



Malbex
Resources

Malbex Resources Inc.

Management's Discussion & Analysis

For the year ended September 30, 2010

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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 periods ended September 30, 2010 and 2009. This MD&A should be read in conjunction with the audited consolidated financial statements and notes thereto ("Statements") of the Company for the periods ended September 30, 2010 and 2009 including the 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 December 8, 2010. Readers are encouraged to read the Company's public filings, which can be viewed on the SEDAR website (www.sedar.com).

FISCAL 2010 HIGHLIGHTS

- October 2010: Initiation of the 2010/2011 field season, with drilling underway at both the Del Carmen and Despoblados projects. Plans for the season include:
 - 10,000 meters ("m") of drilling at Del Carmen to follow up on last season's strong results at the Rojo Grande target and to explore new geophysical targets
 - 1,500 m of drilling at Despoblados, the Company's first drilling on this project
 - Total exploration budget of approximately \$7.3 million
- September 30, 2010: Working capital of \$11.3 million and cash-on-hand of \$11.6 million
- September 2010: Identification of new geophysical targets at Del Carmen Norte, including the approximately 1,000 m by 1,200 m resistivity anomaly between Cerro Amarillo and Rojo Grande
- June 2010: Closing of an over-subscribed equity financing for \$12.6 million
- May 2010: Discovery of bulk-tonnage style gold mineralization at the Rojo Grande target at our lead Del Carmen project (hole 32: 142 m of 1.1 g/t gold equivalent)
- December 2009: Began trading on the TSX Venture Exchange under the symbol MBG
- October 2009: Completion of a reverse takeover, thereby gaining a public listing for Malbex on the TSX Venture Exchange

STRATEGIC OBJECTIVE

Malbex is an exploration stage company with three gold properties (Del Carmen, Despoblados, and Arroyo de Los Amarillos) in the prolific El Indio Gold Belt in Argentina. Our strategic objective is to discover an economic gold deposit and advance it through exploration to prefeasibility, while deciding how best to maximize the value of the asset to the Company.

Our ability to achieve this objective is supported by (i) our exploration results to date, which highlight the potential of the Del Carmen project to contain bulk-tonnage mineralization; (ii) our proven leadership team; (iii) our strategic location in the El Indio Gold Belt, host to over 40 million ounces of past-production and reserves, in the pro-mining jurisdiction of San Juan province, Argentina and (iv) our strong balance sheet.

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

LEADERSHIP TEAM

Malbex has a board and management team that few exploration stage companies can match, with a proven track record in exploration, development, operations, capital markets and mergers and acquisitions.

- Tim Warman – Director, President and Chief Executive Officer; former VP Corporate Development of Aurelian Resources Inc.
- Derrick Weyrauch – Chief Financial Officer (resigned effective January 31, 2011); former Treasurer and Director of Finance at Gabriel Resources Ltd.
- Peter Stewart – Vice President, Exploration; former senior consultant to Aurelian Resources Inc. and Kinross Gold Corporation at the Fruta del Norte discovery in Ecuador
- Ignacio Celorrio – President and Director of Malbex San Juan S.A.; partner with Quevedo Abogados, a Buenos Aires law firm
- Bruno Caciagli – Country Manager in Argentina; former Camp and Community Relations Manager at Aurelian Ecuador's Fruta del Norte discovery
- Marla Gale – Vice President, Investor Relations; former Director of Investor Relations at Aurelian Resources Inc.
- Patrick F. N. Anderson – Director; Chairman and CEO of Dalradian Resources Inc. and Co-founder of Aurelian Resources Inc.
- David Garofalo – Director; President & CEO of Hudbay Minerals Inc.
- Joseph Hamilton – Director; former CEO of African Copper Plc
- Terry MacGibbon – Director; Founder of FNX Mining Company Inc. and Chairman of Quadra FNX Mining Ltd.

Full biographies for the board and management are available at www.malbex.ca/Corporate/Board and www.malbex.ca/Corporate/Management.

EL INDIO GOLD BELT

The El Indio Gold Belt hosts three large gold-silver deposits (El Indio-Tambo, Veladero, and Pascua-Lama) with combined current reserves and past production totaling over 40 million ounces of gold. The belt occurs mainly within Tertiary volcanic rocks that straddle the Chile-Argentina border in the Andes.

The sole current producer, Barrick's Veladero mine, is in Argentina and contains over 14 million ounces of gold (Au) in past production and current reserves at an average grade of approximately 0.8 g/t Au. The Pascua-Lama mine, which will straddle the international border, is currently under construction by Barrick at an estimated cost of \$3.2 billion. Pascua-Lama contains 17.8 million ounces of gold at an average grade of 1.4 g/t Au, as well as 719 million ounces of silver (Ag).

While Veladero and Pascua-Lama are relatively low-grade mines, higher grade ore also occurs in the El Indio Belt at Barrick's former El Indio-Tambo mine, which produced 4.5 million ounces of gold at an average grade of 8.3 g/t Au. El Indio also produced 25 million ounces of silver and 472,000 tonnes of copper over the life of the mine.

Consistent with the two types of El Indio Gold Belt deposits discovered to date, drilling by Malbex has intersected both high-grade and low-grade styles of gold-silver mineralization at our Del Carmen Norte project. Intersections from the Rojo Grande area in the central part of the large alteration system show long intercepts of low-grade mineralization (e.g., hole 32 with 142 m grading 0.88 g/t Au & 13.7 g/t Ag), while high-grade, gold-silver-copper vein mineralization was intersected at the Brecha Límite Norte and Ladera Sur de las Tortólas targets at the margins of the Del Carmen Norte alteration zone.

Development in the El Indio Gold Belt began after the discovery of the El Indio deposit in the 1970s, and subsequent exploration took place mostly on the Chilean side of the belt. Initial exploration at the Nevada prospect in Chile (later renamed Pascua-Lama) led to several drilling programs throughout the 1980s and early 1990s, which greatly expanded the extent of known mineralization. Exploration of the Argentinean side of the El Indio Gold Belt did not begin in earnest until after 1994 when the Province of San Juan awarded a number of exploration projects in the Belt to Lac Minerals, Argentina Gold and Peñoles through tender by the *Instituto Provincial de Exploraciones y Explotaciones Mineras de la Provincia de San Juan* (IPEEM). Barrick's takeover of Lac Minerals in 1994 gave it control of the Pascua-Lama project, as well as a 40% interest in the Veladero project and a 60% interest in Del Carmen. After the discovery of economic mineralization at Veladero in 1998, Barrick obtained complete control of the Veladero and Del Carmen projects through a further series of corporate acquisitions (Argentina Gold and Homestake).

With the downturn in the global exploration market in the late 1990's, Barrick ceased exploration efforts outside of the Veladero and Pascua-Lama projects. Development of Pascua-Lama was put on hold in 2000 and the remaining Barrick exploration concessions on the Argentinean side of the El Indio Belt were returned to IPEEM (including Del Carmen, Despoblados and Los Amarillos). Development continued at Veladero, which went into production in 2005 and currently produces approximately 600,000 ounces of gold per year.

Malbex believes that its projects are underexplored. Del Carmen, our flagship project, has seen the most previous work with 46 reverse circulation (RC) holes (10,188 m) scattered over five field campaigns. Sixteen diamond and RC drill holes (3,098 m) by previous operators at Despoblados are concentrated in the large visible hydrothermal alteration zone. All three of the projects were returned to IPEEM following the 2001 field season, and were not explored again until 2009 following their acquisition by Malbex.

JURISDICTION OF SAN JUAN

The favourability of Argentinean mining jurisdictions varies widely by province: some provinces have put in place pro-mining regulatory environments, others have enacted anti-mining legislation. Malbex operates in the pro-mining province of San Juan. Nationally, anti-mining legislative initiatives are ongoing, including a legislative bill for the protection of glaciers and periglacial regions (see discussion below).

San Juan boasts three operating gold-silver mines (Veladero – Barrick, Gualcamayo – Yamana Gold Inc., and Casposo – Troy Resources NL), one major development stage mining project (Pascua-Lama – Barrick) and widespread exploration activity. Mining has become one of San Juan's most important industries over the past ten years as a result of the government's encouragement of mining activity through tax stability, economic incentives, and a reasonable regulatory regime. Mining and exploration companies benefit from the educated workforce and solid base of mining suppliers and contractors in San Juan.

The Malbex projects are located in the Andean Cordillera in the northwest part of San Juan province and are accessed by 4-5 hours driving on a paved highway and an all-weather gravel road from the provincial capital. The nearest communities are located in the foothills of the Andes, more than 150 km by road from the Veladero and

Pascua-Lama mines. Many of the residents of these communities are employed by Barrick or their suppliers and contractors. In addition to excellent road access to the Argentinean side of the Belt, water is readily available in the creek and river valleys at all three projects. While the Veladero mine currently relies on diesel generators for electricity, development of the Pascua-Lama mine includes plans to bring a dedicated 220 kV power line to the project from Chile. Mining is conducted at Veladero year-around, while field exploration programs are typically restricted to the Andean summer from October to the end of April due to snow, low temperatures and high winds during the Andean winter.

