

Consolidated Financial Statements of

ARAPAHO CAPITAL CORP.

Years ended September 30, 2009 and 2008



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AUDITORS' REPORT

We have audited the consolidated balance sheets of Arapaho Capital Corp. as at September 30, 2009 and 2008 and the consolidated statements of operations, comprehensive loss and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a long, horizontal, slightly wavy line that extends across the width of the signature.

Chartered Accountants

Vancouver, Canada

November 25, 2009

ARAPAHO CAPITAL CORP.

Consolidated Balance Sheets

September 30, 2009 and 2008

	2009	2008
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,067,194	\$ 1,125,309
Marketable securities	20,040	19,147
Amounts receivable	15,481	4,666
	<hr/>	<hr/>
	\$ 1,102,715	\$ 1,149,122
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities (note 4)	\$ 176,569	\$ 22,642
Shareholders' equity:		
Share capital (note 5)	374,739	258,939
Contributed surplus	15,946	-
Retained earnings	535,461	867,541
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	926,146	1,126,480
Nature of operations (note 1)		
Subsequent event (notes 4 and 9)		
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	\$ 1,102,715	\$ 1,149,122

See accompanying notes to financial statements.

Approved on behalf of the Board:

 "Tim Warman" Director

 "Joseph Hamilton" Director

ARAPAHO CAPITAL CORP.

Consolidated Statements of Operations, Comprehensive Loss and Retained Earnings

Years ended September 30, 2009 and 2008

	2009	2008
Expenses:		
Accounting and audit	\$ 39,980	\$ 15,000
Consultants	25,000	-
Legal	153,118	5,433
Management services (note 6)	48,000	48,000
Office supplies and services	1,869	551
Shareholder information and filing fees	22,341	9,416
Stock based compensation	50,496	-
Transfer agent	5,879	5,560
	<u>346,683</u>	<u>83,960</u>
Other earnings:		
Interest income	13,710	31,983
Unrealized gain (loss) on marketable securities	893	(13,330)
	<u>14,603</u>	<u>18,653</u>
Loss and comprehensive loss	(332,080)	(65,307)
Retained earnings, beginning of year	867,541	932,848
Retained earnings, end of year	<u>\$ 535,461</u>	<u>\$ 867,541</u>
Basic and diluted loss per share	\$ (0.05)	\$ (0.01)
Weighted average number of common shares outstanding	<u>6,600,890</u>	<u>6,240,548</u>

See accompanying notes to financial statements.

ARAPAHO CAPITAL CORP.

Consolidated Statements of Cash Flows

Years ended September 30, 2009 and 2008

	2009	2008
Cash provided by (used for):		
Operations:		
Loss for the year	\$ (332,080)	\$ (65,307)
Items not involving cash:		
Stock-based compensation	50,496	-
Unrealized (gain) loss on marketable securities	(893)	13,330
	(282,477)	(51,977)
Changes in non-cash working capital items:		
Amounts receivable	(10,815)	4,482
Accounts payable and accrued liabilities	153,927	(1,812)
Income taxes	-	17,619
	(139,365)	(31,668)
Financing:		
Proceeds from exercised stock options	81,250	60,000
Investing:		
Marketable securities	-	(32,477)
Decrease in cash and cash equivalents	(58,115)	(4,165)
Cash and cash equivalents, beginning of year	1,125,309	1,129,474
Cash and cash equivalents, end of year	\$ 1,067,194	\$ 1,125,309
Supplementary information:		
Cash amount of payments received (paid):		
Income taxes	\$ -	\$ 17,619
Interest received	11,565	31,983

See accompanying notes to financial statements.

ARAPAHO CAPITAL CORP.

Notes to Consolidated Financial Statements

Years ended September 30, 2009 and 2008

1. Nature of operations and continuance of operations:

Arapaho Capital Corp. ("Arapaho" or the "Company") was incorporated on April 17, 1998 under the laws of British Columbia. Since September 30, 2005, the Company has no operations other than reviewing investment opportunities.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported expenses and balance sheet classifications that would be necessary if the going concern assumption was inappropriate. At September 30, 2009, the Company had retained earnings of \$535,461, had working capital of \$926,146, and expects to incur further losses in the development of its business.

The Company's continuing operations as intended are dependent upon its ability to generate profitable operations and to obtain the necessary financing to meet its obligations. Subsequent to September 30, 2009, Arapaho has completed a business combination transaction with Malbex Resources Inc. ("Malbex") (see note 9). Upon completion of the amalgamation, \$7.8 million representing the escrowed portion of the gross proceeds raised by Malbex in the \$10.6 million private placement of 21,275,000 subscription receipts (the "Malbex Subscription Receipts"), was released.

