidated financial statements and notes thereto ("Statements") of the Company for the three months ended December 31, 2009 and 2008 as well as the audited Consolidated Financial Statements of the Company as at and for the year ended September 30, 2009 including notes thereto. The Company's Consolidated Financial Statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP").

Peter Stewart, the Company's Vice President, Exploration, is a Professional Geoscientist in the Province of Ontario and is the Qualified Person as defined by National Instrument 43-101 responsible for the technical information contained in this MD&A. Details of our technical program can be found at www.malbex.ca/Projects/Technical_Standards.

All amounts included in this MD&A are in Canadian dollars, unless otherwise specified. This report is dated as of February 24, 2009. Readers are encouraged to read the Company's Annual Information Form, dated December 14, 2009, and the Company's public filings, which can be viewed on the SEDAR website (www.sedar.com).

Highlights of the three months ended December 31, 2009

- Closing of the reverse takeover transaction between Arapaho Capital Corp and Malbex Resources Inc., name change to Malbex Resources Inc. and stock symbol change to MBG
- Commencement of the US\$6 million 2009/2010 exploration field season on all three of our exploration properties
- Commencement of drilling at the Del Carmen project. Subsequent to the end of the quarter, we reported strong drill results from the Brecha Limite target, including 35 metres of 2.2 g/t gold and 42.9 g/t silver
- Working capital of \$6.7 million and cash-on-hand of \$6.8 million at December 31, 2009

Business Overview

The Company is an exploration stage mining company with three gold properties (Del Carmen, Despoblados, and Los Amarillos) in Argentina (collectively, the "Concessions"). The Concessions are located in San Juan province in the northwestern part of the country, and can be accessed in approximately 4 hours by paved highway and all-weather gravel road from the provincial capital. All three projects are located in the El Indio Gold Belt and two adjoin the border with Chile. Two of the projects (Los Amarillos and Despoblados) are adjacent to 30 million ounces of gold (past production and reserves) at Barrick's Veladero and Pascua Lama deposits (in 2005, Barrick published mineral reserves containing over 30 million ounces of gold). Los Amarillos and Del Carmen host epithermal alteration zones similar to those associated with the high-sulphidation gold deposits at the two Barrick deposits while the geologic setting at Despoblados is similar to Kinross' Fruta del Norte deposit in Ecuador.

The Company's three exploration projects are summarized in the table below. The Company has no other exploration projects or properties.

PROJECT & OWNERSHIP	2009/2010 PLANNED FIELD ACTIVITIES	SIZE	TARGET
Del Carmen 100%-owned	Mapping, trenching, geophysical surveys and up to 5,000 metres of diamond drilling	14,700 hectares	Pascua-Lama style high sulphidation epithermal gold+silver, and El Indio style high-grade gold+silver±copper systems
Despoblados 100%-owned	Mapping & geophysical surveys to identify buried drill targets	3,600 hectares	Buried low to intermediate sulphidation epithermal gold-silver system
Los Amarillos 100%-owned	Sampling, mapping and geophysical surveys of known prospects; regional geochemical stream sediment program	4,100 hectares	High sulphidation epithermal gold+silver systems
Totals		22,400 hectares	

While the Company's current focus is on the El Indio Belt projects, we are actively seeking new projects in Argentina and in other favourable jurisdictions in Latin America.

History

In May 2008, Malbex participated in a Concurso, a competitive bidding process called by the Provincial Institute of Mining and Exploration of the Province of San Juan, Argentina ("IPEEM") for the four concession blocks in the Province of San Juan, Argentina nominated as "Rio Cenizero A y B", "Del Carmen", "Los Despoblados" and "Arroyo de los Amarillos". Pursuant to the Concurso, on August 14, 2008, Malbex entered into three exploration agreements (the "Exploration Agreements") with IPEEM in respect of the Concessions, granting Malbex the exclusive right to carry out exploration activities on the Concessions with the option to undertake exploitation and trading activities with respect to certain precious minerals, ores and metals located therein.

In the latter part of 2008, Malbex commenced its operations in Argentina by setting up financial and banking facilities, completing certain local legal documentation, leasing office space in San Juan and retaining administrative staff and geologists. In February 2009, Mr. Tim Warman, P.Geol joined Malbex as President and Chief Executive Officer. Early in 2009, field programs commenced at the Concessions. Initial work consisted of prospecting to confirm previous mapping, collecting selected grab, channel and trench samples to confirm the presence of anomalous precious metals mineralization in outcrop and verify previous data collected, and ensuring that logistical support would be available for larger exploration efforts planned for the 2009-2010 field season. Due to seasonal weather conditions, fieldwork on the Concessions typically occurs between the months of October and April.

On August 10, 2009, Malbex received a National Instrument 43-101 compliant technical report (the "Technical Report") entitled "A Review of the Mineralization at, and the Proposed Exploration Programs for, the Del Carmen, Despoblados and Los Amarillos Concession Groups of the Valle Del Cura Project,

San Juan Province, Argentina", prepared by B. Terrence Hennessey, P. Geo. of Micon International Limited. Malbex concluded, and Micon supported its conclusion, that the previous level of exploration at the Concessions was incomplete and that exploration opportunities for the discovery of potentially economic deposits of high and/or low sulphidation mineralization remained.

Readers are cautioned that the Concessions are in the exploration stage and are without a known body of commercial mineralization. The exploration and development of mineral deposits involve significant financial risks over a significant period of time which even the combination of careful evaluation, experience and knowledge may not eliminate. Few properties which are explored are ultimately developed into producing mines. It is impossible to ensure that the current or proposed exploration programs on the Concessions will result in a profitable commercial mining operation.

