



Malbex
Resources

Malbex Resources Inc.

Management's Discussion & Analysis

For the three months ended December 31, 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 three months ended December 31, 2010 and 2009. 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, 2010 and 2009 and for the year ended September 30, 2010 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 February 23, 2011. Readers are encouraged to read the Company's public filings, which can be viewed on the SEDAR website (www.sedar.com).

RECENT HIGHLIGHTS

- Drilling at the flagship Del Carmen project for the 2010/2011 field season began in November 2010, with assays reported for nine holes (1,601 m) to date. Significant results include:
 - hole 33 with 70 m grading 0.46 grams per tonne (g/t) Au and 12.8 g/t Ag (0.67 g/t Au-EQ)
 - hole 34 with 73 m grading 0.74 g/t Au and 17.4 g/t Ag (1.03 g/t Au-EQ)
 - including 16 m grading 0.97 g/t Au and 20.0 g/t Ag (1.30 g/t Au-EQ)
 - hole 35 with 49 m grading 1.41 g/t gold and 3.2 g/t silver (1.46 g/t Au-EQ)
 - including 8 m grading 7.08 g/t gold and 11.6 g/t silver (7.27 g/t Au-EQ)
 - hole 38 with 24 m grading 0.90 g/t gold and 13.25 g/t silver (1.12 g/t Au-EQ)
 - hole 39 with 86 m grading 0.77 g/t gold and 9.3 g/t silver (0.92 g/t Au-EQ)
 - hole 42 with 103 m grading 2.84 g/t gold and 6.4 g/t silver (2.94 Au-EQ)
 - including 5 m grading 48.34 g/t gold and 15.4 g/t silver (48.60 Au-EQ)
- Receipt of encouraging preliminary metallurgical results for five samples from Del Carmen Norte, with an average gold recovery of 76.5%, that indicate the mineralization is strongly oxidized and appears to be amenable to low-cost heap leach processing
- Working capital of \$8.4 million and cash-on-hand of \$9.0 million at December 31, 2010 compared with working capital of \$11.3 million and cash-on-hand of \$11.6 million at September 31, 2010

STRATEGIC OBJECTIVE

Malbex is an exploration stage company with gold properties in the prolific El Indio Gold Belt in Argentina (Del Carmen, Despoblados, and Arroyo de Los Amarillos). Our strategic objective is to discover an economic gold deposit and advance it from exploration through 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 gold oxide mineralization that is amenable to low-cost heap leaching technology; (ii) our proven leadership team; (iii) our strategic location in the El Indio Gold Belt, host to over

35 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.
- Stephanie Malec – Chief Financial Officer (appointed effective January 13, 2011); former Controller at Starfield Resources Inc.
- 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 35 million ounces of gold. The belt occurs mainly within Tertiary volcanic rocks that straddle the Chile-Argentina border in the Andes.

The region's sole current producer, Barrick's Veladero mine, is situated in Argentina and contains over 14.5 million ounces of gold in past production and current reserves at an average grade of approximately 0.8 g/t gold. The Pascua-Lama mine, which will straddle the international border with Chile, is currently under construction by Barrick at an estimated cost of \$3.3-3.5 billion. Pascua-Lama contains 17.8 million ounces of gold at an average grade of 1.4 g/t gold, with 671 million ounces of silver contained within the gold reserves.

While Veladero and Pascua-Lama are relatively low-grade mineable deposits, higher grade ore occurred 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 gold. 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 gold-silver mineralization at our Del Carmen Norte project. Intersections from the Rojo Grande area in the central part of the large alteration system include long intercepts of low-grade mineralization (e.g., hole 32 with 142 metres grading 0.88 g/t gold & 13.7 g/t silver), as well as higher grade zones such as hole 35 with 8.0 metres averaging 7.08 g/t gold and 11.6 g/t silver.

Development in the El Indio Gold Belt began after the discovery of the El Indio deposit in the 1970s, and most subsequent exploration took place on the Chilean side of the belt. Initial exploration at the Nevada prospect in Chile (later renamed Pascua-Lama) consisted of 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 the Del Carmen project. 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 proceeded 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 as all three of our projects were returned to IPEEM following the 2001 field season, and were not explored again until 2009 following their acquisition by Malbex. Del Carmen, our flagship project, has seen the most previous work with 51 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.