2. Significant accounting policies:

(a) Basis of presentation:

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The consolidated financial statements include the accounts of 2206833 Ontario Inc., the Company's wholly owned subsidiary. All significant inter-company balances and transactions have been eliminated.

(b) Cash equivalents:

Cash equivalents are highly liquid investments, such as term deposits with major financial institutions, having a maturity of three months or less at acquisition, that are readily convertible to contracted amounts of cash.

ARAPAHO CAPITAL CORP.

Notes to Consolidated Financial Statements

Years ended September 30, 2009 and 2008

2. Significant accounting policies (continued):

(c) Future income taxes:

The Company accounts for income taxes using the asset and liability method, whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases (temporary differences) and loss carry-forwards. Future tax assets are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period in which the change is substantively enacted. The amount of future tax assets recognized is limited to the amount of the benefit that is more likely than not to be realized.

(d) Stock-based compensation:

The Company has a share option plan which is described in note 5(c). The Company records all stock-based payments using the fair value method. Under the fair value method, stock-based payments are measured at the fair value of the consideration received on the fair value of the equity instrument issued on liabilities incurred, whichever is more reliably measurable and are charged to operations over the vesting period. The offset is to contributed surplus.

Consideration received upon the exercise of stock options is credited to share capital and the related contributed surplus is transferred to share capital.

(e) Loss per share:

Loss per common share is calculated by dividing loss available to common shareholders by the weighted average number of common shares outstanding during the period. For all periods presented, loss available to common shareholders equals the reported loss.

Loss per share is calculated using the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding used for the calculation of loss per share assumes that the proceeds to be received on the exercise of dilutive stock options are used to repurchase common shares at the average market price during the period.

For the years ended September 30, 2009 and 2008, diluted loss per share is the same as basic loss per share as the effect of the outstanding options and warrants would be anti-dilutive.

ARAPAHO CAPITAL CORP.

Notes to Consolidated Financial Statements

Years ended September 30, 2009 and 2008

2. Significant accounting policies (continued):

(f) Measurement uncertainty:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period. Significant area requiring the use of management estimates are the valuation of amounts receivable and assumptions made relating to stock compensation. Actual results could differ from estimates used in the preparation of these financial statements.

(g) Financial instruments:

The Company's financial instruments, other than marketable securities, consist of cash and cash equivalents, amounts receivable and accounts payable and accrued liabilities. Cash and cash equivalents and marketable securities are classified as held for trading, amounts receivable are classified as loans and receivables and accounts payable and accrued liabilities are classified as other financial liabilities. The fair value of these financial instruments approximates their carrying value due to their short-term maturity and capacity for prompt liquidation. Marketable securities are subject to price risk relating to market fluctuations.

All of the Company's cash and cash equivalents are maintained by one of the major Canadian financial institutions and are classified as held for trading.

3. Adoption of new accounting standards and recent pronouncements:

Current accounting changes

(a) Assessing going concern:

Effective October 1, 2008, the Company implemented the amended CICA Handbook Section 1400, *General Standards of Financial Statement Presentation*, to include requirements for management to assess and disclose an entity's ability to continue as a going concern.

The Company has forecast financial results and cash flows for fiscal 2010. The forecasts are based on management's best estimates of operating conditions in the context of current economic climate and today's difficult capital market conditions. Based on its forecasts, the Company currently expects that sufficient liquidity is available to meet its obligations in fiscal 2010. Note 1 to these financial statements contain disclosures about the Company's nature of operations.

ARAPAHO CAPITAL CORP.

Notes to Consolidated Financial Statements

Years ended September 30, 2009 and 2008

3. Adoption of new accounting standards and recent pronouncements (continued):

(b) Goodwill and Intangible Assets:

The CICA issued Handbook Section 3064, *Goodwill and Intangible Assets*, which replaces Section 3062, *Goodwill and Intangible Assets* and Section 3450, *Research and Development Costs*. Section 3064 establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. Standards concerning goodwill remain unchanged from the standards included in the previous Section 3062. This new standard was adopted effective October 1, 2008 and had no material impact on the financial statements.

Future accounting changes

(c) Business combinations:

Section 1582, *Business Combinations*, is replacing Section 1581, *Business Combinations* and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to the IFRS standard, IFRS 3 (revised), *Business Combinations*. The Section applies prospectively to business combinations for which the acquisition date is on or after January 1, 2011. Either application is permitted. The Company is currently evaluating the impact of this standard on the consolidated financial statements.