Business Combination

On October 30, 2009 the Company completed a business combination transaction (the "RTO") with Malbex Resources Inc. ("Pre-RTO Malbex"). Pursuant to the RTO, Pre-RTO Malbex amalgamated (the "Amalgamation") with a wholly-owned subsidiary of the Company and shareholders of Pre-RTO Malbex received common shares of the Company ("Common Shares") in exchange for their common shares of Pre-RTO Malbex ("Pre-RTO Malbex Shares") on the basis of one Common Share for every 1.5 Pre-RTO Malbex Shares (the "Exchange Ratio"). The RTO resulted in a change of control of the Company and constituted a reverse take-over under the policies of the TSX Venture Exchange.

As a result of the Amalgamation, effective October 30, 2009 the Company indirectly holds all of the assets of Pre-RTO Malbex, including the Del Carmen, Despoblados, and Los Amarillos gold exploration projects located in the Province of San Juan in north-western Argentina.

Immediately prior to completion of the Amalgamation, each Pre-RTO Malbex Subscription Receipt was exchanged, without the payment of any additional consideration, for one unit of Pre-RTO Malbex. Each unit consisted of one Pre-RTO Malbex Share and one-half of one common share purchase warrant of Pre-RTO Malbex (each whole warrant a "Pre-RTO Malbex Warrant").

At the effective time of the Amalgamation, among other things, outstanding Pre-RTO Malbex Shares (including those Pre-RTO Malbex Shares issued upon the deemed exchange of the Pre-RTO Malbex Subscription Receipts) and Pre-RTO Malbex Warrants were exchanged for Common Shares and common share purchase warrants of the Company ("Replacement Warrants"), respectively, on the basis of the Exchange Ratio. Each Replacement Warrant entitles the holder thereof to purchase one Common Share at an exercise price of \$1.125 per Common Share until April 29, 2011, provided that if the closing price of the Common Shares on a stock exchange in Canada is higher than \$1.50 per Common Share for a period of 20 consecutive trading days, the Company may accelerate the expiry date of the Replacement Warrants by giving notice to the holders thereof and in such case the Replacement Warrants will expire on the 30th day after the date on which such notice is given by the Company. In addition, under the Amalgamation outstanding broker warrants of Pre-RTO Malbex were exchanged for broker warrants of the Company ("Replacement Broker Warrants") on the basis of the Exchange Ratio. Outstanding options ("Pre-RTO Malbex Options") to purchase Pre-RTO Malbex Shares granted under the share option plan of Pre-RTO Malbex entitle the holders thereof to acquire Common Shares, on the basis of the Exchange Ratio, upon the exercise thereof.

The consolidated financial statements of the combined entity are issued under the name of the Company, but are a continuation of the consolidated financial statements of Pre-RTO Malbex. Comparative amounts are those of Pre-RTO Malbex.

Board of Directors and Management Changes

Following completion of the Amalgamation, the Board of Directors and Management of the Company consists of:

Patrick F. N. Anderson – Director

Since graduating from the University of Toronto's geology program 15 years ago, Mr. Anderson has been a consulting geologist on gold, base metals and diamond projects for junior explorers, major producers and mineral industry consulting firms in South America, North America and Europe. Mr. Anderson was the President and CEO and a director of Aurelian Resources Inc., a company which he co-founded, prior to its takeover in 2008 by Kinross Gold Corporation. Mr. Anderson currently sits on the boards of Colossus Minerals Inc., Noront Resources Ltd. and U3O8 Corp Inc. He was named Mining Man of the Year by the Northern Miner in 2009 and received the Thayer Lindsley award for international discovery from the PDAC in 2008.

David Garofalo - Director

Mr. Garofalo, C.A., ICD.D, is Senior Vice-President, Finance and Chief Financial Officer at Agnico-Eagle Mines Limited. Before joining Agnico-Eagle in 1998, Mr. Garofalo served as Treasurer of Inmet Mining Corporation, an international mining company. Mr. Garofalo is a certified director, Institute of Corporate Directors and serves on the Boards of Directors of Agnico-Eagle and Stornoway Diamond Corporation. Mr. Garofalo is a graduate of the University of Toronto (B.Comm.) and a Chartered Accountant.

Joseph Hamilton - Secretary and Director

Mr. Hamilton was most recently co-interim CEO of Noront Resources Ltd., an exploration stage resource company listed on the Toronto Stock Exchange (TSX). From 2005 to 2008 Mr. Hamilton was Chief Executive Officer of African Copper Plc, an international exploration and development company listed on the TSX and the AIM market of the London Stock Exchange. Mr. Hamilton has over 23 years of experience in the international mining industry. Mr. Hamilton obtained a Masters of Science (Applied) from Queen's University in 1991 and a Bachelor of Science from the University of Toronto in 1985. Mr. Hamilton is a Chartered Financial Analyst and a Professional Geologist. He is currently a member of the Association of Professional Geoscientists of Ontario, Canada, a member of the CFA Institute and a member of the Institute of Corporate Directors. He is currently a director of the following public companies: Mirabela Nickel Ltd., Noront Resources Ltd. and GA Capital Corp.

Terry MacGibbon - Director

Mr. MacGibbon, Director, B.Sc., P.Geo, ICD.D, is a registered professional geologist with over 35 years of international experience in the mining business. Mr. MacGibbon is the founder, Chairman and CEO of FNX Mining Company Inc., a TSX-listed Canadian mining company that has over the past several years emerged from a junior exploration company into a mid-tier diversified Canadian mining company that produces nickel, copper, cobalt, platinum, palladium and gold from its mineral properties located in the Sudbury, ON, Canada mining camp. In 2005, Mr. MacGibbon was awarded the prestigious Prospector and Developer Association's Developer of the Year award and in the fall of the same year, Ernst and Young honoured Mr. MacGibbon with an Entrepreneur of the Year award. Mr. MacGibbon is a certified director, Institute of Corporate Directors, and a board member of several TSX public companies.

