



**Malbex**  
Resources

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**MALBEX RESOURCES INC.**  
**CONDENSED INTERIM CONSOLIDATED FINANCIAL**  
**STATEMENTS**  
**THREE AND NINE MONTHS ENDED**  
**SEPTEMBER 30, 2017**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**(UNAUDITED)**

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**Notice To Reader**

The accompanying unaudited condensed interim consolidated financial statements of Malbex Resources Inc. (the "Company") have been prepared by and are the responsibility of management. The unaudited condensed interim consolidated financial statements have not been reviewed by the Company's auditors.

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**Malbex Resources Inc.****Condensed Interim Consolidated Statements of Financial Position****(Expressed in Canadian Dollars)****Unaudited**

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	As at September 30, 2017	As at December 31, 2016
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 5,081,657	\$ 5,405,029
Prepaid expenses	2,700	18,900
<b>Total assets</b>	<b>\$ 5,084,357</b>	<b>\$ 5,423,929</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 6)	\$ 71,644	\$ 57,398
<b>Total liabilities</b>	<b>71,644</b>	<b>57,398</b>
<b>Equity</b>		
Capital stock (note 3)	34,360,252	34,360,252
Contributed surplus	12,184,109	12,044,229
Accumulated other comprehensive income	47,421	43,800
Deficit	(41,579,069)	(41,081,750)
<b>Total equity</b>	<b>5,012,713</b>	<b>5,366,531</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 5,084,357</b>	<b>\$ 5,423,929</b>

The accompanying notes to the unaudited condensed interim consolidated financial statements are an integral part of these statements.

Subsequent event (note 9)

**Approved on behalf of the Board:**

"Robert B. Low", Director

"Joseph Hamilton", Director

## Malbex Resources Inc.

### Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

Unaudited

	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
<b>Operating expenses</b>				
General and administrative (note 7)	\$ 74,783	\$ 48,768	\$ 490,179	\$ 704,038
	<b>74,783</b>	48,768	<b>490,179</b>	704,038
Foreign exchange (gain) loss	1,778	(49)	7,140	248,585
Gain on sale of Malbex San Juan S.A.	-	-	-	(305,465)
<b>Net loss for the period</b>	<b>\$ 76,561</b>	\$ 48,719	<b>\$ 497,319</b>	\$ 647,158
<b>Other comprehensive (income) loss</b>				
<b>Items that will be reclassified subsequently to income</b>				
Cumulative translation adjustments	\$ (1,924)	\$ (51)	\$ (3,621)	\$ 235,488
<b>Total comprehensive loss for the period</b>	<b>\$ 74,637</b>	\$ 48,668	<b>\$ 493,698</b>	\$ 882,646
<b>Basic and diluted net loss per share (note 5)</b>	<b>\$ 0.01</b>	\$ 0.00	<b>\$ 0.03</b>	\$ 0.04
<b>Weighted average number of common shares outstanding</b>	<b>14,654,730</b>	14,654,730	<b>14,654,730</b>	14,654,730

The accompanying notes to the unaudited condensed interim consolidated financial statements are an integral part of these statements.

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**Malbex Resources Inc.****Condensed Interim Consolidated Statements of Cash Flows****(Expressed in Canadian Dollars)****Unaudited**

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	<b>Nine months ended September 30, 2017</b>	<b>Nine months ended September 30, 2016</b>
<b>Operating activities</b>		
Net loss for the period	<b>\$ (497,319)</b>	<b>\$ (647,158)</b>
Adjustments for:		
Unrealized foreign exchange loss (gain)	<b>3,165</b>	<b>(216,505)</b>
Stock-based compensation	<b>139,880</b>	<b>304,200</b>
Gain on sale of Malbex San Juan S.A.	<b>-</b>	<b>(305,465)</b>
Changes in non-cash working capital items:		
Receivables	<b>-</b>	<b>6,776</b>
Prepaid expenses	<b>16,200</b>	<b>17,415</b>
Accounts payable and accrued liabilities	<b>14,246</b>	<b>(285,994)</b>
<b>Net cash used in operating activities</b>	<b>(323,828)</b>	<b>(1,126,731)</b>
<b>Investing activities</b>		
Cash and cash equivalents sold on disposition of Malbex San Juan S.A.	<b>-</b>	<b>(105,755)</b>
<b>Net cash used in investing activities</b>	<b>-</b>	<b>(105,755)</b>
<b>Net change in cash and cash equivalents</b>	<b>(323,828)</b>	<b>(1,232,486)</b>
<b>Effect of exchange rate changes on cash</b>	<b>456</b>	<b>(18,983)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>5,405,029</b>	<b>6,733,689</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 5,081,657</b>	<b>\$ 5,482,220</b>