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 Gold, 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 provincial government's encouragement of mining activity through tax stability, economic

incentives, and a reasonable regulatory regime. Mining and exploration companies benefit from the technically 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 from the provincial capital by 4-5 hours driving on paved highway and all-weather gravel roads. The nearest communities are located in the foothills of the Andes, more than 150 km by road from the Veladero and Pascua-Lama mines and our projects. Many 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 federal bill that seeks to ban all mining activities in glacier-covered and periglacial regions of Argentina was passed in 2010. The province of San Juan, joined by other pro-mining provinces, 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 constitutionality. 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 preliminary glacier survey by a third party in early 2010 found that the Company's properties do not contain glaciers, uncovered or beneath rock cover. With the passing of the new Provincial Glacier Protection Law, a more detailed study was commissioned in late 2010 of the entire 15,000 Ha Del Carmen concession package, with a preliminary draft presented to Malbex in Q2 of 2011. This more detailed study did identify several small bodies of year-round snow and ice that may meet the definition of a glacier under the provincial law, as well as a number of other periglacial features such as rock glaciers (frozen landslides). These features are mainly located elsewhere on the concessions, removed from the mineralization and alteration at Del Carmen Norte. However, there are five small (<1.0 Ha) bodies of snow and ice that straddle the border between Chile and Argentina, approximately 1 km away from the Rojo Grande target currently being drilled by Malbex. While Malbex is not currently working in the vicinity of these snow and ice bodies, we are preparing to undertake a more detailed study to determine what, if any, additional measures are required to ensure full compliance with the provincial law.

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.

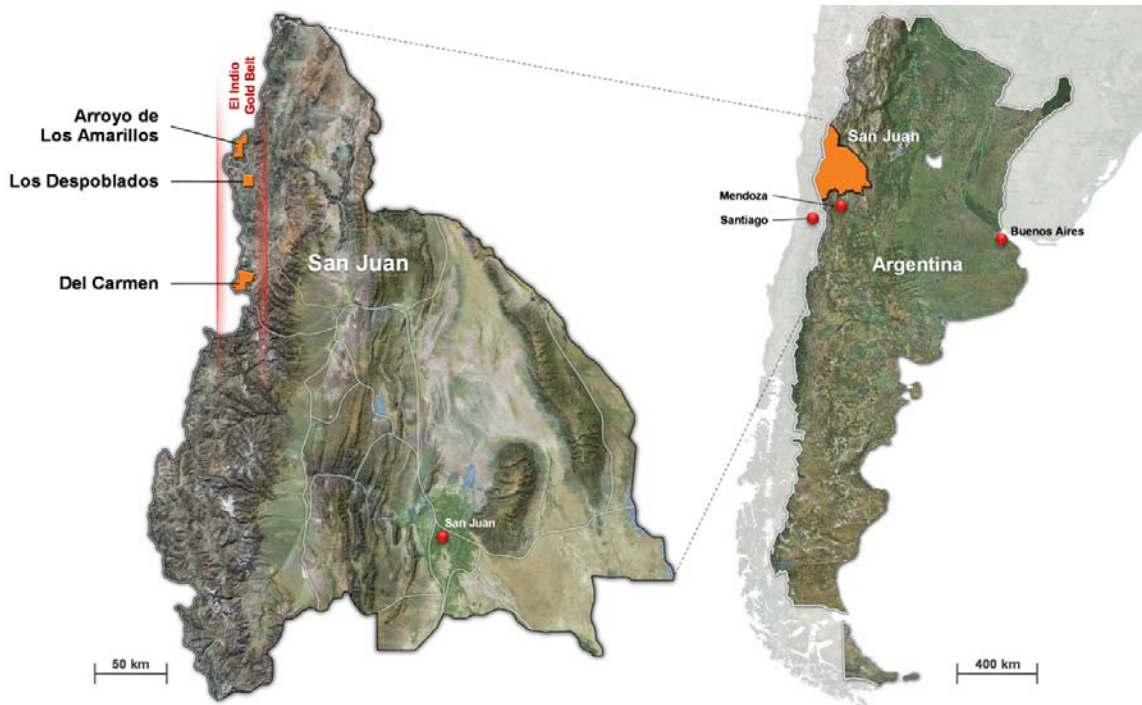


Figure 1: Maps showing the location of the three Malbex properties in the El Indio Gold Belt on the Argentine side in San Juan province

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	Diamond drilling program with two rigs, detailed mapping, trenching and rock sampling at Del Carmen Norte	15,129
Despoblados 100% interest	Low to intermediate sulphidation epithermal gold-silver vein systems	1,368 metres of diamond drilling and talus fines geochemical survey	3,601
Los Amarillos 100% interest		No further work planned	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 (10,188 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.