Tim Warman - Director and President and Chief Executive Officer

Mr. Warman is a professional geologist with over 20 years of experience in all phases of the mining industry, from grass roots exploration through feasibility and development. He was most recently the Vice President, Corporate Development of Aurelian Resources Inc., where he supported the exploration team in Ecuador, initiated and managed early-stage development studies, marketed Aurelian to international investors and played a significant role in successfully negotiating the \$1.2 billion acquisition of Aurelian by Kinross Gold Corporation. Prior to Aurelian, Mr. Warman held senior positions in a number of mining and exploration companies working in North America, Africa and Europe. Mr. Warman is a graduate of the University of Manitoba (MSc) and McMaster University (BSc) and a member of the Association of Professional Geoscientists of Ontario.

Derrick Weyrauch - Chief Financial Officer

Mr. Weyrauch, C.A., has 19 years of senior financial experience with several international companies operating throughout North America and Europe. Prior to joining the Company, he was most recently Treasurer and Director of Finance at Gabriel Resources Ltd. Mr. Weyrauch has also held senior management positions with Cinram International Inc., BBi Enterprises LLP and Prism Medical Ltd. He obtained his Chartered Accountants designation in 1990 with KPMG LLP.

Peter Stewart - Vice President, Exploration

Dr. Stewart is an economic geologist with over 25 years of experience in the mining and related industries, including mineral exploration and development, government geological surveys and geology instruction at several universities. Prior to joining the Company, he provided geological consulting services to Aurelian Resources Inc. and Kinross Gold Corporation at the Fruta del Norte discovery and to other junior and private gold companies from 2002-2008. From 1992-1998, Dr. Stewart was Exploration Geologist for Phelps Dodge, with assignments in Eastern and Northern Canada, Southeast Asia, Idaho and Morocco. Prior to 1992, he worked as an exploration geologist for base and precious metal deposits across Canada and in Australia. Dr. Stewart received degrees in geology from Acadia University, Wolfville, NS (B.Sc.), Memorial University of Newfoundland (M.Sc.) and the University of Western Ontario (Ph.D.) and has been a registered Professional Geoscientist in Ontario since 2003.

Ignacio Celorrio - President and Director of Malbex San Juan S.A.

Mr. Celorrio received his law degree from the Catholic University of Buenos Aires in 1996 and a Post-Graduate Specialization in Oil & Gas from the University of Buenos Aires in 2000. Mr. Celorrio is a member of the Buenos Aires Bar and has been a partner with Quevedo Abogados, a Buenos Aires law firm, since November 2007. He practices in the areas of foreign investment, corporate and administrative law, principally in the natural resource and energy area. Mr. Celorrio has presided over the Argentinean subsidiaries of several TSX-listed companies that explored for minerals in Argentina and is currently the president of the Argentina Uranium Exploration Companies Chamber and a member of the Argentina Mining Chamber Comptroller Board.

F. Carson Noel - General Manager, Malbex San Juan S.A.

Mr. Noel has 15 years of management experience in South America, culminating in his role as General Manager of Aurelian Ecuador S.A. from 2005 to 2009. Prior to that, he acted as a consultant to the Canadian Commercial Corporation, (Canada's export contracting agency) primarily engaged in government to government negotiations for goods and services trade, and also as a General Manager/President of two public Canadian exploration companies. He is past President/Founding Director of the Ecuadorian-Canadian Chamber of Commerce and past director of the Ecuadorian Chamber of Mines. Mr. Noel earned his LL.B/MBA at Dalhousie University and a B.Comm. (Co-Op) from Memorial University of Newfoundland. He is a member in good standing of the Law Society of Newfoundland.

Change of Name and Stock Symbol

Following a special meeting of shareholders held on December 3, 2009, shareholders among other matters approved a resolution to continue the Company under the Business Corporations Act (Ontario) with the name, as designated by the directors of the corporation, "Malbex Resources Inc." ("Malbex"). In addition, the Company changed its stock symbol to "MBG".

Exploration Activities

The 2009-2010 exploration program began in October 2009 and will extend through the Andean summer season, finishing up in early May 2010. Malbex has budgeted approximately US\$6.0 million for the 2009-2010 exploration programs.

Del Carmen

Del Carmen, the Company's flagship project, is located near the southern end of the El Indio Gold Belt. The Del Carmen concession area hosts two large alteration systems which are visible as colour anomalies on satellite imagery and known as Del Carmen Norte and Del Carmen Sur. These are the focus of the current exploration programs.

Del Carmen Norte is a well-exposed, high sulphidation epithermal gold-silver system that covers approximately 9 km². Del Carmen Sur is a less well exposed high sulphidation epithermal system some 5 km to the south of Del Carmen Norte, within the same concession package (Figure 1).



Figure 1: Del Carmen Project

Preliminary exploration at Del Carmen Norte by Malbex in 2008/2009 revealed widespread trace to high grade gold mineralization on surface within the large alteration zone, principally in siliceous black-matrix, hydrothermal breccias that are commonly controlled within north-east striking structures such as that tested at Cresta del Gallo. The style and mineralogy of alteration at Del Carmen Norte is typical for high-sulphidation epithermal gold-silver systems with hydrothermal alteration zoned around cores of massive and vuggy silica, similar to the producing Veladero gold-silver mine and the large Pascua-Lama deposit currently in development. The best result of previous drilling of the Del Carmen Norte system in the late 1990s was 36 m at 1.06 g/t gold.

