



**Malbex**  
Resources

Malbex Resources Inc.

## Management's Discussion & Analysis

FOR THE YEAR ENDED DECEMBER 31, 2016

*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 year ended December 31, 2016. This MD&A should be read in conjunction with the consolidated financial statements and notes thereto of the Company for the years ended December 31, 2016 and 2015 ("Statements").*

*The Company's Statements have been prepared in accordance with 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").*

*All amounts included in this MD&A are in Canadian dollars, unless otherwise specified. This report is dated as of April 19, 2017. Readers are encouraged to read the Company's public filings, which can be viewed on the SEDAR website ([www.sedar.com](http://www.sedar.com)).*

*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 this MD&A and all applicable references to the number of shares and stock options and their strike price and per share information has been restated.*

## **RECENT HIGHLIGHTS**

- December 31, 2016: Working capital of \$5.4 million, including cash-on-hand of \$5.4 million, compared with working capital of \$6.0 million, including cash-on-hand of \$6.7 million, at December 31, 2015. The decrease in working capital was in large part due to a decline in the US Dollar.
- On May 10, 2016, the Company completed the disposition of Malbex San Juan S.A. for proceeds of \$100. As a result, the Company recorded a gain of \$305,465.

## **STRATEGIC OBJECTIVE**

The Company is focused on identifying a new project and has determined not to limit its search for a new project to the mining and resource sector.

## **OUTLOOK**

The capital markets continue to be extremely challenging for exploration companies. The strategic objectives are currently under review as management searches for new opportunities or business combinations. A strong balance sheet should allow the Company to identify, evaluate and advance opportunities and projects without the requirement for immediate access to the capital markets.

## SELECTED ANNUAL FINANCIAL INFORMATION

	Year ended December 31, 2016 (\$)	Year ended December 31, 2015 (\$)	Fifteen months ended December 31, 2014 (\$)
Net loss (income)	694,438	(5,375,378)	1,040,172
Basic and diluted loss (income) per share	0.05	(0.37)	0.08
Total assets	5,423,929	6,760,782	1,780,873

## SELECTED QUARTERLY FINANCIAL INFORMATION

Three Months Ended	Total Revenue (\$)	Loss (income)		Total Assets (\$)
		Total (\$)	Per Share (\$)	
December 31, 2016	-	47,280	0.00	5,423,929
September 30, 2016	-	48,719	0.00	5,485,122
June 30, 2016	-	5,016	0.00	5,559,904
March 31, 2016	-	593,423	0.04	5,972,453
December 31, 2015	-	162,721	0.01	6,760,782
September 30, 2015	-	(240,005)	(0.02)	6,645,503
June 30, 2015	-	(5,423,939)	(0.37)	6,357,714
March 31, 2015	-	125,845	0.01	1,808,761

## RESULTS OF OPERATIONS

### Three months ended December 30, 2016 compared to three months ended December 30, 2015

The Company's net loss totaled \$47,280 for the three months ended December 30, 2016, with basic and diluted loss per share of \$0.00. This compares with a net loss of \$162,721, with basic and diluted loss per share of \$0.01 for the three months ended December 30, 2015. The decrease of \$115,441 in net loss was principally because:

- For the three months ended December 31, 2016, exploration and evaluation expenditures was \$nil versus a recovery of \$143,639 for the three months ended December 31, 2015. The recovery in the prior period is a result of the decrease in the administrative penalty payable to reflect the actual paid.
- For the three months ended December 30, 2016, foreign exchange gain decreased \$218,825 versus the three months ended December 30, 2015 due mainly to fluctuations in the US dollar in the prior period.
- For the three months ended December 30, 2016, corporate expenses decreased \$249,798 due to the decreased activity of the Company.