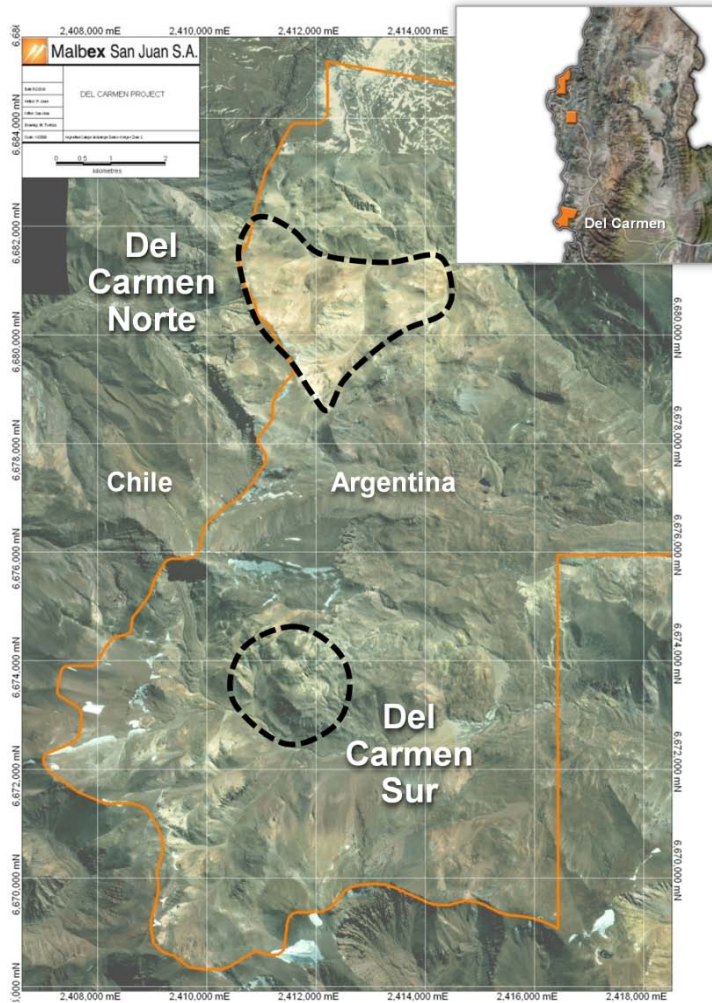


Figure 2: Two hydrothermal alteration systems at Del Carmen

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 the large hydrothermal system is mainly controlled by steep, north-east-striking feeder 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 volcanic breccias) and/or particular elevations within the hydrothermal system. The style and mineralogy of alteration at Del Carmen Norte (silicified horizontal and vertical 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 gold, 43.5 g/t silver and 4.6% Cu.

