MALBEX RESOURCES INC.
(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED SEPTEMBER 30, 2009

(Expressed In Canadian Dollars Except As Otherwise Indicated)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Malbex Resources Inc. were prepared by management in accordance with Canadian generally accepted accounting principles. Management acknowledges responsibility for the preparation and presentation of the 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 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 consolidated financial statements and (ii) the 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 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.

The Board of Directors exercises its responsibilities through the Audit Committee of the Board which meets to satisfy itself that managements' responsibilities are properly discharged and with the external auditors to review the financial statements before they are presented to the Board of Directors for approval.

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.

The Audit Committee has met with the Company's independent auditors to review the scope and results of the annual audit and to review the consolidated financial statements and related financial reporting matters prior to approving the consolidated financial statements.

The Company's independent auditors, PricewaterhouseCoopers LLP, have conducted an audit in accordance with generally accepted auditing standards in Canada, and their report follows.

Signed "Tim Warman"

Director
Toronto, Canada
December 10, 2009

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
Chartered Accountants
PO Box 82
Royal Trust Tower, Suite 3000
Toronto Dominion Centre
Toronto, Ontario
Canada M5K 1G8
Telephone +1 416 863 1133
Facsimile +1 416 365 8215

December 10, 2009

Auditors' Report

To the Shareholders/Directors of
Malbex Resources Inc.

We have audited the consolidated balance sheets of **Malbex Resources Inc.** as at September 30, 2009 and December 31, 2008 and the consolidated statements of loss and comprehensive loss and cash flows for the nine-month period ended September 30, 2009 and for the period from April 24, 2008 to December 31, 2008. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these consolidated 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 December 31, 2008 and the results of its operations and its cash flows for the nine-month period ended September 30, 2009 and for the period from April 24, 2008 to December 31, 2008 in accordance with Canadian generally accepted accounting principles.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Accountants, Licensed Public Accountants

MALBEX RESOURCES INC.
(An Exploration Stage Company)
CONSOLIDATED BALANCE SHEETS
(Expressed In Canadian Dollars Except As Otherwise Indicated)

	September 30 2009	December 31 2008
ASSETS		
Current		
Cash	**$ 557,118**	$ 33,650
Receivables	**42,548**	7,432
Prepaid expenses	**36,894**	12,310
Deferred reverse takeover costs (Note 5)	**349,082**	-
Restricted cash (Note 8(b)(vii))	**7,798,061**	-
	8,783,703	53,392
Equipment (Note 7)	**142,536**	-
Deferred mineral property expenditures (Note 6)	**2,160,293**	486,919
Mineral property acquisitions (Note 6)	**66,573**	66,573
Restricted cash (Note 6)	**2,496,512**	2,826,958
	4,865,914	3,380,450
	$ 13,649,617	$ 3,433,842
LIABILITIES		
Current		
Accounts payable and accrued liabilities	**$ 605,526**	$ 245,735
Other current liabilities (Note 8(b)(vii))	**7,798,061**	-
	8,403,587	245,735
SHAREHOLDERS' EQUITY		
Capital Stock (Note 8)	**3,469,580**	3,358,251
Subscription receipts (Note 8(b)(vii))	**1,978,220**	-
Warrants (Note 10(a))	**607,640**	-
Broker warrant (Note 10(b))	**334,378**	-
Contributed surplus	**930,975**	-
Accumulated Deficit	**(2,074,763)**	(170,144)
	5,246,030	3,188,107
	$ 13,649,617	$ 3,433,842

Nature of Operations and Going Concern (Note 1)
Subsequent event (Note 13)

Approved on Behalf of the Board:

"Joseph Hamilton" — **Director**

"Tim Warman" — **Director**

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

MALBEX RESOURCES INC.

(An Exploration Stage Company)

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Expressed In Canadian Dollars Except As Otherwise Indicated)

	Nine Months Ended September 30, 2009	Period from April 24,to December 31, 2008	Cumulative From Inception on April 24, 2008
EXPENSES			
Stock-based compensation (Note 9)	**$ 837,875**	$ -	$ 837,875
Foreign exchange loss (gain)	**440,797**	(372,334)	68,463
Professional fees	**266,009**	413,963	679,972
Corporate, general and administrative	**329,319**	129,899	459,218
Amortization	**38,502**	-	38,502
	1,912,502	171,528	2,084,030
Less: Interest income	**(7,883)**	(1,384)	(9,267)
NET LOSS AND COMPREHENSIVE LOSS	**$ (1,904,619)**	$ (170,144)	$ (2,074,763)
Basic and diluted loss per share	**$ (0.04)**	$ (0.01)	
Weighted average number of shares outstanding	**51,471,594**	17,719,999	