The exploration completed earlier in 2009 defined the following drill targets at Del Carmen Norte (Figure 2):

- **Cresta del Gallo** - northeast-striking band of intense to moderate silicification with narrow envelope of quartz-alunite within broad zone of argillic (kaolinite) alteration; controlled by northeast-striking structure
- **Brecha Límite** - northeast-striking bands of intense silicification, massive to vuggy and breccia textures; local barite crystals; locally prominent fracture (vein) controlled copper mineralization (chalcocite, enargite, malachite, azurite)
- **Quebrada Pedregosa** - high grade silicified dacite tuff and hydrothermal breccia with narrow zones of northeast-striking veinlets of jarosite (\pm quartz-hematite) and high grade gold (several samples >100 g/t Au)
- **Brecha Oportuna** - roughly north-striking, narrow band of silicification and siliceous breccias within quartz-alunite alteration
- **Rojo Grande-Lion King** - subhorizontal bands of silicification, locally prominent vuggy textures and red-brown discolouration; gold accompanies ENE-striking hydrothermal breccias that cut massive silica
- **Ladera Sur de los Tortólas** - silicified dacite tuff with zones of east-southeast-striking hydrothermal breccia and quartz-alunite veinlets

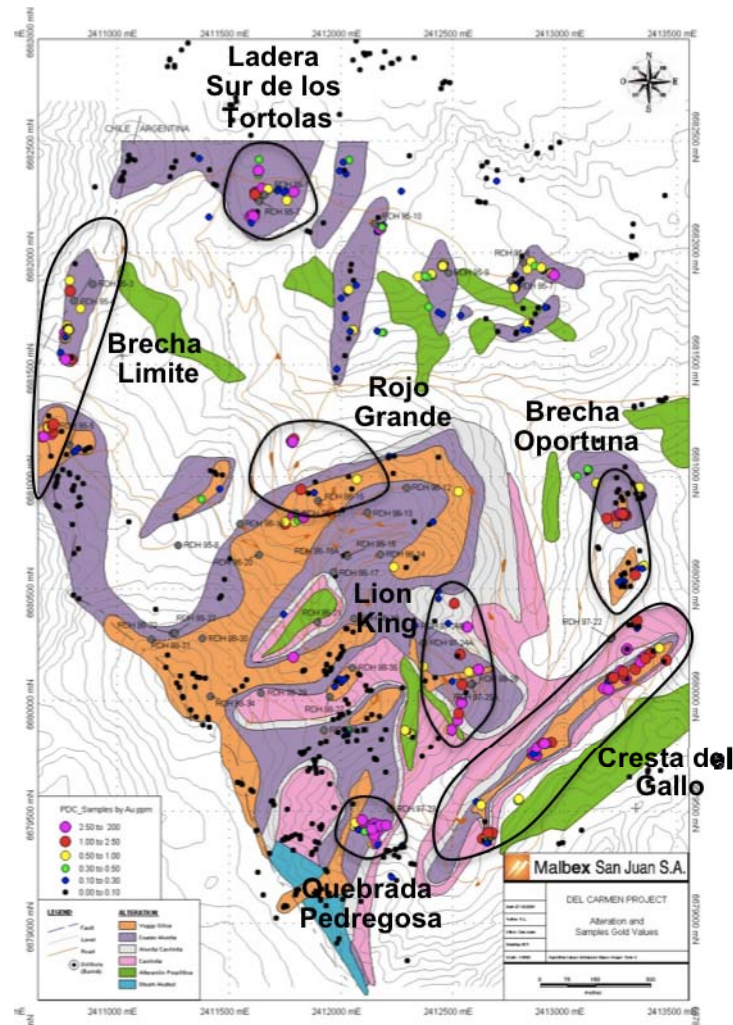


Figure 2: Current Del Carmen Norte Drill Targets

Coincident gold, silver, copper and arsenic enrichment distinguishes the Brecha Límite and Ladera Sur de los Tortólas prospects from the others, and suggests the occurrence of epithermal enargite-bearing vein mineralization. Similar high-grade mineralization was exploited in the past at Barrick's former El Indio mine, some 20 km to the northwest in Chile.

Exploration at Del Carmen Sur is at a preliminary stage with Malbex geologists first commencing mapping and prospecting there in December 2009 due to less developed road access and generally higher elevations than at Del Carmen Norte.

Work Program

The field program at Del Carmen Norte consists of geological mapping, rock sampling including mechanical trenching, ground geophysical surveying (magnetometer and controlled source audio-magneto-telluric (CSAMT)) and diamond drilling of the targets described above. The results of this

program will be combined with data available from previous operators, including that from thirty-five reverse circulation drill holes totalling 8,424 metres, to build a 3-D computer model. This model will be used to evaluate the geological, structural and hydrothermal features in order to define high potential drill holes at Del Carmen Norte to be tested in the 2010/11 field campaign.

At Del Carmen Sur, significantly less historic exploratory work was conducted. Malbex geologists have initiated mapping, sampling and mechanical trenching with the goal of better defining the extent and variations in style of the alteration system and identifying target areas for follow-up work, especially potential drill targets for the next field season.

Results

On February 17, 2010, the Company announced drill results from the first two holes testing Brecha Límite, one of several prospective targets within the Del Carmen Norte high sulphidation alteration system. Both holes intersected sub-vertical siliceous hydrothermal breccia below or northeast of outcropping vuggy silica and quartz-alunite alteration. Hole DDHC-10-008 contains a 35 metre (m) long interval grading 2.2 grams per tonne (g/t) gold (Au) and 42.9 g/t silver (Ag). This includes a 16 m long interval grading 4.03 g/t Au and 81.8 g/t Ag (5.39 g/t Au equivalent), which further includes a higher grade interval of 4.0 m at 6.99 g/t Au and 191.25 g/t Ag (10.18 g/t Au equivalent). Hole DDHC 10-007, collared 60 m north-east along strike, was abandoned at 34.8 m due to drilling problems, but ended in mineralisation with grades of 0.78 g/t Au and 11.68 g/t Ag over the final 10.8 m. The mineralisation intercepted in the two holes appears to continue north-eastwards within the Concessions.