LEGISLATION FOR PROTECTION OF GLACIERS AND PERIGLACIAL AREAS

A bill that seeks to ban all mining activities in glacier-covered and periglacial regions of Argentina was recently passed by both federal legislative houses. The province of San Juan, joined by other pro-mining provinces, has publicly stated its opposition to this bill and vowed to challenge it constitutionally in court. In November, a federal judge from San Juan issued an injunction suspending the application of six articles of the federal glacier law in San Juan province until the Supreme Court rules on the law's unconstitutionality. The province and the mining industry have also objected to the definition of "periglacial" contained in the bill, considering it imprecise and unclear. Aside from the legal challenges to the bill, its impact can only be determined once the glacier and periglacial areas are defined by the presidential regulatory decree and the proposed country-wide glacier registry is completed, a process that is mandated by law to be completed by the middle of 2011. San Juan province has enacted its own glacier protection law, which does not contain a general ban on mining activities and is aimed only to protect glaciers. In addition, San Juan is conducting its own glacier inventory. A glacier survey by a third party in early 2010 confirmed that the Company's properties do not contain glaciers, therefore the effect of any new glacier legislation on Malbex depends on the definition of, and regulations surrounding, activities in periglacial areas.

PROJECTS OVERVIEW

The Malbex projects are located in the El Indio Gold Belt that straddles the international border between Chile and Argentina (Figure 1). Two projects (Los Amarillos and Despoblados) are adjacent to Barrick's concessions containing the Veladero and Pascua Lama deposits, while Del Carmen, the Company's flagship project, is about 75 km to the south, less than 30 km to the southeast from the former El Indio-Tambo mine.

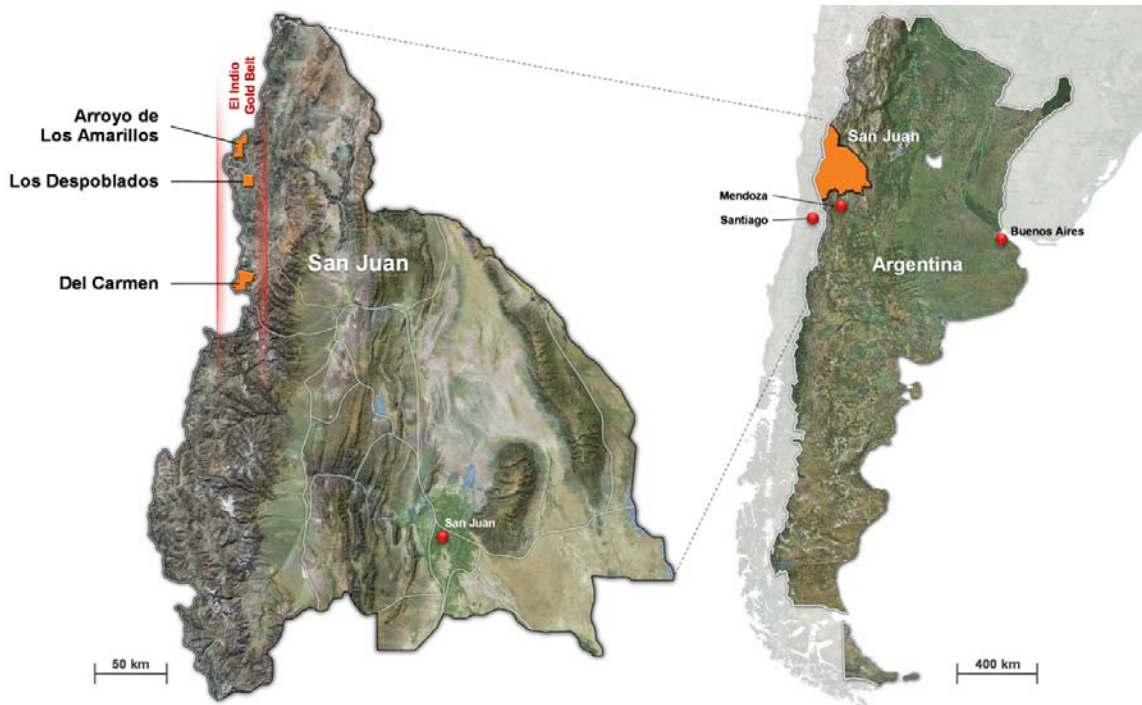


Figure 1: Maps showing the location of the three Malbex properties in the El Indio Gold Belt on the Argentine side in San Juan province

Our three exploration projects are summarized in the table below. Malbex continues to review new acquisitions and other opportunities.

Project & Ownership	Principal Target	2010/2011 Field Activities	Size (hectares)
Del Carmen 100% interest	Pascua-Lama/Veladero style high sulphidation epithermal gold-silver (bulk tonnage) and El Indio style high-grade gold+silver±copper vein systems	10,000 metres of diamond drilling at Del Carmen Norte; mapping and sampling at Del Carmen Sur	15,129
Despoblados 100% interest	Low to intermediate sulphidation epithermal gold-silver vein systems	1,500 metres of diamond drilling and a geochemical survey	3,601
Los Amarillos 100% interest	High sulphidation epithermal gold-silver (bulk tonnage) systems	Under review	4,114
Total hectares			22,844

Del Carmen

The Del Carmen property contains two large hydrothermal alteration systems that are visible as colour anomalies on satellite imagery: Del Carmen Norte and Del Carmen Sur (Figure 2). Pre-Malbex exploration of the Del Carmen Norte alteration system included 46 reverse circulation (RC) drill holes (10,189 m) while Del Carmen Sur had only five RC holes (1,003 m). Being more advanced, Del Carmen Norte has been the focus of our recent exploration.

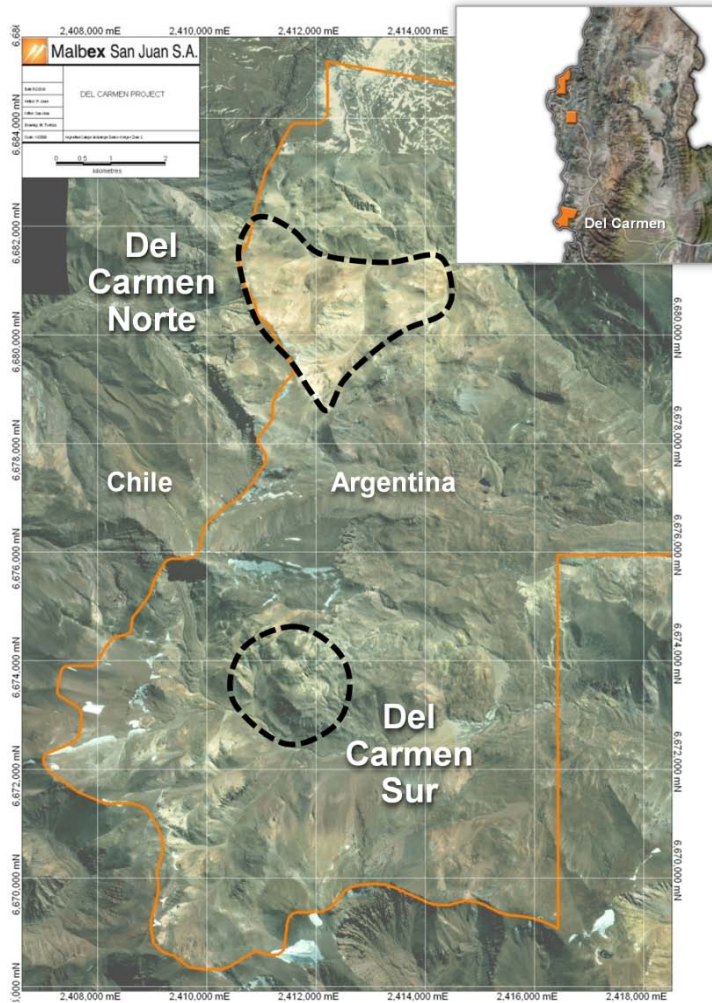


Figure 2: Two hydrothermal alteration systems at Del Carmen

We have identified numerous targets within the 9 km² Del Carmen Norte alteration system, based on surface sampling and geophysical surveying completed over the past two field seasons. Our geological model for Del Carmen envisions large hydrothermal feeder systems mainly controlled by steep, north-east-striking structures that cut sub-horizontal to tilted sequences of permeable and less permeable andesitic volcanic strata. Variations in the intensity of silicification are interpreted to reflect either favourable horizons (possibly dacitic rocks and breccias) and/or particular elevations within the hydrothermal system. The style and mineralogy of alteration at Del Carmen Norte (silicified ledges that zone outward to alunite and/or kaolinite-rich exposures) are typical for high-sulphidation epithermal gold-silver systems including the Veladero and Pascua-Lama deposits.

Malbex began exploration at Del Carmen Sur, the slightly smaller (5 km²) high sulphidation epithermal system some 5 km to the south of Del Carmen Norte, in December 2009. Mapping and sampling have returned encouraging results, including rock chip samples containing 4.2 g/t Au, 43.5 g/t Ag and 4.6% Cu.