(d) Consolidation financial statements and non-controlling interests:

Section 1601, *Consolidated Financial Statements* and Section 1602, *Non-Controlling interests*, together replace Section 1600, *Consolidate Financial Statements*. Section 1601 establishes standards for the preparation of consolidated financial statements. 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 standard, IAS27 (revised), *Consolidated and Separate Financial Statements*. The sections apply to interim and annual consolidated financial statements relating to fiscal years beginning on January 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year and must be adopted simultaneously with Section 1582, *Business Combinations*. The Company is currently evaluating the impact of this standard on the consolidated financial statements.

(e) International Financial Reporting Standards ("IFRS"):

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Therefore, the Company will adopt IFRS for its September 2012 financial statements. The transition date of October 1, 2010 will require the restatement for comparative purposes of amounts reported by the Company for the year ended September 30, 2011. While the Company has begun assessing the adoption of IFRS for 2012, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

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Notes to Consolidated Financial Statements

Years ended September 30, 2009 and 2008

4. Financial instruments- risk management:

(a) Marketable securities and market risk:

The Company holds a common share investment in a public company which is classified as held for trading. This investment was initially measured at fair value based on quoted market prices with subsequent changes in fair value recognized in current period net income.

	September 30, 2009			September 30, 2008		
	Cost	Unrealized loss	Fair value	Cost	Unrealized loss	Fair value
Jaguar Financial Corp.	\$ 32,477	\$ 12,437	\$ 20,040	\$ 32,477	\$ 13,330	\$ 19,147

The fair value of this investment is subject to a venture company's equity price risk. Fluctuations in value are common with this type of security.

Subsequent to September 30, 2009, the Company sold all of these shares and incurred a loss of \$5,380.

(b) Interest rate, credit and liquidity risk:

The Company is exposed to interest rate risk with regard to the cash and cash equivalents. The Company manages this risk by holding its cash and cash equivalents in a major Canadian banking institution or in one of its interest bearing financial products for periods of three months or less. The Company's exposure to credit risk in amounts receivable is low as it consists primarily of a GST receivable which is receivable from the Canadian government. The credit, liquidity and interest rate risks are limited. The Company does not have financial assets that are invested in asset-backed commercial paper.

(c) Foreign exchange risk:

The Company had no exposure to foreign exchange risk during the reporting period as it neither held nor conducted any business in foreign currencies.

5. Share capital:

(a) Authorized:

(i) Unlimited number of common shares without par value

On March 11, 2005, the authorized number of common shares was increased from 200,000,000 common shares to an unlimited number of common shares.

(ii) 100,000,000 preferred shares without par value

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Notes to Consolidated Financial Statements

Years ended September 30, 2009 and 2008

5. Share capital (continued):

(b) Issued and outstanding:

Common shares	Number of shares	Amount	Contributed surplus
Balance, September 30, 2007	6,200,000	\$ 198,939	\$ -
Issued on exercise of stock options	400,000	60,000	-
Balance September 30, 2008	6,600,000	258,939	-
Stock options granted	-	-	50,496
Issued on exercise of stock options	325,000	115,800	(34,550)
Balance September 30, 2009	6,925,000	\$ 374,739	\$ 15,946

(c) Stock options:

The Company has an incentive stock option plan (the "Plan") that allows it to grant options to its employees, directors, consultants and management company employees. The Plan received shareholder approval on March 28, 2003 and was accepted by the TSX-V on April 3, 2003. The Plan was approved for continuance with no changes by the shareholders on March 30, 2006.

Under the terms of the plan, the options are non-transferable and the aggregate number of shares that may be reserved for issuance of stock options may not exceed 5% of the issued shares to any individual (maximum of 2% to any consultant) in any 12-month period. Pursuant to the Plan, no stock options can be granted if the Company is designated inactive by the TSX-V. The exercise price of the stock options is determined by the board of directors of the Company at the grant date and will not be lower than the market price of the Company's shares on the TSX-V at the time of grant, less the applicable discount as provided by the policies of the TSX-V, provided that the exercise price will not be less than \$0.10 per share.

Options have a maximum term of ten years and terminate ninety days following the date on which an optionee ceases to be an employee, director, consultant or management company employee and thirty days following the date on which an optionee who is engaged to provide investor relations activities ceases to be engaged to provide such services. In the case of death, the option terminates at the earlier of one year after the date of death and the date of the expiration of the term otherwise applicable to the option.