Hole DDHC-10-008 was collared about 60 m to the southwest at the same azimuth (330°) and slightly shallower dip than DDHC-10-007 (60° vs. 65°). It was drilled to a depth of 121.6 m. Silicification and mineralization decrease below roughly 70 m downhole. Sulphides are largely oxidized to jarosite in the silicified rocks with disseminated pyrite common in the succeeding argillic alteration. Multiple pulses of very fine-grained silica-cemented hydrothermal breccias characterize the mineralized interval.

The mineralized intercepts from Brecha Limite are tabulated below.

Hole ID	From (metres)	To (metres)	Interval Length (metres)	Au (g/t)	Ag (g/t)	Au EQ (g/t)
DDHC-10-007	0.0	3.6	3.6	0.69	58.42	1.67
DDHC-10-007	18.0	34.8	16.8	0.59	10.69	0.77
including	24.0	34.8	10.8	0.78	11.68	0.97
DDHC-10-008	18.0	53.0	35.0	2.22	42.94	2.94
including	30.0	46.0	16.0	4.03	81.77	5.39
which includes	38.0	42.0	4.0	6.99	191.25	10.18
nd = not detected; na = not applicable						
<i>Mineralised intercepts are based on a 0.1 g/t Au cutoff, with no more than 3 metres of internal dilution. Au EQ is calculated using 60 g/t Ag = 1 g/t Au (based on the 3-year average gold:silver price ratio) and assuming 100% metallurgical recovery.</i>						

There has been insufficient drilling to date to reliably calculate true widths for the mineralised intercepts noted above.

The February 17, 2010 press release also included assays for hole DDHC-10-006, the last of six holes that tested the 1.4 kilometre (km) long Cresta del Gallo target. No significant mineralisation was encountered in this hole. The Company previously announced on January 27, 2010 the results of five holes that intersected sub-vertical zones of siliceous hydrothermal breccias and vuggy silica at Cresta del Gallo, with the best result being hole DDH-09-002 which intercepted 27 m grading 0.5 grams per tonne (g/t) gold (Au) and 3.71 g/t silver (Ag).

All holes at Cresta del Gallo were oriented to the southeast to intersect the northeast-striking silicified rocks. Most were drilled at -45 degrees dip, including DDHC-10-006. The intensity of silicification in the structure appears to decrease to the southeast based on hole DDHC-10-006. Holes DDHC-10-007 and DDHC-10-008 were drilled beneath and northeast of outcropping vuggy silica alteration and hydrothermal breccia with up to 6.67 g/t Au in surface samples.

As of February 19, 2010, we completed drilling of just over 2,400 metres in 19 diamond drill holes at Del Carmen Norte. Results are pending on eleven of those drill holes.

At Del Carmen Sur, mapping is ongoing and Malbex geologists have collected more than 500 rock chip samples. Assay review for most samples is ongoing.

Despoblados

The Despoblados project is located immediately east of Barrick's Veladero mine and the concession covers over 6 sq km of the -Pascua-Lama-Veladero ("PLV") structural corridor. Access is particularly good

as the Veladero mine access road crosses the centre of the Despoblados property. Exploration of the Despoblados project is based on the interpretation of two pull-apart basins filled with sandstone and conglomerate within the PLV corridor. The identification of siliceous sinter within the basin-filling sedimentary rocks suggests the potential for low to intermediate sulphidation gold-silver veins systems that are buried beneath or within these basins or along the fault boundaries of the basins. Exploration by previous operators of this project focused principally on low sulphidation veins in the large area of hydrothermal alteration visible in remote sensing (satellite) imagery to the south of the corridor. Designated as the western and eastern pull-apart basins, neither basin has been drill tested.

Current Work Program

The Los Despoblados exploration program consists of detailed geological mapping and ground geophysical surveying (magnetometer and CSAMT) of the two pull-apart basins, and the hosting structure. Mapping is designed to better define the structural history of the basins and their relationship to fault movements in the PLV corridor. The CSAMT study will identify any zones of enhanced resistivity including those caused by hydrothermal silicification or extensive quartz veining within or beneath the basins. Up to 1,000 metres of diamond drilling will be employed to test beneath the basin-fill sequences or elsewhere along the structural corridor if suitable targets are identified from mapping and geophysical surveys.

Results from Current Work Program

It is estimated that geological mapping of the property at 1:5000 scale is about 75% complete. Mapping of the basin-fill sedimentary rocks at 1:2500 scale is 100% complete. The sedimentary rocks vary from relatively flat-lying in the east, to variably folded in the west, with the traceable sinter and carbonate horizons assisting in defining the folds. As of February 19, 2010, over 160 rock samples have been collected with results obtained for 125 samples. Limited evidence for gold-silver mineralization has been detected on surface; nearly all of these are from the known alteration zone south of the corridor and pull-apart basins. This is not, however, unexpected as the targets in this case are likely buried beneath the sedimentary rocks that fill the pull-apart basins.

The magnetometer survey has been completed and the preliminary data processed but a final interpretation is not currently available. As of February 19, 2010, the CSAMT survey is in progress.

Arroyo de los Amarillos

The Los Amarillos concessions adjoin the Argentina-Chile border and concessions that contain the Pascua-Lama deposit, which is currently under development by Barrick Gold Corporation. Field mapping by Malbex has confirmed the existence of several hydrothermal alteration zones in the south-western portion of the Los Amarillos project concessions that are visible in remote sensing (satellite) imagery. These alteration zones have been the focus of exploration by the two previous operators of the project. The remaining 90 percent of the concessions were essentially unexplored.

Current Work Program

Detailed mapping, rock sampling and geophysical (magnetometer and CSAMT) surveys will attempt to define any previously unrecognized prospective sectors of the known altered rocks in the south-western

corner of the concessions. If warranted, previously untested targets in the visibly altered areas will be diamond drilled in a subsequent field season. The potential of the largely unexplored regions of the Los Amarillos concessions will be evaluated by a reconnaissance stream sampling program (-80 mesh stream sediments, panned heavy mineral concentrates, and rock and float samples).

