
MALBEX RESOURCES INC.

(An Exploration Stage Company)

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

THREE AND SIX MONTHS ENDED MARCH 31, 2010

(Expressed In Canadian Dollars Except As Otherwise Indicated)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited interim consolidated financial statements of Malbex Resources Inc. were prepared by management in accordance with Canadian generally accepted accounting principles. The most significant of these accounting principles have been set out in the September 30, 2009 audited consolidated financial statements. Only changes in accounting policies have been disclosed in these unaudited interim consolidated financial statements. Management acknowledges responsibility for the preparation and presentation of the unaudited interim consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances.

Management has established processes, which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the unaudited interim consolidated financial 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 unaudited interim consolidated financial statements and (ii) the unaudited interim consolidated financial 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 by the unaudited interim consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities.

An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited interim consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors and approves the unaudited interim consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

Consolidated Balance Sheets

As at March 31, 2010 and September 30, 2009
(Unaudited and expressed in Canadian Dollars)

	2010	2009
ASSETS		
Current		
Cash	\$ 4,136,577	\$ 557,118
Receivables	69,063	42,548
Prepaid expenses	188,579	36,894
Deferred reverse takeover costs (Note 5)	-	349,082
Restricted cash (Note 8(b)(iii))	-	7,798,061
	4,394,219	8,783,703
Equipment (Note 7)	333,738	142,536
Deferred mineral property expenditures (Note 6)	6,842,837	2,160,293
Mineral property acquisitions (Note 6)	66,573	66,573
Restricted cash (Note 6)	2,289,382	2,496,512
Other receivables (Note 4)	498,058	-
	10,030,588	4,865,914
	\$ 14,424,807	\$ 13,649,617
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 1,404,776	\$ 605,526
Other current liabilities (Note 8(b)(iii))	-	7,798,061
	1,404,776	8,403,587
SHAREHOLDERS' EQUITY		
Capital stock (Note 8)	11,935,948	3,469,580
Subscription receipts	-	1,978,220
Warrants (Note 10(a))	2,276,425	607,640
Broker warrants (Note 10(b))	334,378	334,378
Contributed surplus	3,068,075	930,975
Accumulated deficit	(4,594,795)	(2,074,763)
	13,020,031	5,246,030
	\$ 14,424,807	\$ 13,649,617

Nature of Operations and Going Concern (Note 1)

The accompanying notes are an integral part of these unaudited interim consolidated financial statements

Consolidated Statements of Loss, Comprehensive Loss and Deficit

For the three and six month periods ended March 31, 2010 and 2009

(Unaudited and expressed in Canadian dollars, except per share data)

	Three months ended March 31,		Six months ended March 31,	From April 24, 2008 to March 31,
	2010	2009	2010	2009
EXPENSES				
Corporate, general and administrative	\$ 426,314	\$ 65,176	\$ 747,203	\$ 195,075
Stock-based compensation (Note 9)	-	-	1,505,000	-
Professional fees	38,956	62,685	129,276	476,648
Amortization	7,557	1,993	14,269	1,993
	472,827	129,854	2,395,748	673,716
Other expense (income)				
Interest	(1,511)	(1,346)	(4,965)	(2,730)
Foreign exchange loss (gain)	66,262	(64,648)	129,249	(436,982)
Net loss and comprehensive loss	\$ 537,578	\$ 63,860	\$ 2,520,032	\$ 234,004
Deficit - beginning of period	4,057,217	170,144	2,074,763	-
Deficit - end of period	\$ 4,594,795	\$ 234,004	\$ 4,594,795	\$ 234,004
Loss per share (basic)	\$ 0.01	\$ -	\$ 0.05	\$ 0.01
Weighted average number of shares	56,458,301	48,869,996	55,803,956	17,719,999

The accompanying notes are an integral part of these unaudited interim consolidated financial statements

Consolidated Statements of Shareholders' Equity

As at March 31, 2010 and September 30, 2009

(Unaudited and expressed in Canadian dollars)

