

GOLDEN ARROW RESOURCES CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007

Introduction

The following management discussion and analysis and financial review, prepared as of April 23, 2008, should be read in conjunction with the Company's audited consolidated financial statements for the years ended December 31, 2007 and 2006 and related notes. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). Except as otherwise disclosed all dollar figures in this report are stated in Canadian dollars. Additional information relevant to the Company can be found on the SEDAR website at www.sedar.com.

Forward Looking Statements

Certain of the statements made and information contained herein is "forward- looking information" within the meaning of the Ontario Securities Act. Forward-looking statements are subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking statements, including, without limitation, risks and uncertainties relating to foreign currency fluctuations; risks inherent in mining including environmental hazards, industrial accidents, unusual or unexpected geological formations, risks associated with the estimation of mineral resources and reserves and the geology, grade and continuity of mineral deposits; the possibility that future exploration, development or mining results will not be consistent with the Company's expectations; the potential for and effects of labour disputes or other unanticipated difficulties with or shortages of labour; the inherent uncertainty of future production and cost estimates and the potential for unexpected costs and expenses, commodity price fluctuations; uncertain political and economic environments; changes in laws or policies, foreign taxation, delays or the inability to obtain necessary governmental permits; and other risks and uncertainties, including those described under Risk Factors Relating to the Company's business in each management discussion and analysis. Forward-looking information is in addition based on various assumptions including, without limitation, the expectations and beliefs of management, the assumed long term price of gold; that the Company can access financing, appropriate equipment and sufficient labour and that the political environment within Argentina, Peru and Colombia will continue to support the development and operation of mining projects. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking statements. Accordingly, readers are advised not to place undue reliance on forward-looking statements.

Overview

The Company was created on July 7, 2004, as a result of a corporate restructuring plan (the "Reorganization") completed by IMA Exploration Inc. ("IMA"). Shareholders of IMA were issued one share of the Company for every ten shares of IMA held.

The Company is a natural resource company engaged in the business of acquisition and exploration of mineral properties in Argentina, Peru and Colombia. The Company's strategy is to acquire properties for the purpose of mineral exploration and exploitation. In the event the Company discovers mineralization capable of economic production, it intends to develop or seek a joint venture partner and/or to sell all or a portion of its interest in the subject property to finance the development of such property and/or use the funds to develop other properties. At present, the Company has no producing properties and consequently has no current operating income or cash flow. As of this date the Company is an exploration stage company and has not generated any revenues. There is no assurance that a commercially viable mineral deposit exists on any of the properties. Further exploration will be required before a final evaluation as to the economic and legal feasibility of any of the properties is determined.

Principal Properties

Argentina

San Juan Province:

The Company has a 1% Net Smelter Royalty (NSR) on Yamana Gold Inc.'s Gualcamayo advanced stage gold project, which is expected to commence production by the end of 2008.

Poncha, San Juan

In April 2007, the Company entered into an option agreement with Teck Cominco Limited through its subsidiary Teck Cominco Argentina Ltd. ("Teck Cominco") to earn an undivided 100% interest in Teck Cominco's 100% option for the 3,000 ha Poncha gold-copper project located in San Juan Province, Argentina.

The agreement requires the Company to undertake work expenditures on the property totaling US\$3,200,000 over three years with a first year's commitment of US\$650,000. Teck Cominco managed the first exploration program under a six month management contract with the Company. In addition the Company is responsible for payments totaling US\$2,880,000 to the underlying property owner over three years. The underlying owner will retain a 1% NSR royalty in the property. Teck Cominco has an option to re-earn up to a 65% interest in the Poncha Property through a "Back-In" right and an "Additional Earn-In" right. In order to exercise its initial Back-In right to acquire a 55% interest, Teck Cominco is required to fund expenditures equal to twice the Company's expenditures (to a maximum of US\$6,400,000). To increase its interest to 65% Teck Cominco would need to spend a further US\$10,000,000. Also Teck Cominco reserves a 1% NSR royalty if it chooses not to exercise its back-in right.