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**Malbex Resources Inc.****Condensed Interim Consolidated Statements of Changes in Equity****(Expressed in Canadian Dollars)****Unaudited**

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	<b>Capital stock</b>	<b>Contributed surplus</b>	<b>Accumulated other comprehensive income</b>	<b>Deficit</b>	<b>Total</b>
<b>Balance, December 31, 2015</b>	<b>\$ 34,360,252</b>	<b>\$ 11,740,029</b>	<b>\$ 279,959</b>	<b>\$(40,387,312)</b>	<b>\$ 5,992,928</b>
Stock-based compensation	-	304,200	-	-	304,200
Other comprehensive loss for the period	-	-	(235,488)	-	(235,488)
Net loss for the period	-	-	-	(647,158)	(647,158)
<b>Balance, September 30, 2016</b>	<b>\$ 34,360,252</b>	<b>\$ 12,044,229</b>	<b>\$ 44,471</b>	<b>\$(41,034,470)</b>	<b>\$ 5,414,482</b>
<b>Balance, December 31, 2016</b>	<b>\$ 34,360,252</b>	<b>\$ 12,044,229</b>	<b>\$ 43,800</b>	<b>\$(41,081,750)</b>	<b>\$ 5,366,531</b>
Stock-based compensation	-	139,880	-	-	139,880
Other comprehensive income for the period	-	-	3,621	-	3,621
Net loss for the period	-	-	-	(497,319)	(497,319)
<b>Balance, September 30, 2017</b>	<b>\$ 34,360,252</b>	<b>\$ 12,184,109</b>	<b>\$ 47,421</b>	<b>\$(41,579,069)</b>	<b>\$ 5,012,713</b>

The accompanying notes to the unaudited condensed interim consolidated financial statements are an integral part of these statements.

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# Malbex Resources Inc.

## Notes to Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended September 30, 2017

(Expressed in Canadian Dollars)

Unaudited

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### 1. Nature of operations

Malbex Resources Inc. and its subsidiaries (the "Company" or "Malbex") is a Canadian based company. Malbex Resources Inc. was originally incorporated on April 7, 1998 under the laws of British Columbia and operated as Arapaho Capital Corp. ("Arapaho") until December 8, 2009. Effective December 8, 2009, Arapaho has operated as Malbex Resources Inc. and operates on a continuing basis under the laws of Ontario. Malbex is a publicly listed company with common shares traded on the TSX Venture Exchange ("TSX-V"). The address of the Company's registered office is the Canadian Venture Building, 82 Richmond Street East, Suite 200, Toronto, Ontario, M5C 1P1.

The Company was formerly a gold exploration company with a focus on its project in Argentina. The Company is now focused on identifying a new project and has determined not to limit its search for a new project to the mining and resource sector and is broadening its search to other opportunities where it may be possible to create shareholder value.

As a result of the disposition of the Company's sole property in March of 2015 (which closed in April 2015), it does not currently have any active exploration or development projects. While the Company is currently in the process of examining business opportunities as it formulates a new strategic direction, the Company may currently be considered to be operating with more than one deficiency under the TSX-V Tier 2 continued listing requirements. A failure to remedy these deficiencies in a prescribed period could result in the Company's common shares being transferred to the NEX, which is a unique and separate board of the TSX-V for listed companies that have fallen below the TSX-V's ongoing listing requirements.

### 2. Significant accounting policies

#### *Statement of compliance*

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by IASB and interpretations issued by IFRIC.

The policies applied in these unaudited condensed interim consolidated financial statements are based on IFRSs issued and outstanding as of November 28, 2017, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed interim consolidated financial statements as compared with the most recent annual financial statements as at and for the year ended December 31, 2016. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending December 31, 2017 could result in restatement of these unaudited condensed interim consolidated financial statements.

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## Malbex Resources Inc.