	Capital Stock	Subscription Receipts	Warrants	Broker Warrants	Contributed Surplus	Accumulated Deficit	Total
Balance, October 1, 2008	\$ 3,043,251	\$ -	\$ -	\$ -	\$ -	\$ (190,364)	\$ 2,852,887
Shares subscribed on royalty conversion	315,000	-	-	-	-	-	315,000
Private placement	1,060,000	-	-	-	-	-	1,060,000
Subscription receipts	-	2,839,439	-	-	-	-	2,839,439
Issuance of warrants - valuation	(607,640)	-	607,640	-	-	-	-
Issuance of broker warrants valuation	(334,378)	-	-	334,378	-	-	-
Cost of issue - cash	(6,653)	(861,219)	-	-	-	-	(867,872)
Stock-based compensation	-	-	-	-	930,975	-	930,975
Net loss for the period	-	-	-	-	-	(1,884,399)	(1,884,399)
Balance, September 30, 2009	\$ 3,469,580	\$ 1,978,220	\$ 607,640	\$ 334,378	\$ 930,975	\$ (2,074,763)	\$ 5,246,030
Conversion of subscription receipts	10,637,500	(2,839,439)	-	-	-	-	7,798,061
Issuance of warrants - valuation	(1,668,785)	-	1,668,785	-	-	-	-
Cost of issue - cash	(861,219)	861,219	-	-	-	-	-
Net Arapaho assets acquired, net of costs	321,372	-	-	-	-	-	321,372
Exercise of stock options	37,500	-	-	-	-	-	37,500
Stock-based compensation	-	-	-	-	2,137,100	-	2,137,100
Net loss for the period	-	-	-	-	-	(2,520,032)	(2,520,032)
Balance, March 31, 2010	\$ 11,935,948	\$ -	\$ 2,276,425	\$ 334,378	\$ 3,068,075	\$ (4,594,795)	\$ 13,020,031

The accompanying notes are an integral part of these unaudited interim consolidated financial statements

Consolidated Statements of Cash Flows

For the three and six month periods ended March 31, 2010 and 2009

(Unaudited and expressed in Canadian dollars, except per share data)

	Three months ended March 31,		Six months ended March 31,	From April 24, 2008 to March 31,
	2010	2009	2010	2009
Cash flow provided by (used in) operating activities				
Loss for the period	\$ (537,578)	\$ (63,860)	\$ (2,520,032)	\$ (234,004)
Items not affecting cash				
Amortization	7,557	1,993	14,269	1,993
Unrealized foreign exchange loss (gain)	90,724	(64,648)	140,677	(436,982)
Stock-based compensation	-	-	1,505,000	-
Net change in non-cash working capital				
Receivables	370,379	(2,200)	(26,515)	(9,632)
Prepaid expenses	26,427	(6,487)	(151,685)	(18,797)
Accounts payable and accrued liabilities	629,076	(49,463)	799,250	190,687
	\$ 586,585	\$ (184,665)	\$ (239,036)	\$ (506,735)
Cash flow provided by (used in) investing activities				
Value-added tax recoverable	(498,058)	-	(498,058)	-
Investment in Mineral Properties	(2,610,409)	(281,530)	(4,027,132)	(348,103)
Acquisition of equipment	(38,112)	(54,325)	(228,783)	(54,325)
Deferred reverse takeover costs	-	(7,500)	-	(7,500)
Shares purchased - Malbex San Juan	-	-	-	(4,000)
	\$ (3,146,579)	\$ (343,355)	\$ (4,753,973)	\$ (413,928)
Cash flow provided by (used in) financing activities				
Issuance of common shares, net of costs	-	1,028,347	37,500	4,281,598
Subscription receipts, net of costs	-	25,000	-	25,000
Increase (decrease) in restricted cash (Note 8(b)(iii))	-	-	7,875,616	(2,826,958)
Net assets acquired from reverse takeover (Note 5)	(103,147)	-	670,454	-
Non-cash unrealized loss on restricted cash	129,575	-	129,575	-
	\$ 26,428	\$ 1,053,347	\$ 8,713,145	\$ 1,479,640
Increase (decrease) in cash and cash equivalents	(2,533,566)	525,327	3,720,136	558,977
Effect of foreign exchange on cash	(140,677)	(32,844)	(140,677)	(32,844)
Cash - beginning of period	6,810,820	33,650	557,118	-
Cash - end of period	\$ 4,136,577	\$ 526,133	\$ 4,136,577	\$ 526,133