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

MALBEX RESOURCES INC.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed In Canadian Dollars Except As Otherwise Indicated)

	Capital Stock	Subscription Receipts	Warrants	Broker Warrants	Contributed Surplus	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)	(861,219)	-	-	-	-	(867,872)
Stock-based compensation	-	-	-	-	930,975	-	930,975
Net loss for the period	-	-	-	-	-	(1,904,619)	(1,904,619)
Balance, September 30, 2009	**$ 3,469,580**	**$ 1,978,220**	**$ 607,640**	**$ 334,378**	**$ 930,975**	**$ (2,074,763)**	**$ 5,246,030**

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

MALBEX RESOURCES INC.

(An Exploration Stage Company)

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed In Canadian Dollars Except As Otherwise Indicated)

	Nine Months Ended September 30, 2009	Period from April 24,to December 31, 2008	Cumulative From Inception on April 24, 2008
CASH (USED IN) PROVIDED BY:			
OPERATING ACTIVITIES			
Net loss for the period	**$ (1,904,619)**	$ (170,144)	$ (2,074,763)
Amortization	**38,502**	-	38,502
Unrealized foreign exchange loss (gain)	**440,797**	(372,334)	68,463
Stock-based compensation	**837,875**	-	837,875
Net change in non-cash working capital:			
Receivables	**(35,116)**	(7,432)	(42,548)
Prepaid expenses	**(24,584)**	(12,310)	(36,894)
Accounts payable and accrued liabilities	**359,791**	240,150	599,941
	(287,354)	(322,070)	(609,424)
INVESTING ACTIVITIES			
Shares purchased - Malbex San Juan	**-**	(4,000)	(4,000)
Mineral property acquisitions	**-**	(66,573)	(66,573)
Mineral property expenditures	**(1,580,274)**	-	(1,580,274)
Acquisition of equipment	**(181,038)**	-	(181,038)
Deferred reverse takeover costs	**(349,082)**	-	(349,082)
	(2,110,394)	(70,573)	(2,180,967)
FINANCING ACTIVITIES			
Issuance of common shares, net of costs	**1,053,347**	3,253,251	4,306,598
Subscription receipts, net of costs	**1,978,220**	-	1,978,220
Restricted cash	**(7,798,061)**	(2,826,958)	(10,625,019)
Subscription receipts	**7,798,061**	-	7,798,061
	3,031,567	426,293	3,457,860
INCREASE IN CASH	**633,819**	33,650	667,469
Foreign exchange effect	**(110,351)**	-	(110,351)
CASH, BEGINNING OF PERIOD	**33,650**	-	-
CASH, END OF PERIOD	**$ 557,118**	$ 33,650	$ 557,118

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

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 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 September 30, 2009, the Company had not earned operating revenues, reported an accumulated deficit of $2,074,763 and had working capital of $380,116. 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 will be successful or sufficient.

The 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 consolidated financial statements have been prepared by the Company in accordance with Canadian GAAP. A summary of the significant accounting policies is set out below:

Year end change

The Company changed its year end from December 31 to September 30. Accordingly these financial statements include nine months of operation to September 30, 2009 and have been compared to figures for the period from April 24, 2008 to December 31, 2008.

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

Measurement Uncertainty

The timely preparation of the financial statements in conformity with Canadian GAAP requires that management make estimates and assumptions and use judgment regarding the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the period. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, actual results may differ from estimated amounts as future confirming events occur. Amounts recorded for amortization are based on estimates. By their nature, these estimates of costs and the related future cash flows, are subject to measurement uncertainty. Accordingly, the impact in the financial statements of future periods could be material. The estimated fair value of financial assets and liabilities, by their very nature, are subject to measurement uncertainty.

Consolidation

These consolidated financial statements incorporate the assets, liabilities and results of operations of all entities controlled by the Company, specifically its wholly-owned subsidiaries Malbex Nominee Inc., Malbex Cooperatief U.A., Malbex B.V., and Malbex San Juan S.A. The effects of all transactions between entities in the consolidated group have been eliminated.

Cash

Cash includes cash on hand and balances with Canadian, European and Argentinean financial institutions with a maturity of three months or less.

