
MALBEX RESOURCES INC.

(An Exploration Stage Company)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2009

(EXPRESSED IN CANADIAN DOLLARS)

(UNAUDITED)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited interim consolidated financial statements of Malbex Resources Inc. (An Exploration Stage Company) 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 December 31, 2008 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 unaudited interim consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. The Board of Directors meets with management to review the financial reporting process and the unaudited interim consolidated financial statements together with other financial information of the Company.

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.

MALBEX RESOURCES INC.
(An Exploration Stage Company)
INTERIM CONSOLIDATED BALANCE SHEETS
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED)

	June 30 2009	December 31 2008
ASSETS		
Current		
Cash	\$ 1,947,116	\$ 33,650
Sundry receivables	115,072	7,432
Prepaid expenses	14,009	12,310
Deferred reverse takeover costs (Note 5)	217,334	-
Restricted cash (Note 9)	7,798,061	-
	10,091,592	53,392
Equipment (Note 7)	93,177	-
Deferred mineral property expenditures (Note 6)	1,302,572	486,919
Mineral property acquisitions (Note 6)	66,573	66,573
Restricted cash (Note 6)	2,703,735	2,826,958
	4,166,057	3,380,450
	\$ 14,257,649	\$ 3,433,842
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 644,009	\$ 245,735
Promissory note (Note 8)	150,000	-
Other current liabilities (Note 9(b))	7,798,061	-
	8,592,070	245,735
SHAREHOLDERS' EQUITY		
Capital Stock (Note 9)	3,469,580	3,358,251
Subscription receipts (Note 9(b))	1,992,198	-
Warrants (Note 10a)	607,640	-
Broker warrant (Note 10b)	334,378	-
Accumulated Deficit	(738,217)	(170,144)
	5,665,579	3,188,107
	\$ 14,257,649	\$ 3,433,842

Nature of Operations and Going Concern (Note 1)

Signed: _____

Signed: _____

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

MALBEX RESOURCES INC.
(An Exploration Stage Company)
INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED)

	Three Months		Six Months	
	Ended June 30,		Ended	
	2009	2008**	June 30, 2009	Cumulative From Inception on April 24, 2008
EXPENSES				
Professional fees	\$ 119,761	\$ 6,782	\$ 182,446	\$ 596,409
Foreign exchange loss (gain)	243,507	-	178,859	(193,475)
Accounting and corporate services	7,865	-	14,097	57,930
General and administration	103,215	5,278	150,104	213,618
Guarantee fees	-	-	12,055	29,802
Consulting fees	-	-	-	4,805
Regulatory fees	11,000	-	11,000	11,000
Travel expenses	16,200	-	16,200	16,200
Amortization	5,414	-	7,407	7,407
	506,962	12,060	572,168	743,696
Less: Interest income	(2,749)	-	(4,095)	(5,479)
NET LOSS AND COMPREHENSIVE LOSS	\$ (504,213)	\$ (12,060)	\$ (568,073)	\$ (738,217)
Basic and diluted loss per share	\$ (0.01)	\$ (0.03)	\$ (0.01)	
Weighted average number of shares outstanding	52,780,552	440,548	50,836,184	

** The comparative period ended June 30, 2008 represents the period from the date of incorporation, April 24, 2008 to June 30, 2008

MALBEX RESOURCES INC.**(An Exploration Stage Company)****INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY****(EXPRESSED IN CANADIAN DOLLARS)****(UNAUDITED)**

	Capital Stock	Subscription Receipts	Warrants	Broker Warrants	Accumulated Deficit	Total
Balance at incorporation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Issued on incorporation	1	-	-	-	-	1
Issued on subscription	1,790,750	-	-	-	-	1,790,750
Issued on exercise of subscription right	40,000	-	-	-	-	40,000
Shares subscribed on royalty conversion	315,000	-	-	-	-	315,000
Private placement	1,212,500	-	-	-	-	1,212,500
Net loss for the year	-	-	-	-	(170,144)	(170,144)
Balance, December 31, 2008	3,358,251	-	-	-	(170,144)	3,188,107
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)	(847,241)	-	-	-	(853,894)
Net loss for the period	-	-	-	-	(568,073)	(568,073)
Balance, June 30, 2009	\$ 3,469,580	\$ 1,992,198	\$ 607,640	\$ 334,378	\$ (738,217)	\$ 5,665,579