The accompanying notes are an integral part of these unaudited interim consolidated financial statements

Notes to Consolidated Financial Statements

For the three and six month periods ended March 31, 2010 and 2009

(Unaudited and tabular amounts expressed in Canadian dollars, unless otherwise stated)

1. NATURE OF OPERATIONS AND GOING CONCERN

Malbex Resources Inc. (the "Company" or "Malbex") 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 operates on a continuing basis under the laws of Ontario and has operated since that date as Malbex Resources Inc.

The Company is a gold exploration company with assets in San Juan, Argentina. As a result of the Company currently having only exploration agreements for properties, the Company is considered to be an exploration stage company, as defined by Accounting Guideline 11 of the Canadian Institute of Chartered Accountants' Handbook.

The Company has four wholly-owned subsidiaries: Malbex Nominee Inc., Malbex Cooperatief U.A., Malbex B.V. and Malbex San Juan S.A. Malbex San Juan S.A. is incorporated under the laws of Argentina and holds the interest in, and administers activity on, the Company's properties.

The Company is in the process of determining whether the mineral properties on which it holds exploration agreements contain mineral reserves that are economically recoverable. The recoverability of amounts shown for deferred exploration costs and acquisition costs is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete their development and future profitable production or proceeds from the disposition of the mineral properties.

These unaudited interim consolidated financial statements have been prepared on a going concern basis in accordance with Canadian generally accepted accounting principles ("GAAP") which assumes that the Company will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. As at March 31, 2010, the Company had not earned operating revenues, reported an accumulated deficit of \$4,594,795 and had working capital of \$2,989,443. In order to keep its claims in good standing, the Company is required to make monthly payments of USD\$11,400 (See Note 6). These circumstances may cast significant doubt as to the Company's ability to continue as a going concern and, accordingly, the use of accounting principles applicable to a going concern. The Company's ability to continue as a going concern is dependent upon its obtaining additional financing and eventually achieving profitable production in the future. The Company is examining various financing alternatives to raise additional capital. Nevertheless, there can be no assurance that the Company's financing activities will be successful or sufficient.

The unaudited interim consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis were not appropriate for these consolidated financial statements, then adjustments would be necessary to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications, which could be material.

2. BASIS OF PRESENTATION

These unaudited interim consolidated financial statements of Malbex have been prepared by management after giving effect to the October 30, 2009 reverse takeover transaction (the "RTO") between Arapaho and Malbex Resources Inc. ("Pre-RTO Malbex") (Note 5). Subsequent to the reverse takeover transaction, Arapaho operates on a continuing basis as Malbex Resources Inc.

These consolidated financial statements of the combined entity are issued under the name of the Company, but are a continuation of the consolidated financial statements of Pre-RTO Malbex. Comparative amounts are those of Pre-RTO Malbex.

The unaudited interim consolidated financial statements have been prepared by the Company in accordance with Canadian GAAP. Accordingly, they do not include all of the information and notes to the financial statements required by Canadian GAAP for annual financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Operating results for the three and six months ended March 31, 2010 may not necessarily be indicative of the results that may be expected for the year ending September 30, 2010.

Notes to Consolidated Financial Statements

For the three and six month periods ended March 31, 2010 and 2009

(Unaudited and tabular amounts expressed in Canadian dollars, unless otherwise stated)

The balance sheet at September 30, 2009 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by Canadian GAAP for annual financial statements. The unaudited interim consolidated financial statements have been prepared by management in accordance with the accounting policies described in the Company's annual audited consolidated financial statements for the year ended September 30, 2009, except as noted below. For further information, refer to the audited consolidated financial statements and notes thereto for the year ended September 30, 2009.

