

**Malbex Resources Inc.**

(An Exploration Stage Company)

(Formerly Arapaho Capital Corp.)

Unaudited Pro Forma Financial Statements

(Expressed in Canadian dollars)

<b>Pro Forma Balance Sheet</b>	<b>Arapaho as at June 30, 2009</b>	<b>Malbex as at June 30, 2009</b>	<b>Adjustments</b>	<b>Reference</b>	<b>Pro Forma</b>
<b>ASSETS</b>					
Current					
Cash	\$ 1,060,573	\$ 1,947,116	\$ 7,798,061	b	\$ 10,805,750
Marketable securities	13,357	-	-		13,357
Sundry receivables	6,068	115,072	-		121,140
Prepaid expenses	-	14,009	-		14,009
Deferred reverse takeover costs	-	217,334	(217,334)	a	-
Restricted cash	-	7,798,061	(7,798,061)	b	-
	1,079,998	10,091,592	(217,334)		10,954,256
Equipment	-	93,177	-		93,177
Deferred mineral property expenditures	-	1,302,572	-		1,302,572
Mineral property acquisitions	-	66,573	-		66,573
Restricted cash	-	2,703,735	-		2,703,735
	-	4,166,057	-		4,166,057
	<b>\$ 1,079,998</b>	<b>\$ 14,257,649</b>	<b>\$ (217,334)</b>		<b>\$ 15,120,313</b>
<b>LIABILITIES</b>					
Current					
Accounts payable and accrued liabilities	\$ 135,230	\$ 644,009	\$ 98,000	a	\$ 877,239
Promissory note	-	150,000	-		150,000
Other current liabilities	-	7,798,061	(7,798,061)	c	-
	135,230	8,592,070	(7,700,061)		1,027,239
<b>SHAREHOLDERS' EQUITY</b>					
Share capital	258,939	3,469,580	8,491,969	a, c	12,220,488
Subscription receipts	-	1,992,198	(1,992,198)	c	-
Contributed surplus	84,210	-	846,765	a, d	930,975
Warrants	-	607,640	1,668,785	c	2,276,425
Broker warrants	-	334,378	-		334,378
(Accumulated deficit) / retained earnings	601,619	(738,217)	(1,532,594)	a, d	(1,669,192)
	944,768	5,665,579	7,482,727		14,093,074
	<b>\$ 1,079,998</b>	<b>\$ 14,257,649</b>	<b>\$ (217,334)</b>		<b>\$ 15,120,313</b>

**See accompanying notes to pro forma financial statements**

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<b>Pro Forma Income Statement</b>	<b>Arapaho for the 9 months ended June 30, 2009</b>	<b>Malbex for the 6 months ended June 30, 2009</b>	<b>Adjustments</b>	<b>Reference</b>	<b>Pro Forma</b>
<b>Expenses</b>					
Professional fees	\$ 133,454	\$ 182,446	-		\$ 315,900
Foreign exchange loss	-	178,859	-		178,859
Accounting and corporate services	-	14,097	-		14,097
General and administrative	144,933	150,104	930,975	d	1,226,012
Guarantee fees	-	12,055	-		12,055
Consulting fees	-	-	-		-
Regulatory fees	-	11,000	-		11,000
Travel expenses	-	16,200	-		16,200
Amortization	-	7,407	-		7,407
	278,387	572,168	930,975		1,781,530
Less: Interest income	(12,465)	(4,095)	-		(16,560)
<b>Net Loss and Comprehensive Loss</b>	<b>\$ 265,922</b>	<b>\$ 568,073</b>	<b>\$ 930,975</b>		<b>\$ 1,764,970</b>

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### **1. BASIS OF PRESENTATION**

The unaudited pro forma consolidated balance sheet of Malbex Resources, Inc. ("Malbex") as at June 30, 2009 has been prepared by management after giving effect to the reverse takeover transaction between Arapaho Capital Corp. ("Arapaho") and Malbex. Subsequent to the reverse takeover transaction, Arapaho will operate on a continuing basis and intends to seek the requisite shareholder and regulatory approvals to, among other things, change its name to Malbex Resources Ltd.

The accompanying unaudited pro forma consolidated balance sheet has been prepared for illustrative purposes only. In accordance with the Emerging Issues Committee Abstract 10, "Reverse Takeover Accounting" the reverse takeover transaction is not considered a business combination. The transaction has been accounted for as the issuance of shares by Malbex for the net monetary assets of Arapaho. Consideration net of transaction costs has been added to share capital.