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

MALBEX RESOURCES INC.
(An Exploration Stage Company)
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED)

	Three Months Ended June 30,		Six Months Ended	Cumulative From Inception on
	2009	2008**	June 30, 2009	April 24, 2008
CASH (USED IN) PROVIDED BY:				
OPERATING ACTIVITIES				
Net loss for the period	\$ (504,213)	\$ (12,060)	\$ (568,073)	\$ (738,217)
Amortization	5,414	-	7,407	7,407
Unrealized foreign exchange loss (gain)	243,507	-	178,859	(193,475)
Net change in non-cash working capital:				
Sundry receivables	(105,440)	(344)	(107,640)	(115,072)
Prepaid expenses	4,788	-	(1,699)	(14,009)
Accounts payable and accrued liabilities	447,737	-	398,274	638,424
	91,793	(12,404)	(92,872)	(414,942)
INVESTING ACTIVITIES				
Shares purchased - Malbex San Juan	-	-	-	(4,000)
Mineral property acquisitions	-	(66,573)	-	(66,573)
Mineral property expenditures	(534,123)	(14,638)	(815,653)	(815,653)
Restricted cash	(7,798,061)	-	(7,798,061)	(10,625,019)
Acquisition of equipment	(46,259)	-	(100,584)	(100,584)
Change in deferred reverse takeover costs	(209,834)	-	(217,334)	(217,334)
Subscription receipts / cash held in escrow	7,798,061	-	7,798,061	7,798,061
	(790,216)	(81,211)	(1,133,571)	(4,031,102)
FINANCING ACTIVITIES				
Issuance of common shares, net of costs	-	2,000,001	1,053,347	4,306,598
Subscription receipts, net of costs	1,992,198	-	1,992,198	1,992,198
Promissory note	150,000	-	150,000	150,000
	2,142,198	2,000,001	3,195,545	6,448,796
INCREASE IN CASH	1,443,775	1,906,386	1,969,102	2,002,752
Foreign exchange effect	(22,792)	-	(55,636)	(55,636)
CASH, BEGINNING OF PERIOD	526,133	-	33,650	-
CASH, END OF PERIOD	\$ 1,947,116	\$ 1,906,386	\$ 1,947,116	\$ 1,947,116

** The comparative period ended June 30, 2008 represents the period from the date of incorporation, April 24, 2008 to June 30, 2008

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

MALBEX RESOURCES INC.
(An Exploration Stage Company)
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
THREE AND SIX MONTHS ENDED JUNE 30, 2009
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED)

1. NATURE OF OPERATIONS AND GOING CONCERN

Malbex Resources Inc. (the "Company" or "Malbex") was incorporated on April 24, 2008. The Company is a precious metals exploration company with assets in San Juan, Argentina. As a result of the Company currently having only exploration options 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 options 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 interim unaudited consolidated financial statements have been prepared on a going concern basis in accordance with Canadian generally accepted accounting principles 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 June 30, 2009, the Company has not earned operating revenues and has reported an accumulated deficit of \$738,217 and has working capital of \$1,499,522 at that date. In order to keep its claims in good standing, the Company is required to make monthly payments of \$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 to date will be successful or sufficient.

The interim unaudited 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 AND NEW ACCOUNTING POLICIES

The unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and notes to the consolidated financial statements required by Canadian generally accepted accounting principles for annual consolidated financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and six months ended June 30, 2009 may not necessarily be indicative of the results that may be expected for the year ending December 31, 2009.

MALBEX RESOURCES INC.
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THREE AND SIX MONTHS ENDED JUNE 30, 2009
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2. BASIS OF PRESENTATION AND NEW ACCOUNTING POLICIES (CONTINUED)

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 December 31, 2008, except as noted below. For further information, refer to the audited consolidated financial statements and notes thereto included in the Company's annual consolidated financial statements for the year ended December 31, 2008.