Financial Instruments

During 2009, CICA Handbook Section 3862, Financial Instruments - Disclosures ("Section 3862") was amended to require disclosure about the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of the fair value hierarchy are:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, and;
- Level 3 - Inputs that are not based on observable market data.

This amended standard applies to annual financial statements with fiscal years ending after September 30, 2009. The Company will include these disclosures in its annual financial statements for the year ending September 30, 2010.

Future Accounting Changes

Business Combinations, Consolidated Financial Statements and 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. 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. The new standards apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.

3. CAPITAL MANAGEMENT

The Company considers its capital structure to consist of capital stock, warrants, broker warrants, contributed surplus and accumulated deficit, which at March 31, 2010 totaled \$13,020,031. When managing capital, the Company's objective is to ensure Malbex continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management adjusts the capital structure as necessary in order to support the acquisition, exploration and development of its mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management team to sustain the future development of the business.

The properties in which the Company currently has exploration options are in the exploration stage. As such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration program and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts when economic conditions permit it to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is appropriate. There were no changes in the Company's approach to capital

Notes to Consolidated Financial Statements

For the three and six month periods ended March 31, 2010 and 2009

(Unaudited and tabular amounts expressed in Canadian dollars, unless otherwise stated)

management during the three and six months ended March 31, 2010. The Company is not subject to externally imposed capital requirements.

4. FINANCIAL RISK FACTORS

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk, including interest rate, foreign exchange rate, and commodity and equity 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 receivables. Cash is held with reputable Canadian, Argentinean and European chartered banks which are closely monitored by management. Financial instruments included in receivables consist of value-added-tax receivable from government authorities in Canada and Argentina and deposits held with service providers. As at March 31, 2010, the Company had long-term value-added-tax receivables of \$498,058 from the government of Argentina which are only refundable 12 months after the receivable is established.

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 March 31, 2010, the Company had cash of \$4,136,577 to settle current liabilities of \$1,404,726. All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company is seeking additional capital to improve its liquidity position.

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's functional currency is the Canadian dollar and major purchases are transacted in Argentinean Pesos and United States Dollars. The Company funds certain operations, exploration and administrative expenses in Argentina on a cash call basis from the manager of the Argentina projects using United States and Argentina currencies. Management believes the foreign exchange risk derived from currency conversions is low and therefore does not hedge its foreign exchange risk.

iii) Commodity Price Risk

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and

volatilities. The Company closely monitors commodity prices as it relates to precious metals and the stock market to determine the appropriate course of action to be taken by the Company.

Notes to Consolidated Financial Statements

For the three and six month periods ended March 31, 2010 and 2009

(Unaudited and tabular amounts expressed in Canadian dollars, unless otherwise stated)

Fair Value

The Company has designated its cash as held-for-trading, which is measured at fair value. Receivables are classified 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 March 31, 2010, the carrying and fair value amounts of the Company's financial instruments are approximately equivalent.

Sensitivity Analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a three month period:

- i) Interest rate risk is remote as the Company does not hold any short term investments to give rise to exposure to interest risk.
- ii) The Company is exposed to foreign currency risk on fluctuations related to cash, restricted cash and accounts payable and accrued liabilities that are dominated in the U.S. Dollar, Argentinean Peso and European Euro. Sensitivity to a plus or minus 10% change in the foreign exchange rates would affect net loss and comprehensive loss by approximately \$529,000 with all other variables held constant.
- iii) Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability of development depend upon the world market price of gold. Gold prices have fluctuated widely in recent years. There is no assurance that, even as commercial quantities of gold may be produced in the future, a profitable market will exist for them. A decline in the market price of gold may also require the Company to reduce its carrying value of deferred mineral property expenditures, which could have a material and adverse effect on the Company's value.

5. REVERSE TAKEOVER

On October 30, 2009, the Company completed an RTO with Pre-RTO Malbex. In accordance with the Emerging Issues Committee Abstract 10, "Reverse Takeover Accounting" the RTO is not considered a business combination and Pre-RTO Malbex is the accounting acquiror. The RTO has been accounted for as the issuance of shares by Malbex for the net monetary assets of Arapaho with consideration, net of transaction costs, added to share capital.