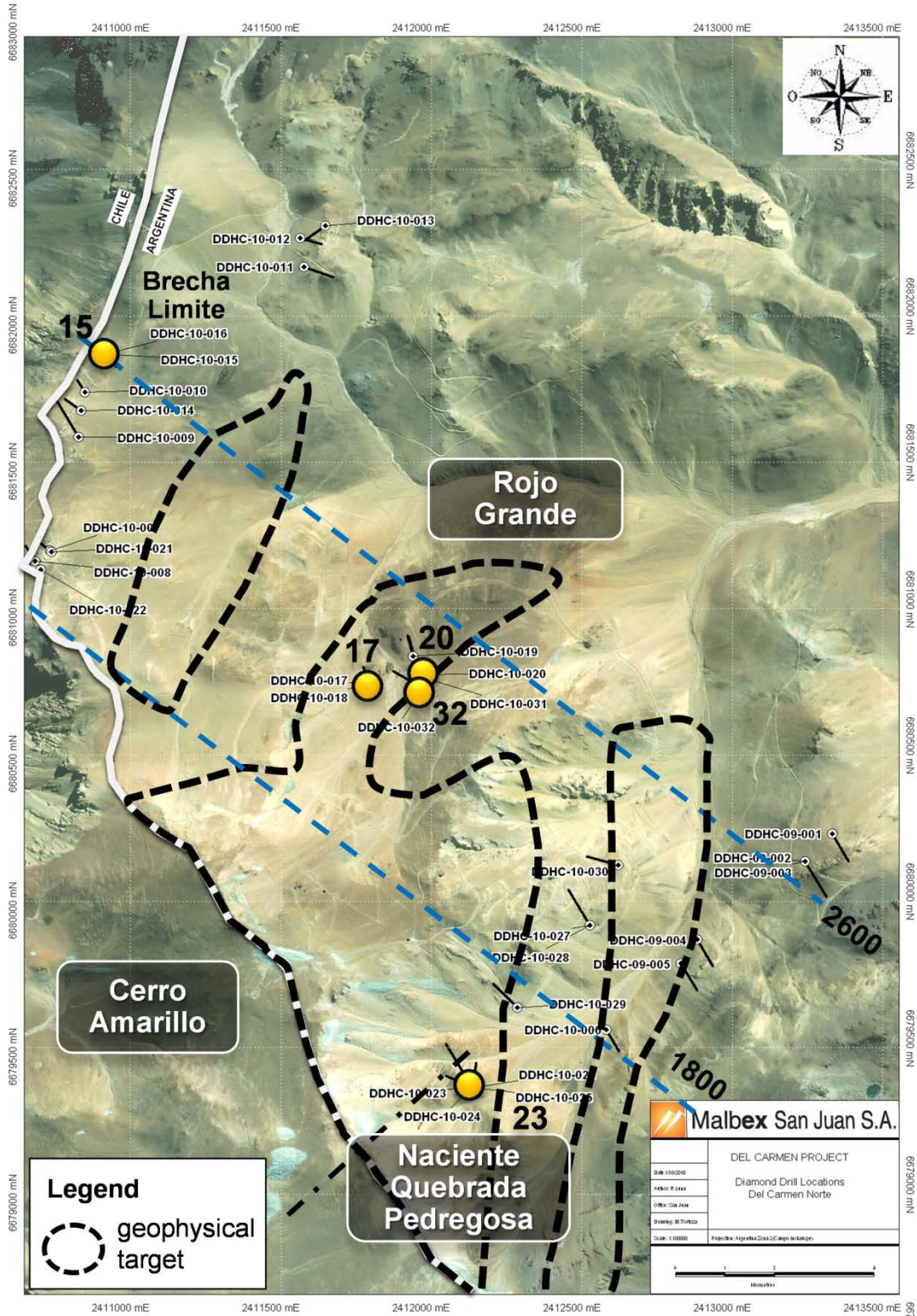


Figure 3: Del Carmen Norte (close up of northern alteration system in Fig. 2), showing geophysical targets and completed drill holes; blue lines show locations of selected CSAMT geophysical survey lines shown in Fig. 4

Work Program and Results

Del Carmen Norte: After two field seasons, we have developed a much better understanding of the highly prospective Del Carmen Norte alteration system. To date, Malbex geologists have completed:

- Mapping and sampling (more than 1,500 rock samples), which defined eight drill targets;
- Seven of these targets were tested by 4,710 metres of diamond drilling in 32 holes;
- 127.25 line-kilometres (l-km) of ground magnetic surveying; and
- 14.1 l-km of controlled source audio-frequency magnetotelluric (CSAMT) surveying, resulting in identification of several new target areas of high resistivity (Figure 3).

More details of the results to date, maps and the report of consultant Dr. Richard Sillitoe, recognized expert on epithermal gold-silver and porphyry copper-gold deposits, can be accessed at www.malbex.ca/Projects/Del_Carmen.

While exploration to date has produced significant¹ near surface drill intersections at all seven targets drilled (Table 1), the current program will focus on the Rojo Grande target in the centre of the alteration system and the area to the southwest (Figure 3), toward the border with Chile (Cerro Amarillo) rather than the other targets which occur near the margins of the alteration system. The central area shows the best potential for large bulk-tonnage gold deposits analogous to the Veladero and Pascua-Lama deposits as demonstrated by hole 32 (142 m of 1.11 g/t Au-EQ) and hole 20 (124.5 m of 0.72 g/t Au-EQ) at Rojo Grande as well as the geophysical surveys.

Mineralization discovered to date at Rojo Grande has the following characteristics:

- Hosted by at and near surface silicification and extending to at least 140 m in depth;
- Visibly oxidized to at least 140 m in depth and therefore may be amenable to low-cost heap leaching similar to ores at Veladero²; and
- Average grades of approximately 1 g/t Au, comparable with Veladero's average grade of 0.88 g/t Au.

During the fourth quarter of 2010, we released results of the geophysical surveys at Del Carmen Norte. The CSAMT survey identified extensive zones of elevated resistivity, which is typically associated with hydrothermal silicification. Zones of silicification are the principal host of gold-silver mineralisation in high-sulphidation epithermal deposits. Highlights from the surveys at Del Carmen Norte are:

- CSAMT resistivity anomalies including:
 - One that is coincident with outcropping and subsurface silicification that hosts gold-silver mineralisation at Rojo Grande (Figure 4, top);
 - Several broad (up to 1,200 metres) correlative anomalies on successive survey lines for over 1,000 metres southwest of the Rojo Grande zone of silicification to Cerro Amarillo and to the vertical extent of the survey methodology (about 500 metres) (Figure 4, bottom); and

¹ Intersections that average >0.5 g/t Au over >10 m length (using 0.1 g/t lower cutoff, up to 3 m of dilution) or >1 g/t Au-EQ over at least 3 m are considered significant. Many of the quoted intervals in Table 1 satisfy a 0.5 g/t Au lower cutoff.

² Samples have been submitted to McClelland Laboratories in Sparks, Nevada for metallurgical testing to verify this proposition

- Multi-line subsurface anomalies beneath Quebrada Pedregosa and Quebrada Del Medio (Figure 4) that flank the central massif of alteration (Figure 3).
- An asymmetric magnetic low (2km x 3km) in the core of the altered area, which hosts the prospective Rojo Grande and Naciente Quebrada Pedregosa targets (Figure 3). Magnetic lows are conventionally interpreted to reflect magnetite destruction by intense hydrothermal alteration of volcanic and intrusive rocks.

Figure 4: Modeled 2D CSAMT resistivity sections showing confirmation of and extent of silicified rocks at Rojo Grande (top, line 2600N) and an example of the large resistivity anomaly which extends to the southwest from beneath Rojo Grande toward (bottom, line 1800N) and beneath Cerro Amarillo (Figure 3). White colour represents high resistivity.

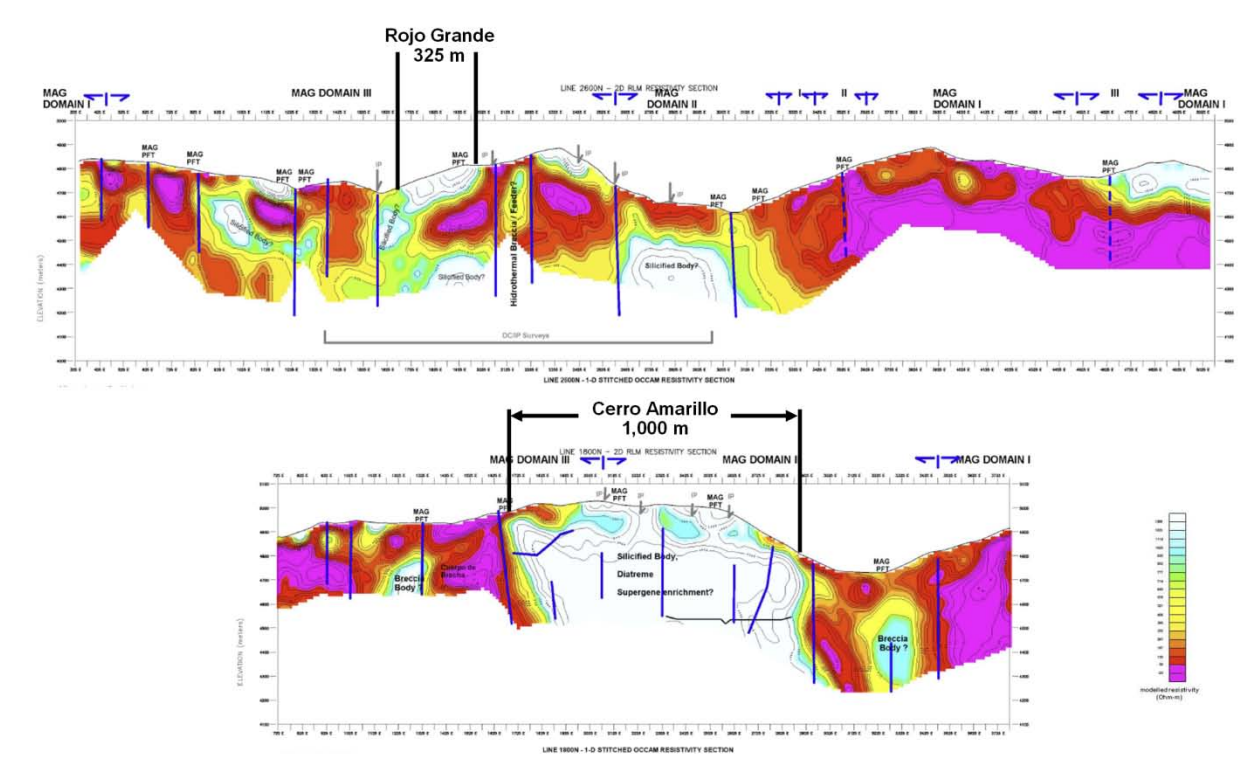


Table 1: Significant and selected mineralized intervals in 2009/2010 drilling at Del Carmen Norte