Year ended December 30, 2016 compared to year ended December 30, 2015

The Company's net loss totaled \$694,438 for the year ended December 30, 2016, with basic and diluted loss per share of \$0.05. This compares with a net income of \$5,375,378, with basic and diluted income per share of \$0.37 for the year ended December 30, 2015. The decrease of \$6,069,816 from net income to a net loss was principally because:

- For the year ended December 31, 2016, exploration and evaluation expenditures was \$nil versus a recovery of \$94,036 for the year ended December 31, 2015. The recovery in the prior period is a result of the decrease in the administrative penalty payable to reflect the actual paid.
- For the year ended December 30, 2016, foreign exchange loss was \$248,556 versus a gain of \$690,218 for the year ended December 30, 2015 due mainly to fluctuations in the US dollar in the prior period.
- For the year ended December 31, 2016, the Company recorded a gain on sale of Malbex San Juan S.A. of \$305,465 due to the sale of the Company's interest in the year.
- For the year ended December 31, 2015, the Company recorded a gain on sale of mineral property interests of \$5,689,700 due to the sale of the Company's interest in the Del Carmen Project.
- For the year ended December 30, 2016, corporate expenses decreased \$216,116 due to the decreased activity of the Company.
- For the year ended December 30, 2016, professional fees decreased \$376,116 due to the decreased activity of the Company. As well, in the prior year additional legal expenses were incurred related to the sale of the Del Carmen Project.
- For the year ended December 31, 2016, stock-based compensation was \$304,200 due to the issuance of 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.

## **CASH FLOW STATEMENT**

### ***Liquidity, Capital Resources and Contractual Obligations***

As December 31, 2016 the Company had working capital of \$5,366,531 (December 31, 2015 – \$5,992,928) and held cash of \$5,405,029 (December 31, 2015 - \$6,733,689). The decrease in working capital at December 31, 2016 is mainly due to fluctuations of the US Dollar against the Canadian Dollar, Argentinean Peso during the first half of 2016, the sale of Malbex San Juan S.A and Canadian corporate working capital requirements.

The Company's only sources of liquidity are its cash balances, the exercise of stock options and the equity markets. On an ongoing basis, the Company examines various financing alternatives to address future funding requirements. There is no guarantee of the sufficiency or success of these initiatives. See "Outlook" above.

The timing and ability to complete any future funding efforts will depend on the liquidity of the financial markets and the willingness of investors to finance any new opportunities or business combinations. At this time, the Company has no 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.

## RELATED PARTY AND OTHER TRANSACTIONS

In accordance with 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:

	Year ended December 31, 2016 (\$)	Year ended December 31, 2015 (\$)
Management salaries	71,362	94,754
Director fees	75,000	75,000
Stock-based compensation	304,200	-
<b>Total</b>	<b>450,562</b>	<b>169,754</b>

The Company received consulting services from Pickax International Corporation ("Pickax"), a company controlled by the President and Chief Executive Officer ("CEO"). During the year ended December 31, 2016 the Company incurred \$23,000 (year ended December 31, 2015 - \$45,000) for CEO services. As at December 31, 2016, Pickax was owed \$6,000 (December 31, 2015 - \$1,000) and this amount was included in accounts payable and accrued liabilities.

The Chief Financial Officer ("CFO") is a senior employee of Marrelli Support Services Inc. ("MSSI"), a firm also providing accounting services. During the year ended December 31, 2016 the Company incurred \$48,362 (year ended December 31, 2015 - \$49,754) for CFO and accounting services rendered by MSSI. As at December 31, 2016, MSSI was owed \$6,340 (December 31, 2015 - \$8,359) and this amount was included in accounts payable and accrued liabilities.

## OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of voting common shares without par value and an unlimited number of preferred shares, issuable in series.

As of the date of this MD&A, the Company had 14,654,730 issued and outstanding common shares.