Current assets acquired	\$	830,107
Less : Current liabilities		(13,519)
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Net assets acquired		816,588
Transaction costs (\$349,082 at September 30, 2009)		(495,216)
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Net assets acquired	\$	321,372

In accounting for the RTO, certain estimates are made by management in order to arrive at the fair values of assets acquired under reverse takeover transactions that are in substance capital transactions and which do not constitute business combinations. Readers should be cautioned that should an independent valuation be performed, the results may be different than as presented.

Arapaho's retained earnings, share capital and contributed surplus have been eliminated upon consolidation.

The RTO was effected by way of an amalgamation (the "Amalgamation") whereby Pre-RTO Malbex amalgamated with a wholly-owned subsidiary of the Company and shareholders of Pre-RTO Malbex received common shares of the Company ("Common Shares") in exchange for their common shares of Pre-RTO Malbex ("Pre-RTO Malbex Shares") on the basis of one Common Share for every 1.5 Pre-RTO Malbex Shares (the "Exchange Ratio"). The

Notes to Consolidated Financial Statements

For the three and six month periods ended March 31, 2010 and 2009

(Unaudited and tabular amounts expressed in Canadian dollars, unless otherwise stated)

RTO resulted in a change of control of the Company and constituted a reverse takeover under the policies of the TSX Venture Exchange.

As a result of completing the Amalgamation, the Company indirectly holds all of the assets of Pre-RTO Malbex, including the Del Carmen, Despoblados, and Los Amarillos exploration projects located in the Province of San Juan, north-western Argentina. In addition, upon completion of the Amalgamation, \$7.8 million, representing the escrowed portion of the gross proceeds raised by Pre-RTO Malbex in a June 30, 2009 \$10.6 million private placement of 21,275,000 subscription receipts (the "Malbex Subscription Receipts")(see note 8(b)(iii)), was released from escrow.

Immediately prior to completion of the Amalgamation, each Pre-RTO Malbex Subscription Receipt was automatically exchanged, without the payment of any additional consideration, for one unit of Pre-RTO Malbex. Each unit consisted of one Pre-RTO Malbex Share and one-half of one common share purchase warrant of Pre-RTO Malbex (each whole warrant a "Pre-RTO Malbex Warrant"). At the effective time of the Amalgamation, among other things, outstanding Pre-RTO Malbex Shares (including those Pre-RTO Malbex Shares issued upon the deemed exchange of the Pre-RTO Malbex Subscription Receipts) and Pre-RTO Malbex Warrants were exchanged for Common Shares and common share purchase warrants of Malbex ("Replacement Warrants"), respectively, on the basis of the Exchange Ratio. Each Replacement Warrant entitles the holder thereof to purchase one Common Share at an exercise price of \$1.125 per Common Share until April 29, 2011, provided that, if the closing price of the Common Shares on a stock exchange in Canada is higher than \$1.50 per Common Share for a period of 20 consecutive trading days, the Company may accelerate the expiry date of the Replacement Warrants by giving notice to the holders thereof and in such case the Replacement Warrants will expire on the 30th day after the date on which such notice is given by the Company. In addition, under the Amalgamation, outstanding broker warrants of Pre-RTO Malbex were exchanged for broker warrants of the Company ("Replacement Broker Warrants") on the basis of the Exchange Ratio. Outstanding options ("Malbex Options") to purchase Pre-RTO Malbex Shares granted under the share option plan of Pre-RTO Malbex entitle the holders thereof to acquire Common Shares, on the basis of the Exchange Ratio, upon the exercise thereof.

As a result of the Amalgamation as at October 30, 2009, there were 56,308,301 Common Shares outstanding, of which 49,383,301 Common Shares, representing approximately 87.7 per cent of the outstanding Common Shares, were held by the former Pre-RTO Malbex shareholders. In addition, an aggregate of 9,755,908 Common Shares were reserved for issue upon the exercise of outstanding options of the Company, Malbex Options, Replacement Warrants and Replacement Broker Warrants.