Target (number of holes drilled)	Hole ID	From (m)	To (m)	Length (m)	Au (g/t)	Ag (g/t)	Au-EQ (g/t)	Cu %
Rojo Grande (6)	DDHC-10-017	9.0	50.0	41.0	1.18	31.2	1.70	
	including	19.0	30.0	11.0	3.42	67.2	4.54	
	which includes	27.0	30.0	3.0	6.45	25.5	6.88	
	DDHC-10-018	5.0	20.0	15.0	1.07	27.3	1.53	
	including	15.0	19.0	4.0	2.66	34.1	3.23	
	DDHC-10-019	13.0	40.0	27.0	0.27	6.4	0.38	
	DDHC-10-020	5.5	130.0	124.5	0.57	8.8	0.72	
	including	14.0	31.0	17.0	0.65	21.08	1.00	
	including	60.0	68.0	8.0	1.15	6.8	1.26	
	and including	87.0	97.0	10.0	1.46	15.7	1.72	
	DDHC-10-020*	167.0	190.4	23.4	0.13	10.9	0.31	
	DDHC-10-031	13.0	48.0	35.0	0.94	13	1.15	
	includes	40.0	47.0	7.0	1.83	5.3	1.91	
	DDHC-10-032	22.0	164.2	142.2	0.88	13.7	1.11	
	Includes	23.0	57.0	34.0	1.27	13.6	1.50	
Includes*	124.0	164.2	40.2	1.45	19.6	1.78		
Naciente Quebrada Pedregosa (4)	DDHC-10-023	41.0	46.0	5.0	2.71	0.1	2.71	
	DDHC-10-023	71.0	92.0	21.0	1.69	0.1	1.69	
	including	71.0	77.0	6.0	4.32	0.1	4.32	
	DDHC-10-023	128.0	177.0	49.0	1.11	0.1	1.11	
	including	135.0	157.0	22.0	2.20	0.1	2.20	
	and including	146.0	149.0	3.0	9.02	0.1	9.02	
	DDHC-10-023	189.0	205.0	16.0	2.64	6.1	2.74	
	DDHC-10-024	42.0	49.0	7.0	2.88	0.2	2.88	
	DDHC-10-024	52.0	64.0	12.0	2.01	0.1	2.02	
	DDHC-10-024	122.0	144.0	22.0	2.75	0.3	2.75	
	includes	122.0	135.0	13.0	4.31	0.3	4.31	
	DDHC-10-025	51.0	76.0	25.0	0.98	0.1	0.98	
	DDHC-10-025	117.0	124.0	7.0	1.50	0.8	1.51	
	DDHC-10-025	128.0	145.0	17.0	0.41	0.5	0.42	
DDHC-10-026	72.0	82.0	10.0	1.25	0.1	1.25		
Quebrada Pedregosa (4)	DDHC-10-027	38.0	66.0	28.0	1.53	0.7	1.54	
	includes	50.0	58.0	8.0	3.86	0.6	3.87	
	DDHC-10-027	76.0	79.0	3.0	3.23	0.8	3.24	
	DDHC-10-027	113.0	119.0	6.0	0.53	0.7	0.54	

Target (number of holes drilled)	Hole ID	From (m)	To (m)	Length (m)	Au (g/t)	Ag (g/t)	Au-EQ (g/t)	Cu %
Brecha Límite (4)	DDHC-10-007	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	
	<i>DDHC-10-021</i>	<i>25.0</i>	<i>55.0</i>	<i>30.0</i>	<i>0.48</i>	<i>12.3</i>	<i>0.68</i>	
	includes	32.0	38.0	6.0	1.15	39.1	1.80	
	<i>DDHC-10-022</i>	<i>68.0</i>	<i>106.0</i>	<i>38.0</i>	<i>0.34</i>	<i>6.4</i>	<i>0.45</i>	
Brecha Límite Norte (5)	DDHC-10-015	29.0	32.0	3.0	2.60	368.7	8.75	2.46
	DDHC-10-016	56.0	61.0	5.0	0.53	217.7	4.16	2.06
Ladera Sur Tortólas (3)	<i>DDHC-10-011</i>	<i>9.0</i>	<i>27.0</i>	<i>18.0</i>	<i>0.35</i>	<i>26.7</i>	<i>0.80</i>	
	Includes	23.0	25.0	2.0	1.77	201	5.12	2.13
	<i>DDHC-10-012</i>	<i>4.0</i>	<i>39.0</i>	<i>35.0</i>	<i>0.42</i>	<i>5.8</i>	<i>0.52</i>	
	DDHC-10-012	91.0	92.0	1.0	2.78	175	5.70	0.68
	DDHC-10-013	26.0	32.0	6.0	0.98	13.1	1.20	
Cresta del Gallo (6)	DDHC-09-002	13.5	40.5	27.0	0.50	3.71	0.56	
	including	21.5	32.5	11.0	0.91	4.04	0.98	
Intercepts are based on a 0.1 g/t Au cutoff, with up to 3 continuous metres of internal dilution. Those in bold also satisfy 0.5 g/t Au lower cutoff. Those marked with an asterix (*) ended in mineralization. <i>Italicized intervals</i> are not "significant" as defined here but illustrative of wide low-grade mineralized intercepts								
Gold-equivalent (Au-EQ) values are calculated using 60 g/t Ag = 1 g/t Au (based on the 3-year average gold:silver price ratio), assume 100% metallurgical recovery of Au and Ag and do not include the value of contained copper. There are insufficient data to calculate true widths. Abbreviations: gold (Au), silver (Ag), metres (m), grams per tonne (g/t).								

Del Carmen Sur: Prospecting, geological mapping (1:5000 scale), trenching and rock sampling has confirmed widespread high sulphidation alteration including massive and vuggy silicification, alunite and possible pyrophyllite within the satellite colour anomaly (Figure 2). Locally elevated Au, Ag and Cu assays occur within silicification and alunite alteration at the Filo Ventoso (1:1000 scale mapping) prospect whereas lower temperature, more distal expressions of alteration (illite – intermediate argillic) predominate at the Cerro Piramide area to the east. Field relationships indicate that variations in primary lithologies control the expression of hydrothermal alteration with strong silicification primarily restricted to andesite-dacite breccias within a sequence of less permeable and/or reactive andesite flows and fine-grained tuffs. This interpretation has been beneficial to our understanding of observed host rock/hydrothermal alteration relationships at Del Carmen Norte.

Los Despoblados

The Los Despoblados project is located about 10 km east of Barrick's Veladero deposit. The 36 km² property straddles the northwest-trending Pascua-Lama-Veladero ("PLV") structural corridor and the access road to Veladero and Pascua-Lama. Exploration is based on interpretations by a previous operator and supported by initial studies by Malbex that reddish sandstone and conglomerate within the PLV corridor may represent pull-apart basins formed during faulting on the regional structure, and that beds of siliceous chalcedonic sinter within these sandstones may be related to underlying epithermal gold-silver vein systems buried beneath the basins (Figure 5). Neither the clastic sequence (east and west pull-apart basins) nor the underlying structures have been drill tested previously. Former owners Peñoles and Barrick explored principally for low sulphidation epithermal quartz veins in and adjacent to a zone of hydrothermal alteration visible in satellite imagery south of the PLV corridor.

Work Program and Results

The 2009/2010 Los Despoblados exploration program consisted of:

- Geological mapping, prospecting and rock sampling (295 rock samples); and
- 165 I-km of magnetometer and 33 I-km of CSAMT surveying over both basins and most of the PLV.

Two areas are targeted for drill testing during the 2010/2011 season (Figure 5):

- A multi-line CSAMT resistivity anomaly coincident with the northern margin of the western pull-apart basin; and
- Low-sulphidation quartz-adularia veins in the southwestern area of the concession.

Up to 1,500 metres of diamond drilling is planned to test the two areas. Detailed grid sampling of talus is planned in the area of low-sulphidation veins to assist in drill targeting between outcropping veins.