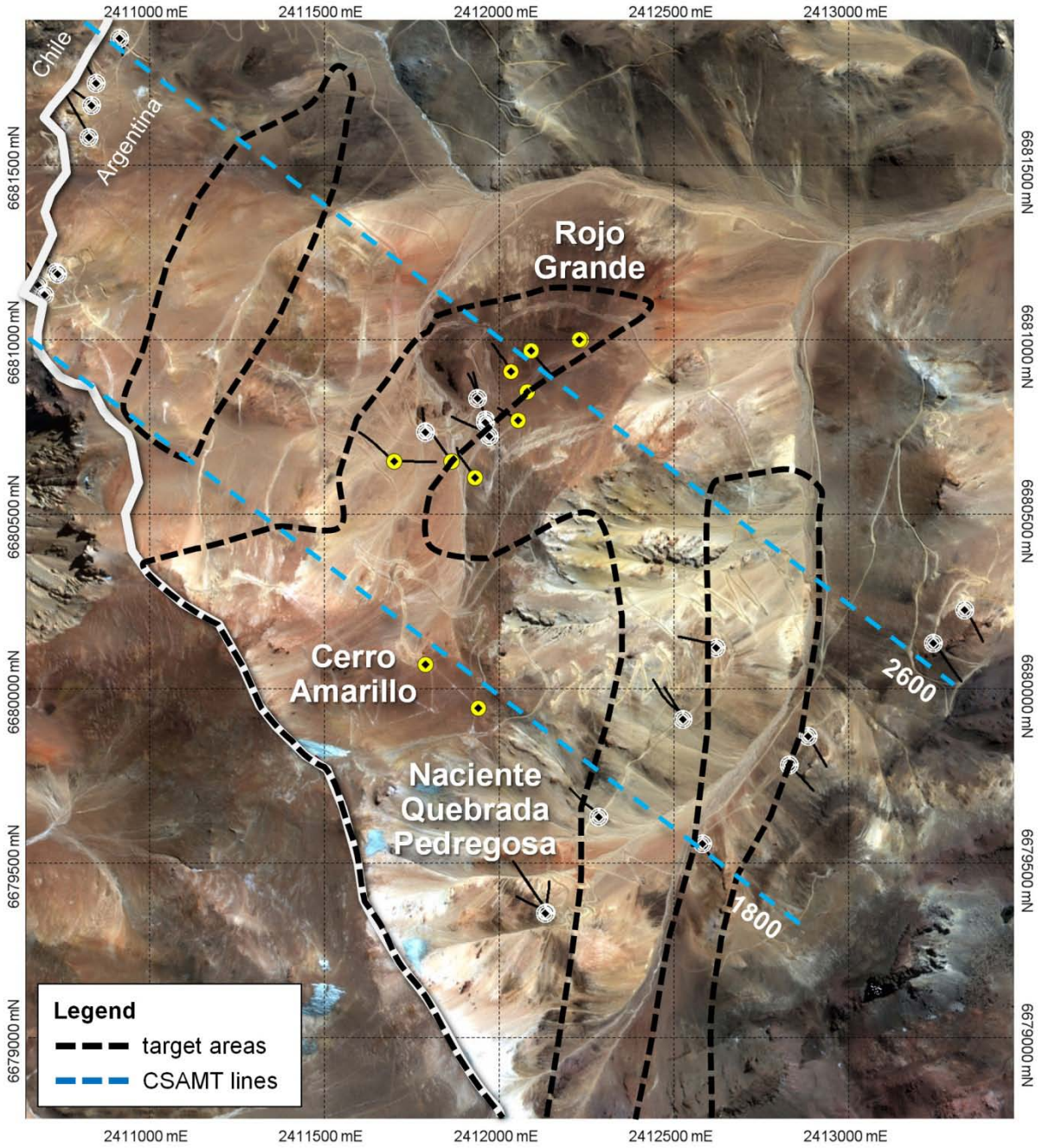


Figure 3: Del Carmen Norte showing geophysical targets (CSAMT) and completed drill holes (2009/2010 in white; 2010/2011 in yellow); blue lines show locations of selected CSAMT geophysical survey lines shown in Fig. 4