Notes to Consolidated Financial Statements

For the three and six month periods ended March 31, 2010 and 2009

(Unaudited and tabular amounts expressed in Canadian dollars, unless otherwise stated)

6. DEFERRED MINERAL PROPERTY EXPENDITURES AND MINING PROPERTY ACQUISITION COSTS

	Three Months Ended March 31,		Six Months Ended March 31,		Cumulative from inception on April 24, 2008
	2010	2009	2010		
Balance, beginning of period	\$ 4,224,371	\$ 486,919	\$ 2,160,293	\$	-
Additions:					
Land / Concession	54,138	42,028	104,276		342,628
Geology	36,931	80,315	62,744		205,899
Surface drilling	329,439	-	489,270		489,270
Geochemical studies	103,920	15,274	107,791		173,404
Geophysical studies	202,629	-	229,430		257,908
Surveying & topographic mapping	16,484	-	16,484		16,484
Environmental studies	54,327	-	62,825		138,979
Data gathering	144	-	5,173		15,469
Field camp, including earthworks	1,213,204	9,163	1,878,048		2,579,715
Transportation	65,443	33,409	219,260		248,540
Medical services	10,147	453	10,147		10,600
Communications	16,607	346	27,527		29,187
Project management	161,082	45,494	537,744		928,822
Administration and amortization	353,971	55,048	931,825		1,405,932
	2,618,466	281,530	4,682,544		6,842,837
Total deferred mineral property expenditures	\$ 6,842,837	\$ 768,449	\$ 6,842,837	\$	6,842,837

On August 14, 2008, the Company entered into three mining exploration agreements ("Agreements") with exploitation options with the Provincial Institute of Mining and Exploration of the Province of San Juan, Argentina ("IPEEM") for the mining areas called "Del Carmen", "Los Despoblados" and "Arroyo de los Amarillos", located in San Juan province, Argentina.

Under the terms of the Agreements, IPEEM granted the Company the exclusive right to carry out, during the term of the Agreements, mining prospecting and exploration activities in these mining areas with the options to undertake exploitation and trading activities of first category ores and minerals located in the said mining areas. The option to exploit carries an initial term of 30 years with an option to renew for the life-span of the mine.

Pursuant to the Agreements, the Company is required to:

- make staged investments totalling USD \$45,000,000 on the three mining properties over the 5 1/2 year term of the agreements, with the first period having expired on March 12, 2010. The minimum investment may be increased, at the Company's option, if the progress of exploratory work should so require.
- pay upon the execution of the Agreements and in consideration for the rights the amount of USD \$20,000 for each of the three mining areas (USD \$60,000 in total - paid).
- pay, on a monthly basis, the amount of USD \$11,400 in total for the three mining areas.
- deliver to IPEEM a contractual guarantee of USD \$2,250,000 in total for the commitment of the Company in respect of the three mining areas, which is held in an account at an international insurance company as restricted cash, as security for the contractual guarantee given to IPEEM by the international insurance company.

Notes to Consolidated Financial Statements

For the three and six month periods ended March 31, 2010 and 2009

(Unaudited and tabular amounts expressed in Canadian dollars, unless otherwise stated)

7. EQUIPMENT

March 31, 2010	Cost	Accumulated Depreciation	Net Book Value
Office equipment	\$ 56,828	\$ 2,992	\$ 53,836
Computer equipment	68,712	7,539	61,173
Computer software	36,269	25,498	10,771
Vehicles	157,345	35,517	121,828
Other equipment	90,667	4,537	86,130
	\$ 409,821	\$ 76,083	\$ 333,738

September 30, 2009	Cost	Accumulated Depreciation	Net Book Value
Office equipment	\$ 5,480	\$ 548	\$ 4,932
Computer equipment	12,984	1,948	11,036
Computer software	33,200	16,600	16,600
Vehicles	129,374	19,406	109,968
	\$ 181,038	\$ 38,502	\$ 142,536

Notes to Consolidated Financial Statements

For the three and six month periods ended March 31, 2010 and 2009

(Unaudited and tabular amounts expressed in Canadian dollars, unless otherwise stated)