Results from Current Work Program

The first pass stream sampling of the reconnaissance program has been completed and results received. Absolute values in gold and silver are generally low in all types of samples from all drainages including Arroyo de Los Amarillos (see table below). Quebrada Cholay in the central portion of the property and Quebrada Soberado in the north each have more than one sample that are weakly but statistically anomalous in Au and/or Ag and these drainages have been designated for follow up in the current field campaign. Gold associated pathfinder elements (As, Sb, Hg) and base metals are also consistently low except for the northernmost tributary of Arroyo de Los Amarillos which has elevated Zn (to 3090ppm). The Zn anomalous samples are also elevated in Mn.

sample type	n	n < Au detection limit (0.005)	Au (ppm) max	n < Ag detection limit (0.5)	Ag (ppm) max
-80 mesh	59	37	0.08	29	0.7
panned con	59	35	0.02	43	0.7
rock	31	21	0.289*	29	1.1
	* collected from a known prospect, not part of the regional stream sediment program				

The previously identified and explored (including drill testing) alteration zones (named as Breccia Norte, Maria del Milagro and Pancho Villa by previous operators) are being re-mapped, prospected and sampled. This is being conducted in conjunction with ground geophysical surveying (magnetometer, CSAMT). The magnetometer study (100m spaced lines) is complete but results are not yet available. The CSAMT survey will be conducted once the geophysical crew is finished surveying at Despoblados.

Outlook

Our key objectives are:

- To vigorously explore the three El Indio Belt Concessions, and advance at least one through discovery to resource definition and pre-feasibility within the 5 ½ year term of our Exploration Agreements, and
- To acquire new projects in Argentina and other favourable jurisdictions in South America, taking advantage of current favourable market conditions.

Results of Operations

The results of operations are summarized in the following tables, which have been prepared in accordance with Canadian Generally Accepted Accounting Principles:

<i>In Canadian dollars, except per share amounts</i>	For the quarters ended:			
	31-Dec-09	30-Sep-09	30-Jun-09	31-Mar-09
Statement of Loss				
Loss	\$ 1,982,454	\$ 1,336,546	\$ 504,213	\$ 63,860
Loss per share	0.04	0.03	0.01	0.00
Balance Sheet				
Working capital	\$ 6,689,568	\$ 380,116	\$ 1,499,522	\$ 365,790
Total assets	14,436,456	13,649,617	14,257,649	4,373,866
Statement of Cash Flows				
Investment in exploration	\$ 1,416,723	\$ 764,621	\$ 534,123	\$ 281,530
Cash Flow provided by financing activities	8,686,717	(163,978)	2,142,198	1,053,347

<i>In Canadian dollars, except per share amounts</i>	For the quarters ended:		
	31-Dec-08	30-Sep-08	30-Jun-08
Statement of Loss			
Loss	\$ (20,220)	\$ 178,560	\$ 11,804
Loss per share	-	-	-
Balance Sheet			
Working capital	\$ (192,343)	\$ 437,331	\$ 1,906,730
Total assets	3,433,842	3,168,509	1,987,941
Statement of Cash Flows			
Investment in exploration	-	-	-
Cash Flow provided by financing activities	-	3,253,250	1

The increase in losses for the three months ended December 31, 2009 and September 30, 2009 reflects higher levels of corporate activities as a result of establishing a management team and corporate office during 2009. Included in operating results for those periods are non-cash stock-based compensation expenses of \$1,505,000 and \$838,000, respectively, thus actual cash losses are lower and are \$477,000 and \$499,000 for the three months ended December 31, 2009 and September 30, 2009.

Working capital increased during the three months ended December 31, 2009 due to the release from escrow of \$7,798,061, concurrent with the October 30, 2009 Amalgamation, representing the escrowed portion of the gross proceeds raised by Pre-RTO Malbex in a June 30, 2009 \$10,637,000 private placement. Increased working capital during the three months ended June 30, 2009 is the result of the Company receiving the non-escrowed portion of gross proceeds from the June 30, 2009 private placement.

Since obtaining its exploration projects in August 2008, the increasing levels of exploration investments reflect the ramp up of activity levels as the Company undertakes its exploration programs in the El Indio Gold Belt of north-western Argentina.

Statement of Loss

The following table sets forth selected data for the periods indicated:

<i>In Canadian dollars, except per share amounts</i>	Three Months Ended December 31	
	2009	2008
Stock-based compensation	\$ 1,505,000	\$ -
Professional fees	90,320	247,398
Corporate, general and administrative	320,889	106,333
Amortization	6,712	-
Total operating expenses for the period	1,922,921	353,731
Loss for the period	1,982,454	20,220
Loss per share - basic and diluted	0.04	-

During December 2009 the Company granted stock options to directors, officers, employees and consultants of the Company. Each such option was valued using the Black-Scholes option pricing model. The options were assigned an aggregate value of \$2,137,100, of which \$632,100 was capitalized as deferred mineral property expenditures and \$1,505,000 was charged to income during the three months ended December 31, 2009.

Professional fees during the three months ended December 31, 2009 are primarily due to legal costs related to post Amalgamation matters including the continuance of Malbex from British Columbia to Ontario and the preparation of an Annual Information Form ("AIF") that was filed on www.Sedar.com. Following the filing of an AIF the Company has qualified to be able to file a short-form prospectus under NI 44-101. With the Amalgamation and associated corporate matters completed, management anticipates lower ongoing professional fees. Professional fees incurred during the corresponding 2008 period primarily relate to the establishment of an Argentinean office and the completion of certain local legal documentation.

Corporate, general and administrative costs for the three months ended December 31, 2009 are higher than the prior year due to the establishment of a corporate office in Toronto during 2009 and increased investor relations activities.