Work Program and Results

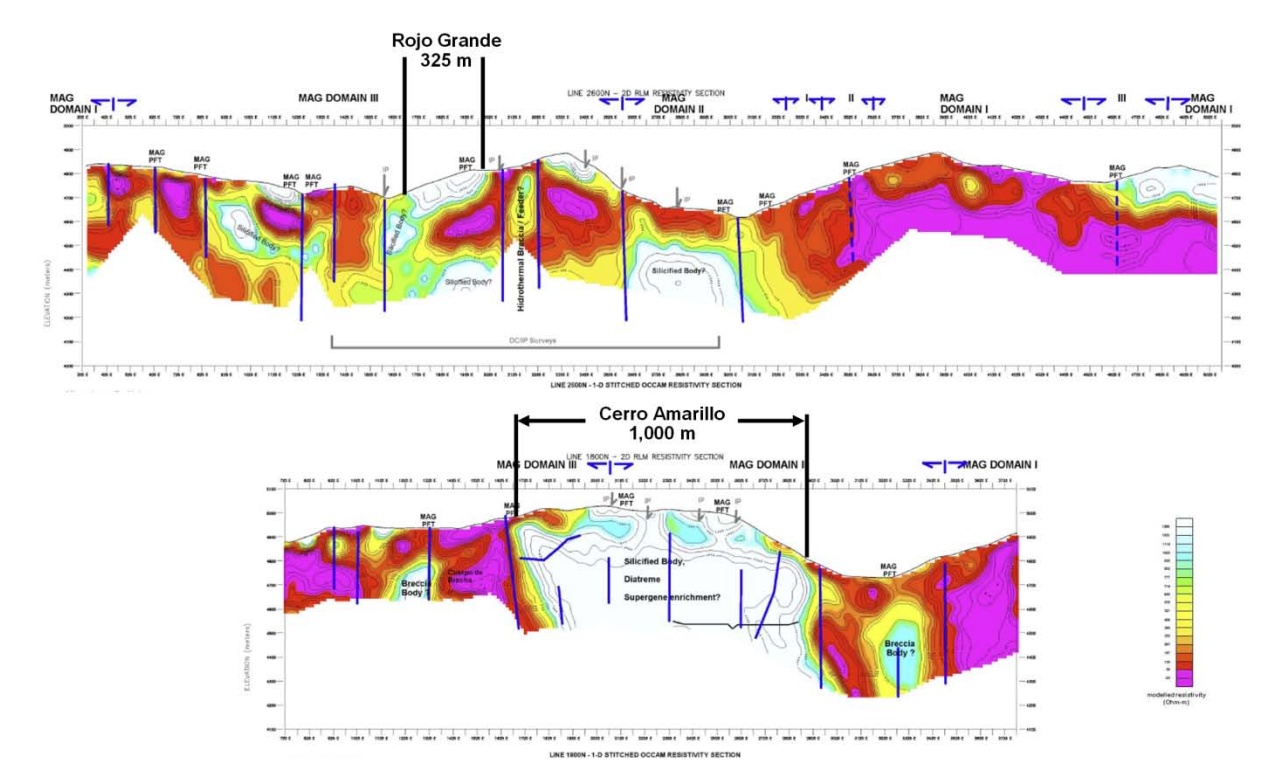
Del Carmen Norte: During the first quarter of fiscal 2011, we initiated our third field program at Del Carmen Norte, and our second drill program. While exploration has produced encouraging results at most target areas, the current program is focused on the Rojo Grande target in the centre of the alteration system and the areas to the southwest (Figure 3), near the border with Chile (Cerro Amarillo and Naciente Quebrada Pedregosa) rather than targets 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 gold-EQ) and hole 20 (124.5 m of 0.72 g/t gold-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;
- Extends to at least 140 m in depth;
- Oxidized and appears amenable to low-cost heap leaching similar to ores at Veladero (confirmed by preliminary metallurgical testing discussed below); and
- Average grades of approximately 0.5-1.5 g/t gold, comparable with average grade of 0.88 g/t gold at the Veladero mine.

The controlled source audio-frequency magnetotelluric (CSAMT) survey in the previous field campaign identified extensive zones of elevated resistivity, which is typically associated with hydrothermal silicification. Zones of silicification are the principal host of gold-silver mineralization in high-sulphidation epithermal deposits. The geophysical target areas are outlined on Figure 3, including the large anomaly between Rojo Grande and Cerro Amarillo that measures 1 km by up to 1.2 km (see Figure 4). Drilling is ongoing to test if these anomalies are related to hydrothermal silicification that contains gold-silver mineralization.

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



The 2010/2011 diamond drilling program at Del Carmen Norte targets completion of 10,000 metres by the end of April. To this end, we have two diamond drills at the project. Drilling to date has been slower than planned and efforts are ongoing to improve the drilling rate. One drill is exploring the mineralization at Rojo Grande while the second rig is directed primarily to testing the geophysical targets. To date, we have completed:

- Nine diamond drill holes in 1,601 metres have been assayed and reported
- Geological mapping and rock sampling in conjunction with platform and road access construction
- Metallurgical testing (bottle roll heap leach and cyanidation/milling) of five samples (three from Rojo Grande, two from Naciente Quebrada Pedregosa) that showed average gold recovery of 76.5%

Gold-silver mineralization at Rojo Grande extends over a strike length of approximately 500 metres and is open along strike and at depth. Grades at Rojo Grande (summarized in Table 1 below) have generally been in line with last season's results and most encouragingly include higher grade intervals such as hole 42 with 5 metres averaging 48.34 g/t gold and 15.4 g/t silver and hole 35 with 8 metres averaging 7.08 g/t gold and 8.0 g/t silver. The drilling will continue with the goal of sufficient drilling success this season to support an initial resource estimate in the fourth quarter of fiscal 2011. The highly resistive silicified target zone at Rojo Grande measures approximately 900 metres by up to 300 metres wide and up to 140 metres in depth.