Restricted Cash

Restricted cash includes deposits (USD $2,250,000) held in an account by an international insurance company to guarantee the commitments of the Company in connection with the mining properties, a non-interest bearing deposit (EUR 50,000) held in an account by an international trust company as a comfort for the commitments of the Company to the international trust company and funds held in escrow ($7,798,061) eligible to be released on the completion of the business combination agreement with Arapaho Capital Corp.

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
Computer software	100 %	declining balance
Vehicles	30 %	declining balance

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

Exploration and Development Costs

Mining property acquisition costs and exploration costs are capitalized. Although the Company has taken steps to verify title to its areas, these procedures do not guarantee the Company's title. Such mining areas may be subject to prior undetected agreements or transfers, and title may be affected by such defects. Deferred exploration and evaluation costs are expected to be amortised over the estimated useful life of the mineral reserve, on a units of production basis, from the commencement of commercial production, or written off if the property is sold or abandoned.

Stock-Based Compensation

The Company recognizes the fair value of stock-based compensation over the vesting period of the stock options. The fair value for each stock option granted is estimated on the date of grant using the Black-Scholes option pricing model. These fair value costs are recognized as stock-based compensation expense with a corresponding increase to contributed surplus over the vesting period of the grant. Consideration received on the exercise of stock options is recorded as share capital and the related contributed surplus is transferred to share capital. The Company's stock option plan is described in Note 9.

Income Taxes

The Company follows the liability method of accounting for income taxes. Under this method, income taxes are recognized for the future income tax consequences attributed to the difference between the financial statement carrying values and their respective income tax bases. Future income tax assets and liabilities are measured using substantively enacted income tax rates expected to apply when the asset is realized or the liability is settled. The effect on future income tax assets and liabilities of a change in tax rates is included in income in the period that includes the date of substantive enactment. Future income tax assets are evaluated and if realization is not considered "more likely than not", a valuation allowance is provided.

Foreign Currency Translation

The Company uses the Canadian Dollar as its functional and reporting currency, as the majority of its transaction are denominated in this currency and the operations of its subsidiaries are considered to be integrated operations. Foreign currency denominated monetary assets and liabilities are translated into Canadian dollars at the exchange rate prevailing at the reporting date. Non-monetary assets and liabilities are translated at historical rates of exchange. Revenues and expenses are translated at the average exchange rates during the period. Exchange gains or losses arising on the translation of the accounts are included in the consolidated statements of loss and comprehensive loss.

Loss Per Share

Basic loss per share is computed by dividing the loss for the period by the weighted average number of common shares outstanding during the period, including contingently issuable shares which are included when the conditions necessary for issuance have been met. Diluted loss per share is calculated in a similar manner, except that the weighted average number of common shares outstanding is increased to include potentially issuable common shares from the assumed exercise of common share purchase options and warrants, if dilutive. The number of additional shares included in the calculation is based on the treasury stock method for options and warrants. As at September 30, 2009, the most recent share price was $0.50 as indicated in Note 9.

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

Financial Instruments - Recognition and Measurement

This standard prescribes when a financial asset, financial liability, or non financial derivative is to be recognized on the balance sheet and whether fair value or cost-based methods are used to measure the recorded amounts. It also specifies how financial instrument gains and losses are to be presented. All derivatives are recorded on the balance sheet at fair value. Mark to market adjustments on these instruments are included in net income, unless the instruments are designated as part of a cash flow hedge relationship.

Comprehensive Loss and Net Loss

This standard requires the presentation of a statement of comprehensive loss and net loss and its components. Comprehensive loss includes both net loss and other comprehensive loss. Other comprehensive loss includes holding gains and losses on available for sale investments, gains and losses on certain derivative instruments and foreign currency gains and losses relating to self sustaining foreign operations, all of which are not included in the calculation of net loss until the period that the related asset or liability affects loss. The Company has determined that it has no items that would affect other comprehensive loss for the period ended September 30, 2009 and, therefore comprehensive loss equals net loss.

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.

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. The adoption of this standard had no impact on the Company’s presentation of its financial position or results of operations.

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.

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

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.

Sections 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. 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. 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, subscription receipts, warrants, broker warrants, contributed surplus and accumulated deficit, which at September 30, 2009 totalled $5,246,030. 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 period ended September 30, 2009. 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.

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 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 September 30, 2009, the Company had cash and restricted cash of $8,355,179 to settle current liabilities of $8,403,587. 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. Subsequent to September 30, 2009, $7,798,061 was converted from current liabilities to equity as a result of the Reverse Takeover described in (Note 13).