The Company maintains US\$2,250,000 in non-current restricted cash at an international insurance company and with the Canadian dollar weakened against the US dollar in the three months ended December 31, 2008 a \$372,567 foreign exchange gain occurred compared to a \$62,987 loss in the corresponding 2009 period where the Canadian dollar strengthened compared to the US dollar.

Investing Activities

Mineral Properties

We capitalize all costs incurred in Argentina related to our exploration projects – Del Carmen, Despoblados and Los Amarillos -- to mineral properties.

Listed below is a summary of expenditures for the three months ended December 31, 2009 and 2008.

	Three Months Ended December 31		Cumulative From Inception on April 24, 2008
	2009	2008	
Balance, beginning of period	\$ 2,160,293	\$ 97,381	\$ -
Land / Concession	50,138	63,623	288,490
Geology (assay and geochem costs)	25,813	20,000	109,969
Surface Drilling	159,831	-	159,831
Geochemical Studies	3,871	-	69,483
Geophysical Studies	26,801	-	55,280
Environmental Studies	8,498	56,154	84,652
Data Gathering	5,029	-	15,325
Field Camp including Earthworks	664,844	-	1,366,963
Transportation	153,817	70,976	363,625
Communications	10,920	-	12,581
Project Management	376,662	-	434,229
Administration and Amortization	577,854	178,784	1,263,943
	2,064,078	389,537	4,224,371
Total Deferred Mineral Property Expenditures	\$ 4,224,371	\$ 486,918	\$ 4,224,371

The Company obtained its three exploration properties in August 2008 and undertook preliminary investigative exploration activities in 2008 and early 2009. However, during the three months ended December 31, 2009, the Company began its first full exploration field season campaign, with higher associated costs.

By early November 2009, exploration camps had been installed at the Del Carmen and Despoblados projects. Construction crews commenced clearing access roads and preparing drill platforms at Del Carmen, the Company's flagship project, for the diamond drilling program focused on the Del Carmen Norte epithermal system. Diamond drilling at Del Carmen Norte began in November, while exploration was also initiated at Despoblados and Amarillos. As a result of the increased level of activity, expenditures increased in all categories during the three months ended December 31, 2009 compared to the corresponding 2008 period.

As previously noted, the Company released its first drill results for the Cresta del Gallo target of Del Carmen Norte on January 27, 2010 and, following that announcement, on February 17, 2010, the Company announced that it had intercepted 35 metres Grading 2.2 g/t Gold and 42.9 g/t Silver at the Brecha Limite target of Del Carmen Norte.

Cash Flow Statement

Liquidity, Capital Resources and Contractual Obligations

As at December 31, 2009 the Company had working capital of \$6,689,568 (September 2009 - \$380,116) and held \$6,810,720 (September 2009 - \$557,118) of cash. The increase in working capital from September 2009 is due to the release from escrow of \$7,798,061, concurrent with the October 30, 2009 Amalgamation, representing the escrowed portion of the gross proceeds raised by Pre-RTO Malbex in a June 30, 2009 \$10,637,000 private placement. Additionally, net monetary assets of \$816,588 were acquired by the Company in conjunction with the Amalgamation and were accounted for as the issuance of shares by Malbex and therefore charged, net of transaction costs, to Capital Stock.

In addition to its working capital, the Company has non-current restricted cash, being a deposit of US\$2,250,000, held in escrow by an international insurance company to guarantee the commitments of the Company under its Exploration Agreements. Such deposits are equal to five per cent of the 5 1/2-year exploration commitment made by Malbex under the Exploration Agreements

The Company's only sources of liquidity are its cash balances, the exercise of stock options, warrants and broker warrants outstanding, and the equity markets.

The Exploration Agreements cover four phases of exploration commencing September 12, 2008, during which the Company has the exclusive right to carry out prospecting and exploration activities on the Concessions. Under the Exploration Agreements, the Company must (i) pay the annual concession fees (canon payments) to the Province of San Juan on behalf of IPEEM, which total approximately US\$37,405, (ii) make total monthly payments of US\$11,400 to IPEEM, and (iii) make exploration expenditures during each phase set out in the Exploration Agreements as follows:

Project	(US\$ million)				
	Phase 1	Phase 2	Phase 3	Phase 4	Total
Del Carmen	1.5	2.5	6.0	10.0	20.0
Despoblados	1.0	2.0	4.0	8.0	15.0
Los Amarillos	1.0	2.0	3.0	4.0	10.0
Total	3.5	6.5	13.0	22.0	45.0

IPEEM may grant extensions to the term of the Exploration Agreements upon proper justification and must grant extensions to such term when such extension is related to the execution of additional or unforeseen exploration work that is necessary to advance exploration. On August 10 2009, IPEEM granted Malbex a six month extension to make the exploration expenditures required during Phase 1 of each of the Exploration Agreements, which were originally required expenditures to be made by September 12, 2009. Under the terms of the extension, the Company must make the required Phase 1 exploration expenditures by March 12, 2010, with Phase 2, Phase 3 and Phase 4 commencing on March 12, 2010, March 12, 2011, and March 12, 2012 respectively. We expect to meet our obligations under the Exploration Agreements.

The 2009-2010 exploration program on the three Concessions is scheduled to conclude at the end of the Andean summer in May 2010.

The Company will need to raise additional funding to finance exploration programs beyond the 2009-2010 field season. The timing and ability to do so will depend on the liquidity of the financial markets, the willingness of investors to finance resource based junior companies, the results of the Company's exploration activities at the Concessions and the willingness of investors to support the acquisition of additional projects. At this time, the Company does not anticipate profit from operations, therefore it will have to rely on its ability to obtain equity or debt financing for growth. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable to the Company. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of the property interests of the Company with the possible reduction or loss of such interests.