Table 1: Significant and selected mineralized intervals in 2010/2011 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)
Rojo Grande (9)	DDHC-10-033	37	107	70	0.46	12.8	0.67
	DDHC-10-034	59	132	73	0.74	17.4	1.03
	including	79	95	16	0.97	20.0	1.30
	DDHC-10-035	16.0	36.0	20.0	0.54	10.0	0.71
	including	139.0	188.0	49.0	1.41	3.2	1.46
	including	176.0	184.0	8.0	7.08	8.0	7.27
	DDHC-10-036	129.0	137.0	8.0	0.25	2.0	0.28
	DDHC-10-037	7.5	37.0	29.5	0.18	4.5	0.25
		42.0	45.0	3.0	0.65	0.1	0.65
	DDHC-10-038	55.0	77.0	22.0	0.41	8.78	0.56
		87.0	111.0	24.0	0.90	13.25	1.12
	DDHC-10-039	51.0	69.0	18.0	0.27	6.5	0.38
		86.0	172.0	86.0	0.77	9.3	0.92
	DDHC-11-040	7.0	90.0	83.0	0.19	5.2	0.28
	including	18.0	36.0	18.0	0.29	5.1	0.34
	and	119.0	138.0	19.0	0.70	4.1	0.77
	including	120.0	130.0	10.0	1.14	5.1	1.23
	and	154.0	204.5	50.5	0.16	5.4	0.25
	DDHC-11-042	13.0	116.0	103.0	2.84	6.4	2.94
	including	67.0	96.0	29.0	9.61	10.1	9.78
which includes (at 0.3 g/t cutoff)	84.0	95.0	11.0	23.47	10.9	23.65	
which includes (at 2 g/t cutoff)	85.0	90.0	5.0	48.34	15.4	48.60	
Intercepts are based on a 0.1 g/t gold lower cutoff, with up to 3 continuous metres of internal dilution.							
Gold-equivalent (gold-EQ) values are calculated using 60 g/t silver = 1 g/t gold (based on the 3-year average gold:silver price ratio), assume 100% metallurgical recovery of gold and silver and do not include the value of contained copper. There are insufficient data to calculate true widths. Abbreviations: , metres (m), grams per tonne (g/t).							

In January 2011, we announced results from preliminary metallurgical testing performed on five samples taken the Rojo Grande and Naciente Quebrada Pedregosa areas at the Del Carmen Norte alteration system. The tests were performed by McClelland Laboratories Inc. of Sparks, Nevada. Overall, test results indicate good potential for heap leach cyanidation treatment and for whole ore milling/cyanidation treatment of the materials represented by the five composite samples tested. Most encouraging are results from material crushed to 6.3 millimetres (mm) to obtain preliminary information on heap leach amenability. Four of five 6.3 mm samples had gold recoveries ranging from 78.3% to 83.1% while the fifth sample showed 61.4% recovery, with an overall average of 76.5%. Silver recoveries ranged from 15% to 65% for those samples with detectable silver (four of five) and were generally higher for milled compared to crushed material. Cyanide consumption for all samples was low with an average for all tests of 0.16 kg/t.

More details of the results to date, maps, reports, sections and a complete assay table, can be accessed at www.malbex.ca/Projects/Del_Carmen.

Los Despoblados

The Los Despoblados project is located immediately 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 the 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

Two areas were 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.

Six drill holes in 1,368 metres were completed to test the two areas. Detailed grid sampling of mountain talus was completed in the area of low-sulphidation veins to assist in drill targeting between outcropping veins. No significant results were obtained in the drilling campaign (maximum value of 0.66 g/t gold over 1 m).



Figure 5: Satellite Image of Despoblados property showing target areas drill tested in the 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 geological mapping, reconnaissance stream sediment sampling and geophysical surveying (CSAMT, magnetometer). We are continuing with our review of the generally disappointing results and the future of Amarillos within our project portfolio. As a result, no field work has been completed to date during the 2010/2011 field season. During the current quarter, the carrying value of Los Amarillos was written down to its net realizable value of nil in the financial statements.

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 exploring at Del Carmen Norte building upon the integrated results of past exploration. Drilling is focused 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 review results to date at Despoblados in order to assess future exploration plans;
- To continue the 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: completion of up to 10,000 m of diamond drilling with two rigs at Rojo Grande and other targets at Del Carmen Norte, complemented by geological mapping, trenching and sampling
- Despoblados: 1,368 metres of diamond drilling and geochemical sampling of surficial materials (completed)
- Amarillos: ongoing evaluation of previous results

KEY INDUSTRY TRENDS

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.

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.