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.

4. FINANCIAL RISK FACTORS (CONTINUED)

Fair Value

The Company has designated its cash as held-for-trading, which are 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 September 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, Argentinean 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 $192,300 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.

(Expressed In Canadian Dollars Except As Otherwise Indicated)

5. DEFERRED REVERSE TAKEOVER COSTS

On May 25, 2009, Malbex entered into a business combination agreement ("Reverse Takeover") with Arapaho Capital Corp. ("Arapaho"), that was completed on October 30, 2009 (see Subsequent Event Note 13).

Cost incurred to affect the Reverse Takeover have been deferred and will be applied to increase the purchase price of the acquired Arapaho assets upon accounting for the Reverse Takeover transaction.

6. DEFERRED MINERAL PROPERTY EXPENDITURES AND MINING PROPERTY ACQUISITION COSTS

	Nine Months Ended September 30, 2009	Period from April 24,to December 31, 2008	Cumulative From Inception on April 24, 2008
Malbex San Juan (Note 5)			
Balance, beginning of period	**$ 486,919**	$ -	$ -
Travel	**110,958**	162,325	273,283
Consulting fees	**262,765**	149,184	411,949
Geology	**135,329**	-	135,329
Environmental report	**-**	76,154	76,154
Exploration monthly payments	**147,173**	63,623	210,796
Non refundable exploration deposit	**-**	20,000	20,000
General and office expenses	**154,271**	15,633	169,904
Camp expenses	**288,896**	-	288,896
Lab expenses	**80,299**	-	80,299
Management fees	**58,999**	-	58,999
Mapping	**5,205**	-	5,205
Equipment rental and maintenance	**29,659**	-	29,659
Professional fees	**399,820**	-	399,820
	1,673,374	486,919	2,160,293
Total Deferred Mineral Property Expenditures	**$ 2,160,293**	$ 486,919	$ 2,160,293

(Expressed In Canadian Dollars Except As Otherwise Indicated)

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

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.

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 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

September 30, 2009	Cost	Accumulated Amortization	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

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

(Expressed In Canadian Dollars Except As Otherwise Indicated)

8. CAPITAL STOCK

(a) Authorized - Unlimited number of common shares

(b) Issued

	Number of Shares	Amount
Shares issued on Incorporation (i)	600,000	$ 1
Shares issued on subscription (ii)	27,500,000	1,790,750
Shares issued on exercise of subscription right (iii)	400,000	40,000
Share subscribed on royalty conversion (iv)	3,999,996	315,000
Private placement (v)	9,700,000	1,212,500
Balance - December 31, 2008	42,199,996	3,358,251
Shares issued on private placement (vi)(vii)	10,600,000	1,060,000
Issuance of warrants - valuation (viii)	-	(607,640)
Issuance of broker warrants - valuation (viii)	-	(334,378)
Cost of issue - cash	-	(6,653)
Balance - September 30, 2009	**52,799,996**	**$ 3,469,580**

(i) On April 24, 2008, the Company issued 600,000 common shares on incorporation for total proceeds of $1.

(ii) On July 14, 2008, the Company issued 2,500,000 common shares to two individuals at a price of $0.0001 per common share for total proceeds of $250. On July 19, 2008, the Company issued 25,000,000 common shares to four individuals at a price of $0.07162 per common share for total proceeds of $1,790,500.

(iii) On August 15, 2008, the Company issued 400,000 common share at a price of $0.10 per common share for total proceeds of $40,000 pursuant to a previously granted subscription right.

(iv) Effective 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.

(v) On August 8, 2008, the Company completed a private placement of 9,700,000 common shares at a price of $0.125 per common share for total proceeds of $1,212,500.

(vi) 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.

8. CAPITAL STOCK (CONTINUED)

(b) Issued (continued)

(vii) 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 were released to the Company upon completion of the Reverse Takeover as described in Note 13.

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 September 30, 2009.

(viii) 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 (Note 10(a)).

In connection with 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 (Note 10(b)) 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.

(Expressed In Canadian Dollars Except As Otherwise Indicated)

9. 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, advisors 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.

The following table reflects the continuity of stock options for the period:

	Number of Stock Options	Weighted Average Exercise Price
Balance - December 31, 2008	-	$0.00
Issued	2,500,000	$0.50
Balance - September 30, 2009	**2,500,000**	**$0.50**

The following table reflects the stock options outstanding as at September 30, 2009:

Expiry Date	Exercise Price	Average Life Remaining	Options Outstanding	Black-Scholes Value
August 20, 2014	$0.50	4.89 yrs	2,500,000	$ 930,975

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 $0.50 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%, and an expected maturity of 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.