Related Party and Other Transactions

During the three months ended December 31, 2009, the Company incurred legal fees of \$90,000 (December 31, 2008 - \$46,755) and reimbursement of expenses of \$nil (December 31, 2008 - \$1,568) to a law firm of which a shareholder and former director of the Company is a partner. As at December 31, 2009, included in accounts payable and accrued liabilities was \$90,000 (December 31, 2008 - \$156) in respect of these transactions.

During the three months ended December 31, 2009, the Company incurred legal fees capitalized to the property of \$37,508 (legal fees expensed December 31, 2008 - \$51,066) for Malbex San Juan S.A. and reimbursement of expenses of \$nil (December 31, 2008 - \$6,868) to a law firm of which a shareholder and director of a subsidiary of the Company is a partner. As at December 31, 2009, included in accounts payable and accrued liabilities was \$17,979 (December 31, 2008 - \$11,099) in respect of these transactions.

Adoption of New Accounting Standards

International Financial Reporting Standards ("IFRS")

In January 2006, the CICA's Accounting Standards Board ("**AcSB**") formally adopted the strategy of replacing Canadian GAAP with IFRS for Canadian enterprises with public accountability. The current conversion timetable calls for financial reporting under IFRS for accounting periods commencing on or after January 1, 2011. On February 13, 2008 the AcSB confirmed that the use of IFRS will be required in 2011 for publicly accountable profit-oriented enterprises. For these entities, IFRS will be required for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company is currently assessing the impact of IFRS on its financial statements.

Business Combinations, Consolidated Financial Statements and Non-Controlling Interests

The CICA issued three new accounting standards in January 2009: Section 1582, Business Combinations, Section 1601, Consolidated Financial Statements and Section 1602, Non-Controlling interests. These new standards will be effective for fiscal years beginning on or after January 1, 2011. The Company is in the process of evaluating the requirements of the new standards.

Section 1582 replaces Section 1581 and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to IFRS 3R - Business Combinations. The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Sections 1601 and 1602 together replace Section 1600, Consolidated Financial Statements. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1601 applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS FAS 27R - Consolidated and Separate Financial Statements and applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.

Goodwill and Intangible Assets

Effective January 1, 2009, the Company adopted Section 3064, "Goodwill and Intangible Assets" which replaced the existing Canadian Institute of Chartered Accountants ("CICA") Handbook Sections 3062, "Goodwill and Other Intangible Assets" and 3450 "Research and Development Costs". This standard is effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008 with earlier application encouraged. The standard provides guidance on the recognition, measurement and disclosure requirements for goodwill and intangible assets. The adoption of this standard had no impact on the Company's presentation of its financial position or results of operations.

Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

In January 2009, the CICA approved EIC 173 Credit Risk and the Fair Value of Financial Assets and Financial Liabilities. This guidance clarified that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities including derivative instruments. This guidance is applicable to fiscal periods ending on or after January 20, 2009. The Company is continually evaluating its counterparties and their credit risks. The adoption of this standard had no impact on the Company's presentation of its financial position or results of operations.

Outstanding Share Data

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preference shares.

The Company's fully diluted share capital as at the report date hereof is set out in the following table:

	Outstanding
Common shares	56,458,301
Common share purchase warrants	7,091,645
Common share broker warrants	847,500
Common share stock-options	5,216,663
Fully Diluted	69,614,109

Off Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Forward-Looking Statements

This MD&A contains "forward-looking information" within the meaning of applicable Canadian securities laws which is prospective in nature. Forward-looking information by its nature requires the Company to make assumptions and is subject to inherent risks and uncertainties. Forward-looking information includes, but is not limited to, statements about strategic plans, future operations, results of exploration, cost estimates, sustaining capital, anticipated financial results, future work programs, capital expenditures and objectives, evolution and economic performance of development projects, exploration budgets and targets, continuity of a favourable gold market, contractual commitments, continuous availability of required manpower and continuous access to capital markets, future ability to finance exploration on the Concessions and other statements that express management's expectations or estimates regarding the timing of completion of various aspects of exploration at the Concessions or of the Company's future performance. Forward-looking information is generally, but not always, identifiable by use of the words "may", "will", "should", "continue", "expect", "anticipate", "estimate", "believe", "intend", "plan" or "project" or the negative or other variations of these words or comparable terminology. The Company has made certain assumptions about the Company's business, the economy and the mineral exploration industry in general and has also assumed that there will be no significant events occurring outside of the Company's normal course of business.

Readers are cautioned not to place undue reliance on the forward-looking information herein because a number of factors, known and unknown, could cause actual results to differ materially from a conclusion, forecast or projection contained in the forward-looking information. There can be no assurance that forward-looking information will prove to be accurate. The following are material factors that could cause actual results to differ materially from a conclusion, forecast or projection contained in the forward-looking information in this MD&A: the inability of the Company to maintain its interest in its mineral projects or to obtain or comply with all required permits and licences, risks normally incidental to exploration and development of mineral properties, changes in governmental regulation adverse to the Company, risks normally associated with operating in foreign jurisdictions, environmental risks, lack of adequate infrastructure at the Company's mineral projects, economic uncertainties, the inability of the Company to obtain additional financing when and as needed, dependence on a small number of key personnel, competition from other mining businesses, the future price of gold and other metals and commodities, fluctuation in currency exchange rates, title defects, and other related matters. Although the Company has attempted to identify material factors that could cause actual results to differ materially from a conclusion, forecast or projection contained in the forward-looking information, there may be other factors that could cause results to differ from what is anticipated, estimated or intended. Those factors are described or referred to under the heading "Risk Factors" in this MD&A.

All forward-looking information contained in this MD&A is given as of the date hereof. Except as required under applicable laws, the Company undertakes no obligation to update or revise forward-looking information, whether as a result of new information, future events or otherwise.