As part of the agreement, Teck Cominco Limited purchased 600,000 shares of the Company for \$750,000 in conjunction with the Company's June 13, 2007 non-brokered private placement (See "Liquidity and Capital Resources" section below). In addition, the agreement provides that under certain conditions Teck Cominco may contribute to a percentage of the payments to the underlying property owner.

The Poncha Project is located in the Cordillera Frontal of Argentina, San Juan Province. Initial work by Teck Cominco revealed a potentially large gold-mineralized hydrothermal system on the property. Two main targets, separated by 2km of young, post mineral material were identified: the Northern porphyry copper-gold target and the Southern structural and breccia-related, epithermal target. In 2006, Teck Cominco completed a Phase I drilling program on the property intercepting gold mineralization and strong anomalous zinc.

The Phase II drill program commenced in late April 2007, targeting intermediate sulphidation breccias and high-grade gold veins (South Target). The drill program was entirely funded by the Company and Teck Cominco managed the field work on behalf of the Company. Due to the onset of winter conditions in the Argentinean Cordillera, only 1176 metres in four holes, DDH-PC-6 to 9, were drilled before the end of the season. Holes DDH-PC-6, 8 and 9 reached their targeted final depths and all intercepted intermediate sulphidation breccia-style mineralization. DDH-PC-7 was stopped at 34m depth before reaching the high-grade gold vein target it was designed to test. Drill core logging suggests that mineralized veins are more widespread than surface mapping suggests. To date, only a very limited portion of the 2km by 2km mineralized system has been tested. Highlights from the drill program are summarized in the table below:

Drill Hole No	From (m)	To (m)	Width (m)	Au (g/t)	Cu (ppm)	Pb (ppm)	Zn (ppm)
DDH-PC-6	221	229	8	0.088	207	*	*
DDH-PC-6	303	317	14	0.111	473	*	*
DDH-PC-6	327	338	12	0.173	174	625	623
DDH-PC-7	Abandoned						
DDH-PC-08	164	167	3	0.667	110	484	1900
DDH-PC-08	204	208	4	0.213	925	776	6288
DDH-PC-08	430	432	2	0.920	151	507	5074
DDH-PC-08	442	446	4	0.200	81	1039	6566
DDH-PC-09	57	62	5	0.332	*	*	*
DDH-PC-09	63	72	9	0.117	77	385	785

Drill Hole No	From (m)	To (m)	Width (m)	Au (g/t)	Cu (ppm)	Pb (ppm)	Zn (ppm)
DDH-PC-09	106	114	6	7.40	1096	2138	5997
<i>including</i>	107	109	2	18.14	1830	1363	6352
<i>and</i>	110	114	4	2.030	720	2505	5682
DDH-PC-09	148	160	12	0.021	91	497	1738
DDH-PC-09	251	296	45	0.192	75	141	1643
<i>including</i>	257	265	8	0.790	67	188	1645
<i>including</i>	261	263	2	2.68	78	525	2440

* Results not reported

The Company re-started the Phase II program under its own management in November 2007 and completed a further 1,553m in 5 reverse circulation (RC) holes for a phase II total of 2,729m in 9 holes. The 5 holes tested geochemical-geophysical targets within the 2km by 2km South Target epithermal precious/base metal zone, completing the Phase II drill program started in April-May 2007.

Hole RCPC13, drilled in the northwest sector of the South Target, intersected breccia-stockwork hosted gold-silver-copper-lead-zinc mineralization over a 266m interval, between 129m and 395m depth, that included numerous high-grade gold intercepts and wider mineralized zones. This strong zone of polymetallic mineralization is spatially related to a prominent induced polarization (IP) chargeability anomaly and geologically occurs along a northwest-striking contact between porphyry intrusive rock and volcanoclastic breccias which remains open in all directions.

A summary of highlights from the November-December 2007 RC Program are provided in Table 1 below.