At September 30, 2009, all of the 2,500,000 outstanding stock options were fully vested and exercisable.

(Expressed In Canadian Dollars Except As Otherwise Indicated)

10. WARRANTS AND BROKER WARRANTS

a) WARRANTS

The following table reflects the continuity of warrants for the period ended September 30, 2009:

	Number of Warrants		Amount
Balance - December 31, 2008	-	$	-
Issued (Note 8(viii))	2,839,439		607,640
Balance - September 30, 2009	**2,839,439**	**$**	**607,640**

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

Expiry Date	Exercise price	Number	Black-Scholes Value
June 30, 2011	$ 0.75	2,839,439	$ 607,640

b) BROKER WARRANTS

The following table reflects the continuity of broker warrants for the period ended September 30, 2009:

	Number of Broker warrants		Amount
Balance - December 31, 2008	-	$	-
Issued (Note 8(viii))	1,271,400		334,378
Balance - September 30, 2009	**1,271,400**	**$**	**334,378**

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

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

(Expressed In Canadian Dollars Except As Otherwise Indicated)

11. INCOME TAXES

Significant items causing the Company's effective tax rate to differ from the Canadian combined federal and provincial statutory tax rate of approximately 33.0% are as follows:

	Nine Months Ended September 30, 2009	Period from April 24, 2008 to December 31, 2008
Net loss for the period before income taxes	**$ (1,904,619)**	$ (170,144)
Expected income tax recovery at statutory rates	**(628,524)**	(56,998)
Non-deductible expenses	**349,230**	(61,921)
Impact relating to future tax rate differential	**9,787**	15,974
Impact of change in future tax rate	**14,199**	-
Taxable benefit not recognized	**255,308**	102,945
Total income tax expense	**$ -**	$ -

The future income tax assets are as follows:

	September 30 2009	December 31 2008
Future income tax asset:		
Non-capital losses	**$ 303,498**	$ 144,454
Financing and share issue costs	**193,538**	12,479
Capital assets	**4,431**	-
Foreign exchange difference	**16,511**	-
	517,978	156,933
Future income tax liability:		
Foreign exchange difference	**-**	(53,988)
	517,978	102,945
Valuation allowance	**(517,978)**	(102,945)
Net future income tax asset	**$ -**	$ -

The Company provided a valuation allowance equal to the future tax assets in excess of its future tax liabilities as it is not presently considered more likely than not that they will be realized.

The Company has non-capital loss carryforwards of approximately $1,214,000 which can be used to reduce taxable income of future years. The benefit from the non-capital loss carryforward balance has not been recorded in the financial statements.

(Expressed In Canadian Dollars Except As Otherwise Indicated)

11. INCOME TAXES (CONTINUED)

The non-capital losses will expire as follows:

Year		Amount
2029	$	715,700
2028		498,300
	$	1,214,000

12. RELATED PARTY TRANSACTIONS

During the nine months ended September 30, 2009, the Company incurred legal fees of $454,233 (December 31, 2008 - $142,645) and reimbursement of expenses of $5,579 (December 31, 2008 - $4,461) respectively to a law firm of which a shareholder and former director of the Company is a partner. As at September 30, 2009, included in accounts payable and accrued liabilities was $443,234 (December 31, 2008 - $156) in respect of these transactions.

During the nine months ended September 30, 2009, the Company incurred legal fees of $71,209 (December 31, 2008 - $51,066) for Malbex San Juan S.A. and reimbursement of expenses of $9,944 (December 31, 2008 - $6,868) to a law firm of which a director of a subsidiary of the Company is a partner. As at September 30, 2009, included in accounts payable and accrued liabilities was $nil (December 31, 2008 - $11,099) in respect of these transactions.

13. SUBSEQUENT EVENT

On October 30, 2009, the Company completed a Reverse Takeover transaction with Arapaho. The Reverse Takeover was effected by way of an amalgamation (the "Amalgamation") whereby Malbex amalgamated with a wholly-owned subsidiary of Arapaho 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 Reverse Takeover 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 completing the Amalgamation, Arapaho indirectly holds all of the assets of 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 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)(vii)), was released from escrow.

13. SUBSEQUENT EVENT (CONTINUED)

Immediately prior to completion of the Amalgamation, each Malbex Subscription Receipt was automatically 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.

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