Goodwill and Intangible Assets

Effective January 1, 2009, the Company adopted Section 3064, "Goodwill and Intangible Assets" which replaced the existing Canadian Institute of Chartered Accountants ("CICA") Handbook Sections 3062, "Goodwill and Other Intangible Assets" and 3450 "Research and Development Costs". This standard is effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008 with earlier application encouraged. The standard provides guidance on the recognition, measurement and disclosure requirements for goodwill and intangible assets. The adoption of this standard had no impact on the Company's presentation of its financial position or results of operations.

Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

In January 2009, the CICA approved EIC 173 Credit Risk and the Fair Value of Financial Assets and Financial Liabilities. This guidance clarified that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities including derivative instruments. This guidance is applicable to fiscal periods ending on or after January 20, 2009. The adoption of this standard had no impact on the Company's presentation of its financial position or results of operations.

Mining Exploration Costs

On March 27, 2009, the Emerging Issues Committee of the CICA approved an abstract EIC-174, Mining Exploration Costs, which provides guidance on capitalization of exploration costs related to mining properties in particular, and on impairment of long-lived assets in general. The adoption of this abstract had no impact on the Company's presentation of its financial position or results of operations.

Equipment

Equipment is recorded at cost less accumulated amortization. Amortization is provided over the expected useful lives of the equipment using the following methods and annual rates:

Office equipment	20%	declining balance
Computer equipment	30%	declining balance
Truck	30%	declining balance

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2. BASIS OF PRESENTATION AND NEW ACCOUNTING POLICIES (CONTINUED)

Future Accounting Changes

International Financial Reporting Standards ("IFRS")

In January 2006, the CICA's Accounting Standards Board ("AcSB") formally adopted the strategy of replacing Canadian GAAP with IFRS for Canadian enterprises with public accountability. The current conversion timetable calls for financial reporting under IFRS for accounting periods commencing on or after January 1, 2011. On February 13, 2008 the AcSB confirmed that the use of IFRS will be required in 2011 for publicly accountable profit-oriented enterprises. For these entities, IFRS will be required for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company is currently assessing the impact of IFRS on its financial statements.

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. It provides the Canadian equivalent to IFRS 3R - Business Combinations. The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Sections 1601 and 1602 together replace section 1600, Consolidated Financial Statements. Section 1601, establishes standards for the preparation of consolidated financial statements. Section 1601 applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS IAS 27R - Consolidated and Separate Financial Statements and applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.

3. CAPITAL MANAGEMENT

The Company considers its capital structure to consist of capital stock, subscription receipts, warrants, broker warrants and accumulated deficit, which at June 30, 2009 totaled \$5,665,579. When managing capital, the Company's objective is to ensure the entity 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 management during the six months ended June 30, 2009. The Company is not subject to externally imposed capital requirements.

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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.

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 sundry receivables. Cash is held with reputable Canadian, Argentinian and European chartered banks which are closely monitored by management. Financial instruments included in sundry receivables consist of sales tax receivable from government authorities in Canada and deposits held with service providers.

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 June 30, 2009, the Company had cash and restricted cash of \$9,745,177 to settle current liabilities of \$8,592,070. 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 Canadian 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.

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4. FINANCIAL RISK FACTORS (CONTINUED)

Fair Value

The Company has designated its cash as held-for-trading, which are measured at fair value. Sundry 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 June 30, 2009, 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":

- 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 U.S. Dollar, Argentinian pesos 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 \$24,900 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 depends 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 or silver may be produced in the future, a profitable market will exist for them. A decline in the market price of gold or silver may also require the Company to reduce its mineral resources, which could have a material and adverse effect on the Company's value.