Stock options outstanding for the Company at the date of this MD&A were as follows:

Options	Expiry Date	Exercise Price (\$)
1,000,000	May 10, 2021	0.31
<b>1,000,000</b>		

## ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

### *General and Administrative*

	Year ended December 31, 2016 (\$)	Year ended December 31, 2015 (\$)
Corporate expenses	212,375	428,491
Salaries and benefits	42,403	95,240
Investor relations	43,114	43,175
Stock-based compensation	304,200	-
Professional fees	149,255	525,371
<b>Total</b>	<b>751,347</b>	<b>1,092,277</b>

### *Exploration and Evaluation Expenditures*

	Year ended December 31, 2016 (\$)	Year ended December 31, 2015 (\$)
<b>Argentina</b>		
Land / Concession	-	(1,815)
Logistics and indirect costs	-	37,268
Value-added tax	-	10,162
Fine by Mining Police	-	(139,651)
<b>Total</b>	<b>-</b>	<b>(94,036)</b>

## OFF BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

## CHANGE IN ACCOUNTING POLICIES

The Company has adopted the following new standards, along with any consequential amendments, effective January 1, 2016. These changes were made in accordance with the applicable transitional provisions.

IAS 1 – Presentation of Financial Statements (“IAS 1”) was amended in December 2014 in order to clarify, among other things, that information should not be obscured by aggregating or by providing immaterial information, that materiality considerations apply to all parts of the financial statements and that even when a standard requires a specific disclosure, materiality considerations do apply. On January 1, 2016, the Company adopted this standard and there was no significant impact on the consolidated financial statements.

## FUTURE ACCOUNTING PRONOUNCEMENTS

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.

## CAPITAL RISK MANAGEMENT

The Company considers its capital structure to consist of capital stock, contributed surplus, deficit and accumulated other comprehensive income, which at December 31, 2016 totaled \$5,366,531 (December 31, 2015 - \$5,992,928).

When managing capital, the Company's objective is to ensure Malbex continues as a going concern, to identify a new project as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management reviews and adjusts its capital structure on an ongoing basis. There can be no assurance that the Company will be able to continue to meet its funding requirements in this manner.

The Company is dependent on external financing to fund its activities. In order to identify a new project and pay for administrative costs, the Company will spend its existing working capital and may issue new shares to facilitate the management of its capital requirements.

## FINANCIAL INSTRUMENTS

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk, including interest rate, foreign currency rate, and commodity price risk.

Financial risk management is carried out by the Company's management team with guidance from the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

### **Credit Risk**

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents and receivables. Cash and cash equivalents are held with Canadian chartered banks which are closely monitored by management.

### **Liquidity Risk**

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2016, the Company had cash and cash equivalents and receivables of \$5,405,029 to settle current liabilities of \$57,398. All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

### **Market Risk**

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates and commodity prices.

#### **i) Interest Rate Risk**

The Company has cash balances and no interest bearing debt. The Company's current policy is to invest excess cash in interest-bearing accounts of major Canadian chartered banks. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its financial institutions.

#### **ii) Foreign Currency Risk**

The Company is not subject to significant foreign currency risk.

#### **iii) Commodity Price Risk**

The Company is not subject to significant commodity price risk due to the disposition of the Company's sole property in March 2015.

### **Financial Instruments**

The Company has designated its cash and cash equivalents, and receivables as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

As at December 31, 2016 and December 31, 2015, the carrying value and fair value amounts of the Company's financial instruments were approximately equivalent.

## **DISCLOSURE OF INTERNAL CONTROLS**

Management has established processes to provide them sufficient knowledge to support representations that they have exercised reasonable diligence that (i) the Statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the Statements; and (ii) the Statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), this Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

- i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP (IFRS).

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

## **RISK FACTORS**

An investment in securities of the Company 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 Company. Any prospective investor should carefully consider those risk factors and all of the other information contained in the Company's Annual Information Form dated December 30, 2013 and elsewhere, or incorporated by reference (including information contained in the section entitled "Forward-Looking Statements") 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 Company. Additional risks and uncertainties not currently known to the Company, or that the Company currently considers immaterial, may also materially and adversely affect its operating results, properties, business and condition (financial or otherwise).

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.

## **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, cost estimates, sustaining capital, anticipated financial results, future work

programs, capital expenditures and objectives, evolution and economic performance of projects, budgets and targets, continuity of a favourable markets, contractual commitments, continuous availability of required manpower and continuous access to capital markets, future ability to finance projects and other statements that express management's expectations or estimates regarding the timing of completion of various aspects of business 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 identify new business opportunities and consummate transactions, 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 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 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.

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.