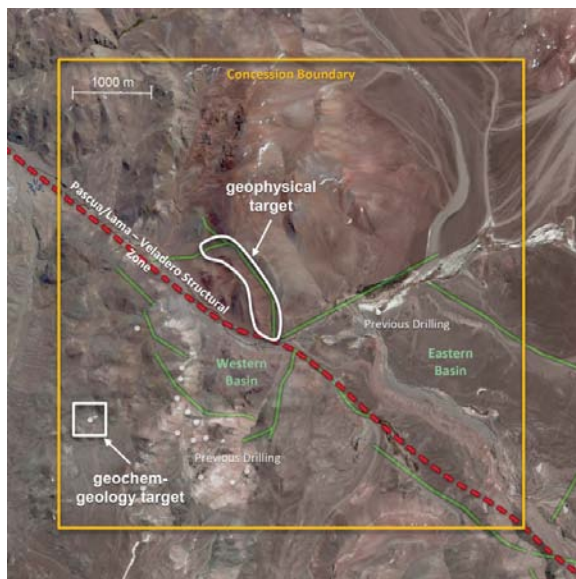


Figure 5: Satellite Image of Despoblados property showing target areas to be drill tested in 2010/2011 season. Approximate extent of clastic rocks interpreted as possible pull-apart basins (outlined in green) and previous drill holes (white filled circles) are also shown.

Arroyo de los Amarillos

The Los Amarillos concessions adjoin the Argentina-Chile border and the concessions that contain the Pascua-Lama deposit, currently under development by Barrick. Hydrothermal alteration zones are visible as colour anomalies in satellite imagery of the southwestern corner of the Los Amarillos concessions. These zones were the focus of exploration by the previous operators of the project. The remaining 90 percent of the concessions were essentially unexplored prior to their acquisition by Malbex. Elevations over 5,000 m and steep topography render access to much of property challenging except where pre-existing drill roads provide access to altered zone in the southwest corner of the property.

Work Program and Results

The 2009/2010 field program at Los Amarillos consisted of two main components:

- Detailed mapping, and rock sampling of the known zone of altered rocks to define any previously unrecognized prospective sectors;
- 45.75 l-km of magnetometer and 6.60 l-km of CSAMT surveying of the known zone of altered rocks; and
- Reconnaissance stream sediment sampling of major and subsidiary drainages.

We are continuing with our review of results to date and the future of Amarillos within our project portfolio in the broader context of focussing on the most promising of the El Indio Gold Belt projects in order to efficiently advance at least one of them to the pre-feasibility stage.

OUTLOOK

In support of our strategic objective of growing the corporation through the discovery of a world-class asset in the El Indio Gold Belt, we have the following objectives for the 2010/2011 field season:

- To continue exploration of Del Carmen Norte building upon the integrated results of past exploration. Drilling is focussed on discovering additional areas with bulk tonnage potential within the large hydrothermal system and demonstrating sufficient continuity of mineralization at Rojo Grande to support an initial mineral resource calculation during calendar 2011;
- To continue exploration of the Del Carmen Sur alteration system;
- To drill-test low-sulphidation epithermal mineralization at Despoblados buried within the pull-apart basins and associated with outcropping quartz veins in and west of the visible alteration zone;
- Continued review of the Amarillos project.

In addition, we are evaluating acquisition of early-stage exploration projects as well as more advanced projects with defined resources in Argentina and other favourable jurisdictions. In particular, we are taking advantage of our excellent contacts with the senior and mid-tier producers to look at properties that may not be considered core assets for these larger companies.

2010/2011 BUDGETED SPENDING SUMMARY

<i>Stated in thousands of Canadian dollars</i>	Budgeted 2010/2011
Direct field exploration	\$ 5,900
Indirect exploration	1,400
New projects (Generative)	400
Corporate, general and administrative	2,200
Value-added-taxes in Argentina	1,300
	<hr/>
	\$ 11,200

Planned field exploration during the 2010/2011 season includes the following:

- Del Carmen Norte: 10,000 metres of diamond drilling (more than double the drilling completed last season), mapping and sampling
- Del Carmen Sur: mapping and sampling
- Despoblados: 1,500 metres of diamond drilling, mapping and sampling
- Amarillos: ongoing evaluation of results to date and the future of this project

KEY INDUSTRY TRENDS

Gold Price

The gold market has been on an upward trend since 2001, reaching a record level in December 2010 of approximately US\$1,425 per ounce, while the average gold price over the last three years is approximately \$1,000 per ounce.

In light of the global recession and currency valuation fluctuations, we view gold as a store-of-value and have the expectation of continued favourable market demand. Additionally, with the US government considering a second round of quantitative easing and additional purchases of government bonds, due to ongoing high levels of unemployment, record low interest rates and deflationary fears, we currently expect US dollar denominated gold prices to remain robust.

Capital Availability for Junior Gold Mining Exploration

In the fall of 2008, capital for junior mining exploration companies became scarce due to global equity market turmoil. However, with gold prices increasing steadily and reaching new highs, starting in late 2009, capital flows recovered for larger companies, including single project mining companies with projects in development or close to production. This can be evidenced by the significant number of large M&A transactions that occurred during 2010.

For exploration stage companies, it remains a difficult market to raise equity financing, however with record gold prices, many exploration stage gold companies continue to be able to attract capital.

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 in exchange for their common shares of Pre-RTO Malbex. 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. For more details on the business combination, see the first quarter 2010 MD&A and the Filing Statement, both available at www.sedar.com.

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. 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.

SELECTED ANNUAL FINANCIAL DATA

The following chart summarizes selected annual financial information for the three most recently completed periods ended September 30, 2010, September 30, 2009 and December 31, 2008:

<i>(Expressed in Canadian dollars)</i>	2010	Nine months ended September 30, 2009	April 2008 to December 31, 2008
Operating expenses	3,416,238	1,471,705	543,862
Net loss	3,758,619	1,904,619	170,144
Loss per share	0.06	0.04	-
Total assets	23,793,677	13,649,617	3,433,842
Long term liabilities	-	-	-
Dividends	-	-	-

Operating expenses and net losses have increased significantly since 2008 as a result of the Company establishing itself and embarking upon gold exploration in Argentina in late 2008. Total assets increased on a year-over-year basis primarily as a result of two significant equity financings having been conducted to fund exploration activities. These financings were conducted in June 2009 (\$10,637,500) and June 2010 (\$12,650,000). Being an exploration stage company, Malbex has no revenues and has not declared any dividends.

FINANCING

On June 22, 2010, the Company successfully completed an agreement, with a syndicate of agents under which the agents placed, on a best efforts fully marketed basis, 42,166,664 units, including a 15% over-allotment option, of the Company at a price of \$0.30 per unit for gross proceeds of \$12,650,000. Each unit consisted of one common share and one-half common share purchase warrant.

The agents received a total cash commission equal to 6.0% of the gross proceeds of the offering and 2,529,999 broker warrants exercisable for 24 months into one common share of the Company. The Company also incurred approximately \$407,000 of other cash share issuance costs in relation to the transaction. For accounting purposes, all costs incurred in relation to the transaction have been charged to capital stock.

Warrants and Broker Warrants

Each whole warrant and broker warrant entitles the holder thereof to purchase one common share of the Company at a price of \$0.40 per share at any time commencing on the date of issue thereof and prior to June 21, 2012. A relative fair value of \$1,897,500 and \$227,700 was assigned to the warrants and broker warrants respectively, as calculated on a relative basis using the Black-Scholes valuation model with the following assumptions: dividend yield 0%; expected volatility 100%; risk free rate of return 1.51%; and an expected maturity of two years.

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:			
	30-Sep-10	30-Jun-10	31-Mar-10	31-Dec-09
Statement of Loss				
Loss	\$ 1,087,242	\$ 151,345	\$ 537,578	\$ 1,982,454
Loss per share	0.01	-	0.01	0.04
Balance Sheet				
Working capital	\$ 11,326,796	\$ 12,411,043	\$ 2,989,443	\$ 6,689,568
Total assets	23,793,677	25,097,075	14,424,807	14,436,456
Statement of Cash Flows				
Investment in exploration	\$ 88,149	\$ 1,548,728	\$ 2,610,409	\$ 1,416,723
Cash Flow provided by financing activities	(15,821)	11,369,814	26,428	8,686,717

<i>In Canadian dollars, except per share amounts</i>	For the quarters ended:			
	30-Sep-09	30-Jun-09	31-Mar-09	31-Dec-08
Statement of Loss				
Loss	\$ 1,336,546	\$ 504,213	\$ 63,860	\$ (11,804)
Loss per share	0.03	0.01	0.00	-
Balance Sheet				
Working capital	\$ 380,116	\$ 1,499,522	\$ 365,790	\$ (192,343)
Total assets	13,649,617	14,257,649	4,373,866	3,433,842
Statement of Cash Flows				
Investment in exploration	\$ 604,938	\$ 534,123	\$ 281,530	\$ 388,483
Cash Flow provided by financing activities	(163,978)	2,142,198	1,053,347	105,000

When comparing the quarterly losses in fiscal 2010, the effect of stock-based compensation is a significant factor. An expense of \$1,505,000 for stock-based compensation was recorded in the three months ended December 31, 2009, with no comparable charge in either the three months ended March 31, 2010 or June 30, 2010, while a \$24,000 charge was recorded during the three months ended September 30, 2010. As a result, the loss in the quarter ended December 31, 2009 was substantially higher than the other quarters of fiscal 2010.

Excluding stock-based compensation, for the three and twelve months ended September 30, 2010, corporate, general and administrative expenses reflect higher levels of corporate activities compared to the quarterly periods in previous years, as a result of establishing a management team and corporate office during 2009.

During the three months ended September 30, 2010, the Canadian dollar strengthened relative to both the Argentinean Peso and US dollar, resulting in a foreign exchange loss of \$489,922 for the quarter. As a result the loss in the quarter was higher than it would have been if foreign exchange rates had remained unchanged. Quarterly volatility in foreign exchange rates caused significant gains and losses on a quarterly basis during 2010, for the 12 months ended September 30, 2010, foreign exchange losses are \$347,502.