8. CAPITAL STOCK

- (a) Authorized - Unlimited number of common shares
- (b) Issued

	Number of Shares	Amount
Balance - October 1, 2008	38,200,330	\$ 3,043,251
Shares issued on royalty conversion (i)	3,999,666	315,000
Private placement (ii)	10,600,000	1,060,000
Issuance of warrants - valuation (iii)	-	(607,640)
Issuance of broker warrants valuation (iv)	-	(334,378)
Cost of issue - cash	-	(6,653)
Balance - September 30, 2009	52,799,996	3,469,580
Conversion of subscription receipts (iii)	21,275,000	10,637,500
Issuance of warrants - valuation (iii)	-	(1,668,785)
Cost of issue - cash	-	(861,219)
Pre reverse takeover issued common shares	74,074,996	11,577,076
Reduction in issued common shares resulting from reverse takeover (Note 5)	(24,691,695)	-
Net Arapaho assets acquired, net of costs (Note 5)	6,925,000	321,372
Exercise of stock options	150,000	37,500
Balance - March 31, 2010	56,458,301	\$ 11,935,948

- (i) On July 19, 2008, the Company granted a 2% royalty interest on future production from the mineral properties to six shareholders and then subsequently bought back the royalty interests at a price of \$52,500 per shareholder for total proceeds of \$315,000. The shareholders then used the total proceeds to subscribe for 3,999,666 common shares on November 1, 2008.
- (ii) On February 2, 2009 and April 8, 2009, the Company completed a private placement of an aggregate of 10,600,000 common shares at a price of \$0.10 per common share for total proceeds of \$1,060,000.
- (iii) On June 30, 2009, the Company completed a private placement of 21,275,000 Subscription Receipts at a price of \$0.50 per Subscription Receipt for gross proceeds of \$10,637,500. Each Subscription Receipt being exchangeable, without payment of any consideration in addition to the purchase price therefor, for one common share and one-half of one warrant.

Upon completion of the private placement, the non-escrowed proceeds, amounting to \$2,839,439, were released to the Company. The remaining portion of the aggregate gross proceeds of \$7,798,061 was held in escrow and was released to the Company upon completion of the RTO as described in Note 5.

A fair value of \$2,276,425 was assigned to the warrants, as calculated using the Black-Scholes valuation model with the following assumptions: dividend yield 0%; expected volatility 100%; risk free rate of return 1.20%, and an expected maturity of two years.

- (iv) A fair value of \$334,378 was assigned to the broker warrants, as calculated using the Black-Scholes valuation model with the following assumptions: dividend yield 0%; expected volatility 100%; risk free rate of return 1.20%, and an expected maturity of two years.

Notes to Consolidated Financial Statements

For the three and six month periods ended March 31, 2010 and 2009

(Unaudited and tabular amounts expressed in Canadian dollars, unless otherwise stated)

9. STOCK OPTIONS

The following table reflects the continuity of stock options for the three and six months ended March 31, 2010:

	Number of Stock Options	Weighted Average Exercise Price
Balance - September 30, 2009 (i)	2,500,000	\$ 0.50
Reduction in stock options resulting from reverse takeover (Note 5)	(833,337)	0.50
	1,666,663	0.75
Addition of outstanding Arapaho stock options	150,000	0.25
Exercised	(150,000)	(0.25)
Issued (ii)	3,550,000	0.80
Balance - December 31, 2009 and March 31, 2010	5,216,663	\$ 0.78

The following table reflects the stock options outstanding and vested as at March 31, 2010:

Expiry Date	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)	Options Outstanding	Black-Scholes Value
August 20, 2014	\$ 0.75	4.39	1,666,663	\$ 930,975
December 8, 2014	0.80	4.69	3,550,000	2,137,100
	\$ 0.78	4.59	5,216,663	\$ 3,068,075

- (i) On August 20, 2009, the Company granted 2,500,000 options to directors, officers, consultants and employees of the Company, each such option entitling the holder to acquire one common share of the Company at an exercise price of \$0.75, after giving effect to the RTO, until August 20, 2014. The fair value assigned was estimated using the Black-Scholes option pricing model with the following assumptions:

Dividend yield	0%
Expected volatility	100%
Risk free interest rate	1.28%
Term	5 years

The stock options were assigned a value of \$930,975, of which \$93,100 was capitalized as deferred mineral property expenditures and \$837,875 was charged to income during the period ended September 30, 2009.