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-10	30-Sep-10	30-Jun-10	31-Mar-10
Statement of Loss				
Loss	\$ 2,576,905	\$ 1,087,242	\$ 151,345	\$ 537,578
Loss per share	0.03	0.01	0.00	0.01
Balance Sheet				
Working capital	\$ 8,390,318	\$ 11,326,796	\$ 12,411,043	\$ 2,989,443
Total assets	22,850,041	23,793,677	25,097,075	14,424,807
Statement of Cash Flows				
Investment in exploration	\$ 2,514,817	\$ 88,149	\$ 1,548,728	\$ 2,610,409
Cash Flow provided by financing activities	322,000	(15,821)	11,369,814	26,428

<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	\$ 604,938	\$ 534,123	\$ 281,530
Cash Flow provided by financing activities	8,686,717	(163,978)	2,142,198	1,053,347

When comparing the quarterly losses, the effect of stock-based compensation is a significant factor. An expense of \$629,169 for stock-based compensation was recorded in the three months ended December 31, 2010, 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 and a \$1,505,000 charge was recorded in December 2009. As a result, the loss in the quarter ended December 31, 2010 was substantially higher than the majority of the other quarters of fiscal 2010.

Also contributing to the higher loss in the quarter ended December 31, 2010, was the write-down of the Los Amarillos project of \$1,132,685. There are no comparable charges in any of the prior quarters.

Quarterly volatility in foreign exchange rates continues to cause significant gains and losses on a quarterly basis during 2010 and 2011. During the three months ended December 31, 2010, this trend continued as the Canadian dollar strengthened relative to both the Argentinean Peso and US dollar, resulting in a foreign exchange loss of \$333,267 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.

In September 2009, the Company began to augment the corporate management team as well as increase the level of investor relations activities, in keeping with the completion of the RTO in October 2009. As a result, corporate, general and administrative expenditures began to ramp up in late fiscal 2009 and continued to increase in the first half of fiscal 2010. In the quarter ended December 31, 2010, both the management team and corporate office were fully established, resulting in higher costs than in the same quarter of 2009. In addition, investor relations activities, including a site visit, increased in comparison to the same 2009 period. Costs related to investor relation activities, including conferences, advertising, marketing and site visits tend to be highest in the period from September to May.

Working capital during the three months ended December 31, 2010 increased due to:

- 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; and,
- the receipt of \$322,000, from the exercise of 805,000 warrants during the quarter ended December 31, 2010.

The investment in exploration during the three months ended December 31, 2010 increased compared to the same period in the prior year as well as the prior quarter end. A significantly larger drilling program is currently underway compared to the exploration program in the 2009/2010 exploration field season, resulting in an increase in expenditures. Fewer expenses were incurred during the quarter ended September 2010 as this quarter represents a quiet period between the end of the 2009/2010 and the start of the 2010/2011 field seasons. Malbex's field seasons typically run from October through April (the Andean summer).

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 December 31,	
	2010	2009
Corporate, general and administrative	\$ 464,249	\$ 320,889
Professional fees	11,541	90,320
Stock-based compensation	629,169	1,505,000
Amortization	6,181	6,712
Total operating expenses for the period	1,111,140	1,922,921
Loss for the period	2,576,905	1,982,454
Loss per share - basic and diluted	0.03	0.04

In the comparable periods above, the most important contributor to variability in losses was stock-based compensation. During October 2010, 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 \$845,020, of which \$270,020 was capitalized as deferred mineral property expenditures and \$575,000 was charged to income during the three months ended December 31, 2010. The Company also granted stock options to an officer of the Company in December 2010. Each such option was valued using the Black-Scholes option pricing model and an aggregate value was assigned of \$190,000 of which \$54,169 was charged to income during the three months ended December 31, 2010. The unrecognized value will be charged to income over the vesting period.

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.

In December 2010, the Company wrote the carrying value of its Los Amarillos project down to nil. No exploration activities have been planned or performed during the current field season and Malbex continues to assess its options with respect to this project. As the Company is focusing its exploration efforts primarily on its lead project, Del Carmen, where it has achieved the most promising results, the value attributed to the Los Amarillos project is not considered to be recoverable and was therefore written down to its net realizable value. There were no comparable expenses in the three months ended December 31, 2009.

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 months ended December 31, 2010, a foreign exchange loss totaling \$333,267 was recorded for the three month period compared to a \$62,987 loss in the comparable three month 2009 period.

Corporate, general and administrative costs for the three months ended December 31, 2010 are higher than the prior year due to higher management costs and increased investor relations activities, including a site visit in December 2010.

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. There were no comparable expenses incurred during the three months ended December 31, 2010.