Working capital during the three and twelve months ended September 30, 2010 increased 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 \$10,637,500 private placement;
- the acquisition of net monetary assets of \$816,588 in conjunction with the Amalgamation, which were accounted for as the issuance of shares by Malbex and therefore charged, net of transaction costs, to Capital Stock; and lastly,
- the receipt of \$11,813,575, net of Agent's fees and expenses from completion of a June 22, 2010 \$12,650,000 public offering.

The investment in exploration during the three months ended September 30, 2010 decreased compared to the prior two quarters. As a result of completing the 2009/2010 exploration field season in late April 2010, fewer expenses were incurred during the quarter ended September 2010 when compared to the prior two quarters, during which field exploration activities were taking place.

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, while decreased working capital during the three months ended September 30, 2010 is primarily the result of ongoing corporate and exploration expenditures during the period coupled with a decrease in accounts payable.

Since obtaining its three exploration projects in August 2008, the increasing levels of exploration investments reflect the ramp up of exploration activities on the Company's projects.

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 September 30,		Twelve Months Ended September 30,	
	2010	2009	2010	2009
Corporate, general and administrative	\$ 565,356	\$ 125,863	\$ 1,727,797	\$ 435,652
Professional fees	-	83,563	129,276	513,407
Stock-based compensation	24,000	837,875	1,529,000	837,875
Amortization	8,001	31,095	30,165	38,502
Total operating expenses for the period	597,357	1,078,396	3,416,238	1,825,436
Loss for the period	1,087,242	1,336,546	3,758,619	1,892,815
Loss per share - basic and diluted	0.01	0.03	0.06	0.01

In the comparable periods above, the most important contributor to variability in losses was stock-based compensation. During August 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 and an aggregate value was assigned of \$930,975, of which \$93,100 was capitalized as deferred mineral property expenditures and \$837,875 was charged to income during the three months ended September 30, 2009.

During December 2009, the Company granted stock options to directors, officers, employees and consultants of the Company. Using the Black-Scholes option pricing model an aggregate value of \$2,137,100 was assigned to the options, 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.

During August 2010, the Company granted stock options to an officer and an employee. Using the Black-Scholes option pricing model an aggregate value of \$99,000 was assigned to the options, of which \$27,726 was capitalized as deferred mineral property expenditures and \$24,000 was charged to income during the three month period ended September 30, 2010. The unrecognized value will be capitalized as deferred mineral properties over the vesting period.

Professional fees during the twelve months ended September 30, 2010 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.

Corporate, general and administrative costs for the three and twelve months ended September 30, 2010 are higher than the prior year due to the establishment of a corporate office in Toronto during 2009 and increased investor relations activities following completion of the RTO.

Fluctuations in foreign exchange losses also contributed to variability in the losses for the comparable periods. The Company maintains US\$2,250,000 in non-current restricted cash at an international insurance company to supply surety for its exploration commitments to IPEEM. In addition, the Company maintains cash balances in foreign currencies to finance planned foreign currency denominated exploration expenditures. With the Canadian dollar strengthening against the Argentinean Peso and US dollar in the three and twelve months ended September 30, 2010, a foreign exchange loss totaling \$347,502 was recorded for the twelve month period compared to a \$440,797 loss in the nine month 2009 period. During the three months ended September 30, 2010, a foreign exchange loss of \$489,922 was recorded compared to a \$261,938 loss in the comparable 2009 period.

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 exploration expenditures for the three and twelve months ended September 30, 2010 and 2009.

	2010	2009
Balance, beginning of period	\$ 2,000,610	\$ 486,919
Additions:		
Land / Concession	200,510	174,729
Geology	1,418,985	239,436
Surface drilling	584,950	-
Geochemical studies	165,372	65,612
Geophysical studies	294,824	28,479
Surveying & topographic mapping	16,764	-
Environmental studies	70,450	-
Road and drill pad preparation	843,393	307,271
Data gathering	6,238	10,296
Field camp	741,164	117,555
Transportation	137,759	29,280
Medical services	11,474	453
Communications	30,999	1,661
Project management	745,694	219,604
Logistics and indirect costs	1,264,429	319,315
	6,533,005	1,513,691
Total deferred mineral property expenditures	\$ 8,533,615	\$ 2,000,610

Note: Certain amounts have been reclassified from prior disclosures in order to conform with current classifications

Exploration expenditures exclude the estimated recoverable amount of value-added-taxes. Value-added taxes are recorded as a non-current accounts receivable because the Company can only apply for a refund of its net recoverable amount 12 months after the month in which the amounts become recoverable. A further timing constraint is imposed with respect to recoverability, in that the Company is only eligible to make two applications for refunds during each calendar year.

Included in exploration expenditures for the twelve months ended September 30, 2010 are \$709,313 of non-cash amounts related to stock-based compensation of \$659,826 and amortization of \$49,487. Therefore, direct exploration cash expenditures for the twelve months ended September 30, 2010 are \$5,823,692.

The Company obtained its three exploration properties in August 2008 and undertook preliminary investigative exploration activities in 2008 and early 2009.

Following assembly of a sizable and experienced geological team, our 2009/2010 field campaign began in early November 2009 at which time exploration camps were 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. Drilling began in November 2009, while exploration was also initiated at Despoblados and Amarillos. Earthworks were required to build new roads, improve existing roads and construct drill platforms. Our field season concluded in late April 2010, after completing 4,710 m of diamond drilling in 32 holes at Del Carmen Norte. In total 1,883 samples were collected and tested at the three properties and 338 l-km of magnetometer and 53.6 l-km of CSAMT (both geophysical surveys) were flown to aid in understanding geology and to pinpoint drill targets for the current and coming field seasons. As a result of the increased level of activity, expenditures increased in most categories during the twelve months ended September 30, 2010 compared to the corresponding 2009 period.

Exploration expenditures from June through September 2010 were modest as no field exploration activities took place due to the Andean winter. However, during this period we interpreted geophysical data obtained during the 2009/2010 field season, constructed a 3-D model and planned the upcoming field season.

As previously noted, the Company has successfully intercepted multiple zones of gold, silver and copper mineralization at its Del Carmen Norte project, including 142 m of 0.88 g/t gold and 13.7 g/t silver (1.11 g/t Au-EQ) in hole 32. Accordingly, we expect to increase our level of spending during the 2010/2011 field campaign compared to that of the 2009/2010 field season.

CASH FLOW STATEMENT

Liquidity, Capital Resources and Contractual Obligations

As at September 30, 2010 the Company had working capital of \$11,326,796 (September 30, 2009 - \$380,116) and held cash of \$11,614,028 (September 30, 2009 - \$557,118). The increase in working capital from September 30, 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 \$10,637,500 private placement;
- the acquisition of net monetary assets of \$816,588 in conjunction with the Amalgamation, which were accounted for as the issuance of shares by Malbex and therefore charged, net of transaction costs, to Capital Stock; and lastly,
- the receipt of \$11,813,575, net of Agent's fees and expenses, from completion of a June 22, 2010 \$12,650,000 public offering.

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 that commenced on 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:

<u>Project</u>	<u>(US\$ million)</u>				
	<u>Phase 1</u>	<u>Phase 2</u>	<u>Phase 3</u>	<u>Phase 4</u>	<u>Total</u>
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

Each exploration contract is independently rescindable if either technical or economic reasons justify the repeal, provided those reasons are verifiable, objective and valid with reference to recognized industry standards. IPEEM may grant extensions to the term of the Exploration Agreements upon proper justification. On August 10, 2009, IPEEM granted Malbex a six month extension for exploration expenditures required during Phase 1 of each of the Exploration Agreements, which were originally required to be made by September 12, 2009. Under the terms of the extension, Malbex was required to make the Phase 1 exploration expenditures by March 12, 2010. Phase 2 commenced on March 12, 2010, with Phase 3 and Phase 4 commencing on March 12, 2011, and March 12, 2012 respectively. We continue to expect to meet our obligations under the Exploration Agreements. Our total investment, including non-cash costs and logistical support, on our three exploration projects was \$8,797,285 as at September 30, 2010.

Given our working capital balance at September 30, 2010 of \$11,326,796 and our planned budget of \$11.2 million for 2010/2011, the Company will need to raise additional funding to finance exploration programs beyond the 2010/2011 field season.

The timing and ability to complete any future funding efforts 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 twelve month period ended September 30, 2010, the Company incurred legal fees including expenses of \$379,544 (Nine month period ended September 30, 2009 - \$459,812) to a law firm of which a shareholder and former director of the Company is a partner. As at September 30, 2010, included in accounts payable and accrued liabilities was \$700 (Nine month period ended September 30, 2009 - \$443,234) in respect of these transactions.

During the twelve month period ended September 30, 2010, the Company incurred legal fees and expenses of \$22,053 (Nine month period ended September 30, 2009 - \$81,153) to a law firm of which a director of a subsidiary of the Company is a partner. As at September 30, 2010, included in accounts payable and accrued liabilities was \$8,694 (Nine month period ended September 30, 2009 - nil) in respect of these transactions.

CRITICAL ACCOUNTING ESTIMATES

Stock-based compensation

The Company uses the Black-Scholes option pricing model to determine the fair value of stock options. The primary estimates impacting the fair value of stock options are the volatility of the share price and the expected life and forfeiture rate of the options. These are estimates: accordingly, they cannot be relied upon to predict future behaviour.