Vesting of options is determined by the board of the Company at the time the options are granted. Options issued to consultants providing investor relations activities must vest in stages over twelve months with no more than one-quarter of the options vesting in any three-month period.

There were no stock options granted during fiscal 2008.

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Notes to Consolidated Financial Statements

Years ended September 30, 2009 and 2008

5. Share capital (continued):

(c) Share purchase options (continued):

On November 27, 2008, 475,000 stock options were granted with an exercise price of \$0.25 per common share exercisable for a period up to September 30, 2013. The fair value totaling \$50,496 of stock options were expensed as stock-based compensation. On September 20, 2009, 325,000 stock options were exercised for \$81,250.

The fair value of the stock options has been estimated using the Black-Scholes option pricing model. Assumptions used in the pricing model are as follows:

Risk free interest rate	2.63%
Annual dividends	-
Expected stock price volatility	94.97%
Expected life	5 years

The continuity of the Company's share purchase options for the years ended September 30, 2009 and 2008 all of which are exercisable, is as follows:

Exercise price	Expiry date	Balance September 30, 2008	Granted	Exercised	Expired/cancelled	Balance September 30, 2009
\$0.25	November 22, 2013	-	475,000	(325,000)	-	150,000
Weighted average exercise price		\$ -	\$ 0.25	\$ 0.25		\$ 0.25

6. Related party transactions:

The following related party transactions occurred:

- During the year ended September 30, 2009, \$48,000 (2008 - \$48,000) was paid for office facilities and administrative services; and to Ionic Management Corp., a company with certain directors and officers in common, measured at fair value. In addition, a \$25,000 (2008 - nil) fee was paid for services related to the Malbex business combination (see note 9).
- Included in accounts payable and accrued liabilities at September 30, 2009 is \$4,234 (2008 - \$4,246) payable to Ionic Management Corp. This balance is non-interest bearing and due on demand.

The above transactions were in the normal course of business and were measured at the exchange amount, which is the amount agreed to by the related parties.

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Notes to Consolidated Financial Statements

Years ended September 30, 2009 and 2008

7. Income taxes:

The provision for income taxes for the years ended September 30, 2009 and 2008 varied from the basic federal and British Columbia provincial income tax statutory rate as follows:

	2009	2008
Provision for income taxes computed at statutory rates - 30.25% (2008 - 31.8%)	\$ (100,450)	\$ (20,755)
Non-deductible expenses	15,280	-
Non-deductible portion of unrealized loss (gain)	(220)	1,750
Change in valuation allowance	69,980	15,250
Reduction in future tax rates	590	3,400
Difference between current and future tax rate on future income tax asset temporary differences	14,820	-
Other	-	355
Total	\$ -	\$ -

The significant components of the Company's future income tax assets are as follows:

	2009	2008
Future income tax assets:		
Non-capital loss carry forwards	\$ 46,050	\$ 13,500
Capital loss-carry forwards	1,670	-
Unrealized loss (gain) on marketable securities	60	1,750
Share issue costs	37,450	-
	85,230	15,250
Valuation allowance	(85,230)	(15,250)
Net future income tax asset	\$ -	\$ -

The Company has available for deduction against future taxable income non-capital losses of approximately \$184,000. The non-capital losses, if not utilized, will expire during 2028 and 2029. Future tax benefits which may arise as a result of these non-capital losses have not been recognized in these financial statements and have been offset by a valuation allowance due to the uncertainty of their realization.

8. Capital management disclosures:

The Company is a TSX Venture company currently reviewing investment opportunities and considers the items included in shareholders equity as capital. The Company's objective in managing capital is to ensure sufficient liquidity to pursue potential investments and may raise additional capital through the equity markets as additional capital is required.

The Company is not subject to any externally imposed capital requirements and does not presently utilize any quantitative measures to monitor its capital.

ARAPAHO CAPITAL CORP.

Notes to Consolidated Financial Statements

Years ended September 30, 2009 and 2008

9. Subsequent event:

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

As a result of the Amalgamation, effective October 30, 2009 Arapaho indirectly holds all of the assets of Malbex, including the Del Carmen, Despoblados, and Los Amarillos gold exploration projects located in the Province of San Juan, north-western Argentina. In addition, \$7.8 million, representing the escrowed portion of the gross proceeds raised by Malbex in a June 30, 2009 \$10.6 million private placement, was released from escrow and received by the Company upon completion of the Amalgamation.

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

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