INVESTING ACTIVITIES

Mineral Properties

Malbex capitalizes all costs incurred in Argentina related to our exploration projects – Del Carmen, Despoblados and Los Amarillos – to mineral properties. As Los Amarillos was written down to nil at the end of the current quarter, any further expenditures related to the project will be expensed as incurred.

Listed below is a summary of exploration expenditures for the three and twelve months ended September 30, 2010 and 2009.

	Three Months Ended	
	December 31,	
	2010	2009
Balance, beginning of period	\$ 8,533,615	\$ 2,160,293
Additions:		
Land / Concession	54,622	50,138
Geology	363,427	326,175
Surface drilling	571,079	159,831
Geochemical studies	-	3,871
Geophysical studies	23,474	26,801
Environmental studies	20,895	8,498
Road and drill pad preparation	335,493	344,991
Data gathering	-	5,029
Field camp	474,353	242,520
Transportation	55,308	21,603
Medical services	30,409	3,511
Communications	7,204	10,920
Project management	158,188	444,092
Logistics and indirect costs	525,490	416,098
Value-added tax	940,629	-
Mineral property writedown	(1,110,494)	-
	2,450,077	2,064,078
Total deferred mineral property expenditures	\$ 10,983,692	\$ 4,224,371

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

Exploration expenditures include the estimated recoverable amount of value-added taxes. Value-added taxes are recorded as non-current 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 three months ended December 31, 2010 are \$302,268 of non-cash amounts related to stock-based compensation of \$286,994 and amortization of \$15,274. Also included is a non-cash write-down of mineral properties of \$1,110,494. Therefore, direct exploration cash expenditures for the three months ended December 31, 2010 are \$3,258,303.

Our 2010/2011 field campaign began in early October 2010 with the establishment of a field camp at the Despoblados project and the commencement of drilling. Drilling was completed in December 2010 with six holes drilled in two targeted areas. The camp at Del Carmen was installed in November 2010 and drilling began soon afterwards with two rigs. Drilling was initially focused on defining mineral resource at Rojo Grande, with one rig moved in early 2011 to begin testing several prominent geophysical targets identified in the previous field season. This increased level of activity is reflected in the higher expenditures in most categories in comparison to the corresponding period in 2009. Target meterage for the 2010/2011 field season on both projects is 11,500 whereas approximately 4,700 metres were drilled in the 2009/2010 field season.

As previously noted, the Company has successfully intercepted multiple zones of gold, silver and copper mineralization at its Del Carmen Norte project.

CASH FLOW STATEMENT

Liquidity, Capital Resources and Contractual Obligations

As at December 31, 2010 the Company had working capital of \$8,390,318 (December 31, 2009 - \$6,689,568) and held cash of \$9,042,646 (December 31, 2009 - \$6,810,720). The increase in working capital from December 31, 2009 is due to:

- 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; and,
- the receipt of \$322,000, from the exercise of 805,000 warrants during the quarter ended December 31, 2010.

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 ½ -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 with IPPEM cover four phases of exploration, commencing 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. The Company continues to expect to meet our obligations under the Exploration Agreements for the projects which Malbex plans to continue exploring. Our total investment, including non-cash costs and logistical support, on our three exploration projects was \$10,983,692 as at December 31, 2010.

Given our working capital balance at December 31, 2010 of \$8,390,318 and our planned budget of \$11.2 million for the 2010/2011 field season, 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 three month period ended December 31, 2010, the Company incurred legal fees including expenses of \$11,658 (December 31, 2009 - \$90,000) to a law firm of which a shareholder and former director of the Company is a partner. As at December 31, 2010, included in accounts payable and accrued liabilities was \$11,781 (December 31, 2009 - \$90,000) in respect of these transactions.

During the three month period ended December 31, 2010, the Company incurred legal fees and expenses of \$4,428 (December 31, 2009 - \$6,469) to a law firm of which a director of a subsidiary of the Company is a partner. As at December 31, 2010, included in accounts payable and accrued liabilities was \$nil (December 31, 2009 - \$17,979) 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 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 are believed to be 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. A more detailed review of the impact of IFRS on the Company's consolidated financial statements is ongoing and is expected to be completed during 2011. The Company's transition plan is on track to meet the timelines for the changeover.

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.

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	99,776,965
Common share warrants	27,022,977
Common share broker warrants	3,377,599
Common share stock options	7,286,997
Fully Diluted	137,464,538

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 in the Corporation's Annual Information Form dated December 17, 2010 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).

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 the Company's annual MD&A for the period ended September 30, 2010.

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.