Table 1: Analytical Highlights for Poncha RCPC10-14

Hole		From (m)	To (m)	Interval (m)		Au ppm*	Ag ppm*	Cu ppm	Pb ppm	Zn ppm	Intercept
PC10		202	205	3	@	1.46	9.07	60	143	2,027	<i>1</i>
PC10		216	220	4	@	0.49	10.11	988	339	1,439	2
PC11		37	40	3	@	0.49	1.98	60	1,532	5,521	3
	<i>including</i>	38	39	1	@	1.30	3.82	119	2,337	>10,000	
PC12		161	164	3	@	0.56	0.00	23	142	3,885	<i>4</i>
PC12		186	187	1	@	0.69	3.28	31	695	3,638	5
PC12		229	230	1	@	2.13	11.02	41	514	391	6
PC13		73	77	4	@	0.22	4.13	298	900	1,912	7
PC13		129	395	266	@	1.21	3.30	281	336	1,318	8**
	<i>including</i>										
PC13		129	163	34	@	2.19	4.31	438	304	2,833	9
	<i>including</i>	130	140	10	@	1.69	4.92	520	717	4,125	
	<i>and</i>	142	151	9	@	4.88	8.43	649	209	4,459	
	<i>and</i>	154	158	4	@	2.02	1.45	234	69	1,228	
	<i>and</i>	162	163	1	@	2.71	5.60	617	276	4,722	
PC13		174	201	27	@	0.65	2.40	246	98	1,242	<i>10</i>
	<i>including</i>	176	181	5	@	1.56	6.52	344	163	1,937	
	<i>and</i>	186	189	3	@	1.31	1.80	259	94	1,258	
	<i>and</i>	192	194	2	@	0.77	1.90	286	106	1,809	
	<i>and</i>	198	199	1	@	1.27	4.40	569	201	3,447	
PC13		216	220	4	@	0.57	2.40	352	116	2,195	<i>11</i>
PC13		270	331	61	@	3.04	7.16	458	700	1,650	<i>12</i>
	<i>including</i>	270	271	1	@	2.77	7.80	1,043	284	6,696	
	<i>and</i>	275	278	3	@	3.06	2.87	333	140	2,007	
	<i>and</i>	281	285	4	@	10.84	7.93	111	159	1,120	
	<i>and</i>	288	289	1	@	4.65	5.10	153	130	1,129	

Hole		From (m)	To (m)	Interval (m)		Au ppm*	Ag ppm*	Cu ppm	Pb ppm	Zn ppm	Intercept
	and	291	293	2	@	3.56	4.35	74	98	793	
	and	295	296	1	@	1.82	1.60	98	88	1,167	
	and	305	313	8	@	10.91	24.00	1,783	1,810	2,153	
	and	316	322	6	@	3.21	20.38	1,079	3,712	5,608	
	and	330	331	1	@	2.29	5.40	675	184	4,092	
PC13		359	379	20	@	0.93	5.04	429	1,312	1,542	13
	including	360	362	2	@	4.61	6.65	98	96	552	
	and	366	370	4	@	1.53	16.00	1,850	5,623	5,559	
	and	377	378	1	@	1.19	4.60	56	216	951	
PC14		231	236	5	@	0.41	0.80	114	77	1,420	14
PC14		290	296	6	@	0.34	0.18	53	470	1,779	15

*1 ppm = 1 g/t; **Interval contains 8 1m samples with <0.01 ppm gold

The Company is currently planning a drill program to systematically step-out from the RCPC13 discovery hole along the chargeability anomaly/porphyry contact in all directions to delineate the extent and tenor of the mineralized zone. This program will be executed after the Andean winter which usually extends from April to September.

Analysis of the Phase II core and RC samples were performed by Alex Stewart Assayers, in Mendoza, Argentina, an internationally recognized assay service provider. The drilling program in April and May 2007 was carried out under the supervision of employees of Teck Cominco Argentina Ltd. The RC program was carried out by the Company. The technical information above has been reviewed by Dr. David A. Terry, P.Geol., director and Vice President Exploration, a Qualified Person as defined in National Instrument 43-101 (a "Qualified Person").