In preparing the pro forma consolidated balance sheet, certain estimates were 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 significantly different than as presented.

This unaudited pro forma consolidated balance sheet should be read in conjunction with the Arapaho audited consolidated financial statements for the years ended September 30, 2008 and 2007 and the Malbex audited consolidated financial statements for the year ended December 31, 2008, as well as the unaudited June 30, 2009 interim financial statements of Arapaho and Malbex.

### **2. PRO FORMA ADJUSTMENTS AND ASSUMPTIONS**

The unaudited pro forma balance sheet incorporates the following pro forma assumptions and adjustments:

- a) The acquisition of Arapaho by Malbex through a reverse takeover transaction.

Arapaho will issue 49,383,331 shares to the shareholders of Malbex in exchange for all of the outstanding shares of Malbex. The consideration of \$944,768 is deemed to be based on the current assets minus the current liabilities of the acquiree (Arapaho). Transaction costs in connection with the transaction are estimated to amount to \$315,334.

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

- b) On June 30, 2009, Malbex completed a private placement of 21,275,000 subscription receipts ("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 of Malbex ("Malbex Unit").

Upon completion of the private placement, the non-escrowed proceeds amounting to \$2,839,439 were released to Malbex. The remaining portion of the aggregate gross proceeds of \$7,798,061 are being held in escrow and will be released to Malbex upon completion of the reverse takeover transaction, provided that the reverse takeover transaction is completed within six months from the date of closing of the private placement, being December 30, 2009. The pro forma balance sheet reflects the release of escrowed proceeds from the private placement.

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- c) The exchange of Subscription Receipts, issued by Malbex on June 30, 2009, for Malbex Units immediately prior to the reverse takeover transaction in accordance with their terms and the exchange of the common shares and warrants of Malbex pursuant to the reverse takeover transaction on the basis of the exchange ratio.
- d) The recognition of 2,500,000 immediately vesting stock options issued by Malbex on August 20, 2009 having a fair value of \$930,975. The fair value was assigned to the stock options using the Black-Scholes valuation model with the following assumptions: dividend yield 0%; expected volatility 100%; risk free rate of return 1.28%; and an expected maturity of 5 years.

### 3. SHARE CAPITAL

- a) Authorized – Unlimited number of common shares
- b) Share Capital Continuity

	Number of Shares	Share Capital
<b>Arapaho balance as at June 30, 2009</b>	<b>6,600,000</b>	<b>\$ 258,939</b>
Elimination of Arapaho share capital		(258,939)
Bring forward Malbex share capital		3,469,580
Conversion of Subscription Receipts to share capital	14,183,333	9,790,259
Issuance of warrants		(1,668,785)
Shares issued to acquire Malbex	35,199,998	944,768
Reverse takeover costs incurred by Malbex		(315,334)
<b>Pro Forma balance</b>	<b>55,983,331</b>	<b>\$ 12,220,488</b>

### 4. WARRANTS AND BROKER WARRANTS

- a) WARRANTS

The following table reflects the pro forma warrants outstanding as at June 30, 2009:

	Number of Warrants	Amount
<b>Arapaho balance as at June 30, 2009</b>	<b>-</b>	<b>\$ -</b>
Malbex warrants exchanged for Arapaho warrants	7,091,667	\$ 2,276,425
<b>Pro Forma balance</b>	<b>7,091,667</b>	<b>\$ 2,276,425</b>

- b) BROKER WARRANTS

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

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	<b>Number of Broker Warrants</b>	<b>Amount</b>
<b>Arapaho balance as at June 30, 2009</b>	-	\$ -
Malbex broker warrants exchanged for Arapaho warrants	847,600	\$ 334,378
<b>Pro Forma balance</b>	<b>847,600</b>	<b>\$ 334,378</b>

**5. STOCK OPTIONS**

The following table reflects the pro forma stock options outstanding as at June 30, 2009:

<b>Expiry date</b>	<b>Exercise price per share</b>	<b>Number of stock options</b>
November 27, 2013	\$ 0.25	475,000
August 20, 2014	\$ 0.50	1,666,667
Weighted average exercise price	\$ 0.44	