- (ii) On December 9, 2009, the Company granted 3,550,000 options to directors, officers, consultants and employees of the Company, each such option entitling the holder to acquire one common share of the Company at an exercise price of \$0.80 until December 9, 2014. The fair value assigned was estimated using the Black-Scholes option pricing model with the following assumptions:

Dividend yield	0%
Expected volatility	100%
Risk free interest rate	2.46%
Term	5 years

Notes to Consolidated Financial Statements

For the three and six month periods ended March 31, 2010 and 2009

(Unaudited and tabular amounts expressed in Canadian dollars, unless otherwise stated)

The stock options were assigned a value of \$2,137,100, 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.

10. WARRANTS AND BROKER WARRANTS

Each whole warrant and broker warrant entitles the holder thereof to purchase one common share of the Company at any time commencing on the date of the issue thereof and expiring on April 29, 2011, subject to adjustment. A fair value was assigned to both the warrants and broker warrants, calculated using the Black-Scholes valuation model with the following assumptions: dividend yield 0%; expected volatility 100%; risk free rate of return 1.20%, and an expected maturity of two years.

a) WARRANTS

The following table reflects the continuity of warrants for the three and six months ended March 31, 2010:

	Number of Warrants	Amount
Balance - September 30, 2009	2,839,439	\$ 607,640
Issued	7,798,061	1,668,785
Reduction resulting from reverse takeover	(3,545,855)	-
Balance - December 31, 2009 and March 31, 2010	7,091,645	\$ 2,276,425

The following table reflects the actual warrants outstanding as at March 31, 2010:

Expiry Date	Exercise price	Number	Black-Scholes Value
April 29, 2011	\$ 1.125	7,091,645	\$ 2,276,425

b) BROKER WARRANTS

The following table reflects the continuity of broker warrants for the three and six months ended March 31, 2010:

	Number of Broker warrants	Amount
Balance - September 30, 2009	1,271,400	\$ 334,378
Reduction resulting from reverse takeover	(423,800)	-
Balance - December 31, 2009 and March 31, 2009	847,600	\$ 334,378

The following table reflects the actual broker warrants outstanding as at March 31, 2010:

Expiry Date	Exercise price	Number	Black-Scholes Value
April 29, 2011	\$ 0.75	847,600	\$ 334,378

Notes to Consolidated Financial Statements

For the three and six month periods ended March 31, 2010 and 2009

(Unaudited and tabular amounts expressed in Canadian dollars, unless otherwise stated)

11. RELATED PARTY TRANSACTIONS

During the six months ended March 31, 2010, the Company incurred legal fees of \$241,816 (March 31, 2009 - \$153,062) and reimbursement of expenses of \$13,224 (March 31, 2009 - \$10,838) respectively to a law firm of which a shareholder and former director of the Company is a partner.

As at March 31, 2010, included in accounts payable and accrued liabilities was \$30,000 (March 31, 2009 - \$1,062) in respect of these transactions.

During the six months ended March 31, 2010, the Company incurred legal fees capitalized to mineral properties of \$5,095 (legal fees expensed March 31, 2009 - \$75,548) and reimbursement of expenses of \$5,141 (March 31, 2009 - \$16,812) to a law firm of which a director of a subsidiary of the Company is a partner. As at March 31, 2010, included in accounts payable and accrued liabilities was \$1,000 (March 31, 2009 - \$11,099) in respect of these transactions.

12. SEGMENTED INFORMATION

The Company has one operating segment: the acquisition, exploration and development of precious metal projects in Argentina.

Geographic segmentation of capital assets and mineral properties is as follows:

	March 31, 2010	September 30, 2009
Argentina	\$ 5,076,371	1,370,610
Canada	2,100,204	932,219
Total	\$ 7,176,575	2,302,829