### Notes to Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended September 30, 2017

(Expressed in Canadian Dollars)

Unaudited

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## 2. Significant accounting policies (continued)

*New standards not yet adopted and interpretations issued but not yet effective*

IFRS 9 – Financial instruments ("IFRS 9") addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009, October 2010, November 2013 and finalized in July 2014. It replaces the parts of IAS 39 Financial Instruments: Recognition and Measurement that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into three measurement categories: those measured at fair value through profit or loss ("FVTPL"), those measured at fair value through other comprehensive income ("FVOCI") and those measured at amortized cost, with the determination made at initial recognition. The classification depends on an entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that in cases where the fair value option is selected for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the consolidated statements of operations, unless this creates an accounting mismatch. IFRS 9 has also been updated to amend the requirements around hedge accounting, however, there is no impact to the Company from these amendments as it does not apply hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted. The Company has not yet assessed the impact of adoption.

## 3. Capital stock

On January 8, 2016, the Company completed the share consolidation of its issued and outstanding common shares on the basis of one post-consolidation common share for every ten pre-consolidation common shares. As part of the share consolidation, the stock options were also consolidated and the exercise price adjusted to reflect the consolidation. The share consolidation has been reflected in these financial statements and all applicable references to the number of shares and stock options and their strike price and per share information has been restated.

### a) Authorized share capital

Authorized share capital consists of an unlimited number of voting common shares without par value and an unlimited number of preferred shares, issuable in series. All issued shares are fully paid. No dividends have been paid or declared by the Company since inception.

### b) Common shares issued

	<b>Number of common shares</b>	<b>Amount</b>
Balance, December 31, 2015, September 30, 2016, December 31, 2016 and September 30, 2017	14,654,730	\$ 34,360,252

## 4. Stock options

The Company has adopted an incentive stock option plan (the "Option Plan") which provides that the directors of the Company may, from time to time, at their discretion, grant to directors, officers, employees, advisors and consultants to the Company non-transferable options to purchase common shares, provided that the number of common shares reserved for issue under the Option Plan will not exceed 10% of the number of then outstanding common shares. Such options will be exercisable for a period of up to five years from the date of grant. Vesting terms will be determined at the time of grant in accordance with the Option Plan.

## Malbex Resources Inc.

### Notes to Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended September 30, 2017

(Expressed in Canadian Dollars)

Unaudited

#### 4. Stock options (continued)

	Number of stock options	Weighted average exercise price
Balance, December 31, 2015	157,500	\$ 4.50
Issued (i)	1,000,000	0.31
Expired	(70,000)	4.50
Balance, September 30, 2016	1,087,500	\$ 0.65
Balance, December 31, 2016	1,087,500	\$ 0.65
Issued (ii)	400,000	0.33
Expired	(87,500)	4.50
Balance, September 30, 2017	1,400,000	\$ 0.32

(i) On May 10, 2016, the Company issued 1,000,000 incentive stock options to directors and officers of the Company with an exercise price of \$0.31 and expiring May 10, 2021. The incentive stock options vested immediately. The fair value of \$304,200 was estimated on the date of grant using the Black-Scholes option valuation model with the following assumptions: share price \$0.305; expected dividend yield of 0%; risk-free interest rate of 0.65%; expected average life of five years; and expected volatility of 270%.

(ii) On May 3, 2017, the Company issued 400,000 incentive stock options to directors and officers of the Company with an exercise price of \$0.33 and expiring May 3, 2022. The incentive stock options vested immediately. The fair value of \$139,880 was estimated on the date of grant using the Black-Scholes option valuation model with the following assumptions: share price \$0.35; expected dividend yield of 0%; risk-free interest rate of 1.47%; expected average life of five years; and expected volatility of 300%.

The following table reflects the actual stock options issued and outstanding as of September 30, 2017:

Expiry date	Weighted average exercise price (\$)	Weighted average remaining contractual life (years)	Number of options outstanding	Number of options vested (exercisable)
May 10, 2021	0.31	3.61	1,000,000	1,000,000
May 3, 2022	0.33	4.59	400,000	400,000
	0.32	3.89	1,400,000	1,400,000

#### 5. Loss per share

For the three and nine months ended September 30, 2017, basic and diluted loss per share has been calculated based on the loss attributable to common shareholders of \$76,561 and \$497,319, respectively (three and nine months ended September 30, 2016 - \$48,719 and \$647,158, respectively) and the weighted average number of common shares outstanding of 14,654,730 (three and nine months ended September 30, 2016 - 14,654,730). Diluted loss per share did not include the effect of stock options as they are anti-dilutive.