MALBEX RESOURCES INC.
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5. DEFERRED REVERSE TAKEOVER COSTS

	Amount
Balance - December 31, 2008	\$ -
Deferred reverse takeover costs	217,334
Balance - June 30, 2009	\$ 217,334

On May 25, 2009, Malbex entered into a business combination agreement ("Reverse Takeover") with Arapaho Capital Corp. ("Arapaho"). Under the terms of the Business Combination Agreement, Malbex will amalgamate with a wholly-owned subsidiary of Arapaho and shareholders of Malbex will receive common shares of Arapaho on the basis of one Arapaho common share for every 1.5 Malbex common shares ("Exchange Ratio"). In addition, outstanding warrants, broker warrants and other convertible securities of Malbex will be exchanged for similar instruments of Arapaho exercisable for or convertible into Arapaho common shares, and outstanding options to purchase Malbex common shares granted under the stock option plan of Malbex will entitle the holders thereof to acquire Arapaho common shares, on the basis of the Exchange Ratio.

The proposed transaction will result in a change of control of Arapaho, the deemed acquiree, and constitute a reverse takeover under the policies of the TSX Venture Exchange and Canadian Generally Accepted Accounting Principles wherein Malbex is the deemed acquirer.

The completion of the Reverse Takeover is subject to satisfaction of a number of conditions precedent, including but not limited to, receipt of the approval of the TSX Venture Exchange, the requisite approval of the shareholders of each of Arapaho and Malbex (which in the case of Malbex has been obtained), and completion of satisfactory due diligence by Arapaho and Malbex, which has been completed.

Upon completion, costs incurred to affect the Reverse Takeover transaction will be applied to reduce the fair value of the acquired Arapaho assets. Should the Reverse Takeover transaction not be completed, the deferred reverse takeover costs will be expensed.

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6. DEFERRED MINERAL PROPERTY EXPENDITURES AND MINING PROPERTY ACQUISITION COSTS

	Three Months Ended June 30,		Six Months Ended		Cumulative From Inception on
	2009	2008**	June 30, 2009	June 30, 2009	April 24, 2008
Malbex San Juan (Note 5)					
Balance, beginning of period	\$ 768,449	\$ -	\$ 486,919	\$ -	
Travel	30,096	14,638	83,064	245,389	
Consulting fees	69,780	-	76,530	225,714	
Geology	86,262	-	125,316	125,316	
Environmental report	-	-	-	76,154	
Exploration monthly payments	84,388	-	112,967	176,590	
Non refundable exploration deposit	6,600	-	-	20,000	
General and office expenses	54,595	-	99,276	114,909	
Camp expenses	84,021	-	129,960	129,960	
Lab expenses	33,781	-	55,934	55,934	
Advances	(48,006)	-	-	-	
Mapping	5,205	-	5,205	5,205	
Equipment rental and maintenance	29,291	-	29,291	29,291	
Professional fees	98,110	-	98,110	98,110	
	534,123	14,638	815,653	1,302,572	
Total Deferred Mineral Property Expenditures	\$ 1,302,572	\$ 14,638	\$ 1,302,572	\$ 1,302,572	

*** The comparative period ended June 30, 2008 represents the period from the date of incorporation, April 24, 2008 to June 30, 2008*

On August 14, 2008, the Company entered into three mining 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.

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6. DEFERRED MINERAL PROPERTY EXPENDITURES AND MINING PROPERTY ACQUISITION COSTS (CONTINUED)

Pursuant to the Agreements, the Company is required to:

- make a total investment of USD \$45,000,000 on the three mining areas over a five year period in accordance with the investment plan, with the first year of such five year period expiring 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.

7. EQUIPMENT

June 30, 2009	Cost	Accumulated Amortization	Net Book Value
Office equipment	\$ 5,480	\$ 274	\$ 5,206
Computer equipment	5,484	411	5,073
Truck	89,620	6,722	82,898
	\$ 100,584	\$ 7,407	\$ 93,177

No equipment was acquired and capitalized as at December 31, 2008.

8. PROMISSORY NOTE

The Company issued a \$150,000 non-interest bearing convertible note to a director of the Company on May 5, 2009. The convertible note was repaid in full on July 8, 2009.