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.

Following this timeline, the first set of annual IFRS financial statements for Malbex Resources Inc. will be for the year ending September 30, 2012. These financials will need to include one period of comparative information also compiled under IFRS. The comparative information will be for the year ending September 30, 2011, hence, the Company will need an opening IFRS balance sheet as of October 1, 2010. This date (October 1, 2010) is known as the Company's "transition date" as it is the beginning of the earliest period for which Malbex will present full comparative information under IFRS.

Management has developed its project plan for Malbex's conversion to IFRS based on the current nature of our operations. The conversion plan is comprised of three phases: IFRS diagnostic assessment, education and implementation, and completion of all integration system and process changes.

The Company is currently assessing the impact of IFRS on its financial statements, including an IFRS diagnostic assessment and has drafted component evaluations on the existing financial statement line items. In this analysis, the CICA Handbook sections applicable to existing financial statement items are being compared to the corresponding IFRS guidelines and the differences and potential financial / system implications are identified.

Management is focusing its research on what we believe are the key accounting issues / differences applicable to Malbex, which include:

- Functional currency and foreign exchange
- Asset impairment
- Property, plant and equipment
- Intangible assets
- Stock-based payments
- Exploration for and evaluation of mineral properties
- Transitional provisions

As part of its IFRS transition work, management has identified a strong potential for at least one transition difference between its current Canadian GAAP accounting and IFRS. Under Canadian GAAP, management has concluded that the functional currency of the Company and all subsidiaries is the Canadian dollar. Conversely, under IFRS management has concluded that the functional currency of Malbex San Juan S.A. is the US dollar and the Canadian dollar is the functional currency and reporting currency for the Company and all other affiliated companies. As a result, the opening IFRS balance sheet of the Company, as at October 1, 2010, will need to be restated to reflect the view that Malbex San Juan S.A has the US dollar as its functional currency. The impact of this restatement has not yet been quantified. However, when the impact has been determined, it will be recorded as an adjustment to the opening balances of non-monetary assets and liabilities with the resulting net difference being recorded as an adjustment to opening retained earnings as at October 1, 2010.

Management will continue with its pre-transition efforts and include updates on our progress in future MD&A filings.

Business Combinations, Consolidated Financial Statements & 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 and 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. 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	99,129,965
Common share warrants	27,669,977
Common share broker warrants	3,377,599
Common share stock-options	6,786,997
Fully Diluted	136,964,538

OFF BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

RISK FACTORS

An investment in securities of the Corporation is highly speculative and involves significant risks. There are various risk factors that could have a material adverse effect on, among other things, the operating results, properties, business and condition (financial or otherwise) of the Corporation. Any prospective investor should carefully consider those risk factors and all of the other information contained below and elsewhere, or incorporated by reference (including information contained in the section entitled "Cautionary Statement Regarding Forward-Looking Information") before purchasing any of the securities of the Company. The risks described herein, or in documents incorporated herein by reference, are not the only risks facing the Corporation. Additional risks and

uncertainties not currently known to the Corporation, or that the Corporation currently considers immaterial, may also materially and adversely affect its operating results, properties, business and condition (financial or otherwise).

There is no assurance that the Corporation will be able to maintain its interest in the Projects.

The Corporation holds its interest in the Projects through the Exploration Agreements between Malbex San Juan and IPEEM, the registered holder of the Projects. In order to maintain its interest in the Projects, the Corporation is required to keep the Exploration Agreements in good standing with IPEEM by performing minimum annual work commitments, by submitting periodic property payments to IPEEM and the San Juan government and by submitting bi-monthly and annual technical and financial reports to IPEEM. Failure by the Corporation to discharge these obligations in a timely manner could result in the reduction or loss of its interest in the Projects.

There is no assurance that the Corporation will be able to obtain or comply with all required permits and licenses.

The operations of the Corporation require licenses and permits from various governmental authorities. The Corporation presently holds all necessary licenses and permits required to carry on with activities which it is currently conducting under applicable laws and regulations and is in compliance in all material respects with the terms of such licenses and permits. However, such licenses and permits are subject to changes in regulations and in various operating circumstances. There can be no assurance that the Corporation will be able to obtain all necessary licenses and permits required to carry out exploration, development and mining operations at the Projects or that the Corporation will be able to comply with all such necessary licenses and permits in an economically viable manner.

The exploration and development of mineral deposits involve significant financial risks and are subject to all of the hazards and risks normally incidental to exploration and development of mineral properties.

The Projects are in the exploration stage and are without reportable mineral resources or mineral reserves. Development of any of the properties in which the Corporation has an interest will only follow upon obtaining satisfactory exploration results. The exploration and development of mineral deposits involve significant financial risks over an extended period of time which even a combination of careful evaluation, experience and knowledge may not eliminate. While discovery of a mine may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenses may be required to establish mineral resources and mineral reserves by drilling and to construct mining and processing facilities at a site. It is impossible to ensure that the current or proposed exploration programs on the Projects will result in a profitable commercial mining operation.

The operations of the Corporation are subject to all of the hazards and risks normally incidental to exploration and development of mineral properties, including environmental hazards, industrial accidents, labour disputes, encountering unusual or unexpected geologic formations, rock bursts, pressures, cave-ins, flooding and periodic interruptions due to inclement or hazardous weather conditions. Such risks could result in damage to, or destruction of, mineral properties, facilities and equipment, personal injury, death, environmental damage, delays in mining, monetary losses and potential legal liability. While the Corporation may obtain insurance against certain risks in such amounts as it considers adequate, the nature of these risks are such that liabilities could exceed policy limits or could be excluded from coverage. There are also risks against which the Corporation cannot insure or against which it may elect not to insure. The potential costs which could be associated with any liabilities not covered by insurance or in excess of insurance coverage or compliance with applicable laws and regulations may cause substantial delays

and require significant capital outlays, adversely affecting the future earnings, financial position and competitive position of the Corporation.

Whether a mineral deposit will be commercially viable depends on a number of factors, which include, among other things, the particular attributes of the deposit, such as its size and grade, proximity to infrastructure, financing costs and governmental regulations, including regulations relating to prices, taxes, royalties, infrastructure, land use, importing and exporting and environmental protection. The effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Corporation not receiving an adequate return on invested capital.

The Corporation currently depends significantly on a limited number of projects.

The Corporation's activities are currently focused on the Projects, which are proximate to each other in geographic location and stage of development. The Corporation is, as a consequence, exposed to some heightened degree of risk due to the lack of property diversification. There is an increased risk that any adverse changes or developments affecting the Projects would have a material and adverse effect on the Corporation's business, financial condition, results of operations and prospects.

Exploration, development and mining of minerals are subject to extensive governmental regulation and risks normally associated with operating in foreign jurisdictions.

Exploration, development and mining of minerals are subject to extensive federal, state, provincial, territorial and local laws and regulations governing, among other things, acquisition of the mining interests, maintenance of claims, tenure, expropriation, prospecting, development, mining, production, price controls, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, water use, land use, aboriginal land claims, environmental protection and remediation, endangered and protected species, mine safety and other matters. There can be no assurance that future changes in applicable regulation will not adversely affect the operations or financial condition of the Corporation. In addition, the Corporation is subject to risks normally associated with operating in foreign jurisdictions, such as political unrest, corruption, civil disturbances and terrorist actions, arbitrary changes in law or policy, changes to government regulation, foreign taxation, price and currency controls, delays in obtaining, or the inability to obtain, necessary governmental permits, opposition to mining from environmental or other nongovernmental organizations, limitations on foreign ownership, limitations on the repatriation of earnings, limitations on gold exports and increased financing costs. Any mining activities on the Projects must conform to applicable governmental regulations in force at the time such activities are undertaken.

Argentina's National Congress has recently passed Federal Law 26.639, which purports to ban all mining activities on glaciers and in the periglacial regions in Argentina. Federal Law 26.639 was published in the Argentinean Official Gazette on October 28, 2010. Although Federal Law 26.639 contains definitions for the words "glacier" and "periglacial", those definitions are subject to more detailed definitions to be contained in regulations enacted by the President of Argentina, which the law mandates to be enacted within a 90 day period from October 28, 2010. In addition, Federal Law 26.639 empowers the Instituto Argentino de Nivología, Glaciología y Ciencias Ambientales ("IANIGLA") to create a nationwide inventory of glaciers and periglacial regions, which the law mandates to be completed within a 180 day period from October 28, 2010. On November 2, 2010, at the request of the Argentine Mining Labour Association and the San Juan Mining Chamber, among others, a federal judge sitting in the Province of San Juan suspended the application of several parts of Federal Law 26.639, including the ban on mining activities on glaciers and in periglacial regions in the Province of San Juan pending ruling on the constitutionality of the law. The decision of the federal court is appealable to the Federal Chambers of Appeal and, subsequently, to the

Supreme Court of Argentina. In addition to the foregoing and any other legal challenges to Federal Law 26.639 that may be brought, the full impact of the law can only be determined once the definitions of “glacier” and “periglacial” are clarified by the Presidential regulations and IANIGLA completes the glacial and periglacial region inventory. In early 2010, prior to the introduction of Federal Law 26.639, the Corporation commissioned a glacial survey by a third party, which survey concluded that the Projects are not located on glaciers; however, the third-party survey did not address whether the Projects might be located within a periglacial region. Although it is impossible to assess the full impact of Federal Law 26.639 on the Corporation at this time, the law could adversely impact and potentially curtail much of the mining activities of both foreign and domestic firms in the region and may adversely affect the ability of the Corporation to develop a mining project on certain of the concessions comprising the Projects, which would have a material adverse affect on the operations, financial condition and results of operations of the Corporation.