## Malbex Resources Inc.

### Notes to Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended September 30, 2017

(Expressed in Canadian Dollars)

Unaudited

#### 6. Related party transactions

Related parties include key management being the Company's executive officers and the Board of Directors. The following related party transactions were conducted in the normal course of operations and were made on an arm's length basis:

##### (a) Compensation of key management personnel of the Company

In accordance with IAS 24, Related Party Disclosures ("IAS 24"), key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

The remuneration of key management personnel is determined by the Board of Directors having regard to the performance of individuals and market trends and was as follows:

	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Management salaries	\$ 13,008	\$ 10,937	\$ 54,341	\$ 51,221
Director fees	18,750	18,750	56,250	56,250
Stock-based compensation	-	-	139,880	304,200
	<b>\$ 31,758</b>	<b>\$ 29,687</b>	<b>\$ 250,471</b>	<b>\$ 411,671</b>

(b) The Company received consulting services from Pickax International Corporation ("Pickax"), a company controlled by the President and Chief Executive Officer ("CEO"). During the three and nine months ended September 30, 2017 the Company incurred \$2,000 and \$19,000, respectively (three and nine months ended September 30, 2016 - \$nil and \$18,000, respectively) for CEO services. As at September 30, 2017, Pickax was owed \$7,000 (December 31, 2016 - \$6,000) and this amount was included in accounts payable and accrued liabilities.

(c) The Chief Financial Officer ("CFO") is a senior employee of Marrelli Support Services Inc. ("MSSI"), a firm also providing accounting services. During the three and nine months ended September 30, 2017 the Company incurred \$11,008 and \$35,341, respectively (three and nine months ended September 30, 2016 - \$10,937 and \$33,221, respectively) for CFO and accounting services rendered by MSSI. As at September 30, 2017, MSSI was owed \$2,370 (December 31, 2016 - \$6,340) and this amount was included in accounts payable and accrued liabilities.

#### 7. General and administrative

	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Corporate expenses	\$ 29,966	\$ 22,225	\$ 130,305	\$ 189,231
Salaries and benefits (note 6)	2,901	1,590	21,704	36,501
Investor relations	9,783	9,371	27,965	40,400
Stock-based compensation	-	-	139,880	304,200
Professional fees (note 6)	32,133	15,582	170,325	133,706
	<b>\$ 74,783</b>	<b>\$ 48,768</b>	<b>\$ 490,179</b>	<b>\$ 704,038</b>

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## Malbex Resources Inc.

### Notes to Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended September 30, 2017

(Expressed in Canadian Dollars)

Unaudited

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#### 8. Segmented information

An operating segment is a component within Malbex that engages in business activities from which it may earn revenues and incur expenses (including expenses relating to transactions with other components of the Company), whose operating results are regularly reviewed by the entity's chief operating decision maker, the chief executive officer, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The Company's operations consisted of a single reportable segment engaged in the acquisition and exploration of precious metals projects. As the operations comprise a single reporting segment, amounts disclosed in the consolidated financial statements also represent segment amounts. The Company has a head office located in Toronto, Canada.

#### Geographical information

The Company had operated in two principal geographical areas in the prior period – Canada and Argentina.

The following tables summarize the net loss by geographic segment for the prior period:

<b>Three months ended September 30, 2016</b>	<b>Argentina</b>	<b>Canada</b>	<b>Total</b>
General and administrative	\$ -	\$ 48,768	\$ 48,768
Foreign exchange loss (gain)	-	(49)	(49)
	\$ -	\$ 48,719	\$ 48,719

<b>Nine months ended September 30, 2016</b>	<b>Argentina</b>	<b>Canada</b>	<b>Total</b>
General and administrative	\$ 43,868	\$ 660,170	\$ 704,038
Foreign exchange loss (gain)	(253,845)	502,430	248,585
Gain on sale of Malbex San Juan S.A.	(305,465)	-	(305,465)
	\$ (515,442)	\$ 1,162,600	\$ 647,158

#### 9. Subsequent event

Subsequent to September 30, 2017, the Company dissolved its wholly owned subsidiaries Malbex Cooperatief U.A., and Malbex B.V.