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9. CAPITAL STOCK

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

	Number of Shares		Amount
Balance - December 31, 2008	42,199,996	\$	3,358,251
Shares issued on private placement (i)(ii)	10,600,000		1,060,000
Issuance of warrants - valuation (iii)	-		(607,640)
Issuance of broker warrants - valuation (iii)	-		(334,378)
Cost of issue - cash	-		(6,653)
Balance - June 30, 2009	52,799,996	\$	3,469,580

(i) 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.

(ii) 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 ("Malbex Unit").

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 are being held in escrow and will be released to the Company upon completion of the Reverse Takeover as described in Note 5, provided that the Reverse Takeover is completed within six months from the date of closing of the private placement, being December 30, 2009. In the event that the Reverse Takeover is not completed by such date, a portion (equal to the percentage that the non-escrowed proceeds represent of the gross proceeds from the private placement) of the Subscription Receipts of each holder will be exchanged for Malbex Units, and each of the holders of Subscription Receipts will have the option, as to such holder's remaining Subscription Receipts, to redeem them for the purchase price for such Subscription Receipts or exchange them, without the payment of any additional consideration, for Malbex Units on the basis of one Malbex Unit for each such Subscription Receipt.

The non-escrowed proceeds are reflected as Subscription Receipts, net of costs, under Shareholders' Equity and the escrowed proceeds are reflected as restricted cash and other current liabilities in the balance sheet as at June 30, 2009.

(iii) Each whole warrant entitles the holder thereof to purchase one common share of the Company at a price of \$0.75 per share at any time commencing on the date of the issue thereof and prior to the date which is the earlier of (a) 18 months after the effective date of the Reverse Takeover, and (b) June 29, 2011, subject to adjustment. 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.

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9. CAPITAL STOCK (CONTINUED)

(b)(iii) Issued (continued)

In connection to the above, the Company paid costs of issue comprised of cash commissions of \$752,223, and a finder's fee of 1,271,400 broker warrants of the Company. Each whole broker warrant entitles the holder thereof to purchase one common share of the Company at a price of \$0.50 per share at any time commencing on the date of the issue thereof and prior to the date which is the earlier of (a) 18 months after the effective date of the Reverse Takeover, and (b) June 29, 2011, subject to adjustment. 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.

10. WARRANTS AND BROKER WARRANTS

a) WARRANTS

The following table reflects the continuity of warrants for the six months ended June 30, 2009:

	Number of Warrants		Amount
Balance - December 31, 2008	-	\$	-
Note 9(ii)	2,839,439		607,640
Balance - June 30, 2009	2,839,439	\$	607,640

b) BROKER WARRANTS

The following table reflects the continuity of broker warrants for the six months ended June 30, 2009:

	Number of Broker warrants		Amount
Balance - December 31, 2008	-	\$	-
Issued (Note 9(ii))	1,271,400		334,378
Balance - June 30, 2009	1,271,400	\$	334,378

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10. WARRANTS AND BROKER WARRANTS (CONTINUED)

b) BROKER WARRANTS

The following table reflects the actual broker warrants outstanding as at June 30, 2009:

Expiry Date	Exercise price	Number	Black-Scholes Value
June 30, 2011	\$ 0.50	1,271,400	\$ 334,378

11. 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, in their discretion, grant to directors, officers, employees and technical consultants to the Company non transferable options to purchase common shares, provided that the number of common shares reserved for issue 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 by the directors. As at June 30, 2009, there were no stock options granted.

12. RELATED PARTY TRANSACTIONS

During the three and six months ended June 30, 2009, the Company incurred legal fees of \$142,915 and \$153,332 respectively and reimbursement of expenses of \$3,307 and \$4,644 respectively to a law firm of which a shareholder and director of the Company is a partner. As at June 30, 2009, included in accounts payable and accrued liabilities was \$125,020 in respect of these transactions.

During the three and six months ended June 30, 2009, the Company incurred legal fees of \$29,428 and \$53,910 respectively for Malbex San Juan S.A. and reimbursement of expenses of \$9,944 to a law firm of which a director of a subsidiary of the Company is a partner. As at June 30, 2009, included in accounts payable and accrued liabilities was \$28,929 in respect of these transactions.