The operations of the Corporation are subject to environmental regulatory requirements and risk.

The operations of the Corporation are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in the imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. The Corporation will be required to file an updated EIR (environmental impact report) with governmental authorities in Argentina before each stage in the exploration, development and eventual extraction of minerals at the Projects. Environmental legislation is evolving in a manner requiring stricter standards, and enforcement, fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and their directors, officers and employees. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations.

The activities of the Corporation depend, to a substantial degree, on adequate infrastructure.

Mining, processing, development and exploration activities depend, to a substantial degree, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants affecting capital and operating costs. The Projects are located in a relatively remote region at elevations of between 3,700 and 5,200 metres above sea level. During winter months (from June through September), the extreme weather creates a challenging operating environment and exploration activities are typically suspended between May and early-October. The distance to San Juan, the closest major population and commercial centre to the Projects, by road is approximately 370 kilometres by way of a combination of paved public highways and roads and Barrick’s all-weather private gravel road to the Veladero mine. Utilities and services are absent in the Project area except for the recently built Veladero mine. Limited cell phone coverage and medical services are available at Veladero and the mine generates its own electrical power on site. Unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect the operations, financial condition and results of operations of the Corporation.

The Corporation has not recorded any revenues, other than interest income, and has no dividend record, and there can be no assurance that the Corporation will generate any revenues or achieve profitability.

As of the date hereof, the Corporation has not recorded any revenues, other than interest income and investment income, and has no dividend record. The Corporation has not commenced commercial production on any of the Projects. There can be no assurance that significant losses will not occur in the near future or that the Corporation

will be profitable in the future. The Corporation's operating expenses and capital expenditures may increase in the future as consultants, personnel and equipment costs associated with advancing exploration, development and commercial production of the Corporation's properties increase. The Corporation expects to continue to incur losses unless and until such time as it enters into commercial production and generates sufficient revenues to fund its continuing operations. The development of the Corporation's properties will require the commitment of substantial resources to conduct time-consuming development. There can be no assurance that the Corporation will generate any revenues or achieve profitability. The Corporation does not have a dividend policy and has never declared or paid any dividends to its shareholders. The Corporation intends to invest all available funds toward the development and growth of its business and does not expect to pay any cash dividends for the foreseeable future. The payment of any cash dividend to shareholders of the Corporation in the future will be at the discretion of the directors of the Corporation and will depend on, among other things, the financial condition, capital requirements and earnings of the Corporation, and any other factors that the directors of the Corporation may consider relevant.

There is no assurance that additional funding will be available to the Corporation for further exploration and development of the Projects.

The Corporation has limited financial resources and there is no assurance that additional funding will be available to it for further exploration and development of the Projects or to fulfill its obligations under the Exploration Agreements and other applicable agreements. In order to maintain its interest in the Projects, the Corporation is required to keep the Exploration Agreements in good standing with IPEEM by, among other things, performing minimum annual work commitments and submitting periodic property payments to IPEEM and the San Juan government. Failure by the Corporation to meet these required expenditures or work commitments in a timely manner could result in the reduction or loss of its interests in the Projects. There can be no assurance that the Corporation will be able to obtain adequate financing in the future or that the terms of such financing will be favourable to it. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of the property interests of the Corporation with the possible reduction or loss of its interests in the Projects.

The Corporation may raise additional funds which would result in dilution to shareholders of the Corporation.

In order to finance future operations and development efforts, the Corporation may raise funds through the issue of Common Shares or securities convertible into Common Shares. The constating documents of the Corporation allow it to issue, among other things, an unlimited number of Common Shares for such consideration and on such terms and conditions as may be established by the directors of the Corporation, in many cases, without the approval of shareholders of the Corporation. The Corporation cannot predict the size of future issues of Common Shares or securities convertible into Common Shares or the effect, if any, that future issues and sales of the Common Shares will have on the price of the Common Shares. Any transaction involving the issue of previously authorized but unissued Common Shares or securities convertible into Common Shares would result in dilution, possibly substantial, to present and prospective shareholders of the Corporation.

The values attributed to the assets of the Corporation may not be realizable.

Values attributed to the assets of the Corporation may not be realizable. The Corporation has a limited history and its ability to continue as a going concern depends upon a number of significant variables. The amounts attributed to the exploration properties of the Corporation in its financial statements represent acquisition and exploration costs and should not be taken to represent realizable value. Further, the Corporation has no proven history of performance, revenues, earnings or success. As such, the ability of the Corporation to continue as a going concern

will be dependent upon the existence of economically recoverable resources, the ability of the Corporation to obtain the necessary financing to complete the development of its interests and future profitable production or, alternatively, upon the ability of the Corporation to dispose of its interests on a profitable basis.

The Corporation is dependent on a relatively small number of key personnel.

The Corporation is dependent on a relatively small number of key employees, directors, officers, consultants and advisers, the loss of any of whom could have an adverse effect on its operations. The Corporation does not have key person insurance on such individuals, which insurance would provide the Corporation with insurance proceeds in the event of their death. Without key person insurance, the Corporation may not have the financial resources to develop or maintain its business until it replaces the individual. The development of the business of the Corporation is dependent on its ability to attract and retain highly qualified management and mining personnel. The Corporation faces competition for personnel from other employers. If the Corporation is unable to attract or retain qualified personnel as required, it may not be able to adequately manage and implement its business plan.

The mineral exploration and mining business is competitive in all of its phases.

The mineral exploration and mining business is competitive in all of its phases. The Corporation competes with numerous other companies and individuals, including competitors with greater financial, technical and other resources than the Corporation, in the search for and acquisition of attractive mineral properties. The ability of the Corporation to acquire properties in the future will depend not only on its ability to develop its present properties, but also on its ability to select and acquire suitable properties or prospects for mineral exploration. There is no assurance that the Corporation will be able to compete successfully with its competitors in acquiring such properties or prospects.

Factors beyond the control of the Corporation may affect the market price of any gold or any other metals contained in minerals discovered.

Factors beyond the control of the Corporation may affect the market price of any gold or any other metals contained in minerals discovered. Such factors include demand, inflation, market fluctuation, currency exchange rates, interest rates, gold sales by central banks, forward sales by producers, global or regional political or financial events, production and cost levels in major producing regions, proximity and capacity of natural resource markets and processing equipment and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. Resource prices have fluctuated widely and are sometimes subject to rapid short-term changes because of speculative activities. Although gold has recently been trading at prices that are historically high, there can be no assurance that these price levels will continue to prevail if and when the Corporation enters production. The exact effect of these factors cannot be accurately predicted, but any one of, or any combination of, these factors may result in the Corporation not receiving an adequate return on invested capital and a loss of all or part of an investment in securities of the Corporation may result.

The other interests of management of the Corporation may conflict with the interests of the Corporation.

The directors and officers of the Corporation may serve as directors or officers of other resource companies or have significant shareholdings in other resource companies. Situations may arise in connection with potential acquisitions and investments where the other interests of these directors and officers may conflict with the interests of the Corporation. In the event that such a conflict of interest arises at a meeting of the directors of the Corporation, a

director is required to disclose the conflict of interest to the board of directors and to abstain from voting on the matter.

The appreciation of certain foreign currencies against the Canadian dollar may adversely effect the earnings or loss of the Corporation.

Other than corporate and administrative activities, the operations of the Corporation are conducted entirely in Argentina. Certain of the operating costs of the Corporation are incurred in Argentinean pesos and in United States dollars. The appreciation of such currencies against the Canadian dollar may adversely affect the earnings or loss of the Corporation.

The securities of the Corporation may be subject to wide fluctuations in their trading price and volume.

The Common Shares are listed on the TSX Venture Exchange. In recent years, the securities markets have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered exploration stage companies, have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continued fluctuations in price will not occur, which may result in losses to investors.

The trading price of the Common Shares may increase or decrease in response to a number of events and factors, including: the Corporation's operating performance and the performance of competitors and other similar companies; volatility in gold and other metal prices; the public's reaction to the Corporation's press releases, other public announcements and the Corporation's filings with the various securities regulatory authorities; the failure of the Corporation to meet the reporting and other obligations under Canadian securities laws or imposed by the TSX Venture Exchange; changes in recommendations by research analysts who track the common shares or the shares of other companies in the resource sector; a reduction in coverage by such research analysts; changes in general economic and/or political conditions; the arrival or departure of key personnel; and acquisitions, strategic alliances or joint ventures involving the Corporation or its competitors, which, if involving the issuance of Common Shares, or securities exercisable or exchangeable for or convertible into Common Shares, would result in dilution to present and prospective holders of Common Shares. In addition, the market price of the Common Shares is affected by many variables not directly related to the Corporation's success and are, therefore, not within the Corporation's control, including other developments that affect the market for all resource sector securities, the breadth of the public market for the common shares and the attractiveness of alternative investments.

Securities class action litigation often has been brought against companies following periods of volatility in the market price of their securities. The Corporation may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources.

No assurances can be given that there are no title defects affecting the Projects.

No assurances can be given that there are no title defects affecting the Projects. The Projects may be subject to prior unregistered liens, agreements or transfers, native land claims or other undetected title defects. There is no guarantee that title to the Projects will not be challenged or impugned.

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 annual 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.