Pescado Gold Project, San Juan

The Company holds four mineral claims in the Gualcamayo area of San Juan: Sierra Pescado I, Sierra Pescado II, Durazno and Yanso. These 100% owned claims cover approximately 18,000ha and form the Pescado Gold Project.

The northern boundary of the Pescado Gold Project is 10km south of the main gold zone on the Gualcamayo deposit in a similar geological and structural setting. It is between 1,500m and 3,000m elevation and is accessible for year-round exploration. To date the Pescado Gold Project properties have all had systematic silt sampling, follow-up soil grids and rock sampling surveys carried out, with the exception of Durazno which has had only preliminary silt and rock sampling completed. In total 806 rock samples, 383 stream sediment samples and 479 soil samples have been collected on the project. Rock sampling highlights are tabulated below:

Property	Type	Length (m)	Description	Au (g/t)	Ag (g/t)	Cu (ppm)	Pb (ppm)	Zn (ppm)
Pescado	Chip	1.0	Vein with limonite and breccia texture, hematite veinlets	17.59	2.1	351	45	162
Pescado	Chip	1.0	Breccia with calcite, iron oxides and limonite	6.68	0.9	30	3	14
Pescado	Chip	1.0	Hydrothermal breccias with iron oxides, quartz and gypsum	10.75	1.3	574	3	172
Yanso	Channel	2.0	Continuous channel in oxidized diorite belt (50 x 300m)	1.27	3.2	265	20	1055
Yanso	Chip	2.0	Porphyritic dacite with argillic alteration	3.46	11.2	153	13	1055
Yanso	Chip	2.0	Dacite with iron oxide-limonite stockwork	3.15	43.2	249	101	111
Durazno	Chip	0.3	Calcite "eye" within limestone breccias. Copper minerals and galena	0.13	10.2	>10,000	3,535	2,720

Pescado I and II

Collectively the Pescado I and II claims cover 2,100ha. They are underlain by iron-stained mafic to felsic magmatic rocks of unknown age (informally named the Pescado Magmatic Complex – "PMC"), Paleozoic sandstone, mudstone and limestone units and Tertiary granitoids. Alteration and gold mineralization is associated with areas

where the PMC intrudes the Paleozoic sedimentary rocks and is controlled by north-northeast and west-northwest oriented structures. It is likely that a large north-northeast trending fault underlies the Pescado River drainage in the central portion of the Pescado I claim.

Stream sediment sampling has defined a 4.8km long gold anomaly along Pescado I and II properties. Soil sampling delimits two gold anomalies with grades >25 ppb Au at the core of the Pescado I property: the South Anomaly (400 by 300m), within which a number of small historical workings have been located, and the North Anomaly (1,000 by 550m) oriented to the northwest. Both anomalies include areas with gold anomalies over 100 ppb and up to 508 ppb gold in the North. Gold anomalies defined by soil sampling are commonly related to Fe-stained volcanic rocks cut by quartz veins.

Rock sampling returned high grades (see table above) from a number of quartz veins in historical workings that cut the PMC sequence within the South Anomaly. Outcrop exposure over the North Anomaly is poor but assays as high as 1.0m @ 0.65g/t gold were returned.

Yanso

The Yanso claim covers 9,760 hectares and is underlain by Carboniferous sandstone and Permian red beds. Porphyritic andesite/dacite dikes, hornblende-rich diorite and tonalite of unknown age intrude the Paleozoic sequence. North-trending thrusts and folds are prominent.

Stream sediment sampling of the southern part of Yanso has identified gold and copper anomalies associated with the intrusives. To date two styles of mineralization have been recognized: 1) Calcite and quartz veining in deformed limestone (0.17, 0.14 and 0.14 g/t gold) and 2) a north-trending 50m by 300m intrusion-related hematite/pyrite alteration zone with fracture-controlled mineralization (16m averaging 0.602 g/t gold including 2m @ 1.27 g/t gold). Isolated outcrops suggest this zone may persist up to 1km to the north under younger cover sequences.

The next phase of work on Yanso will include additional stream sediment and rock sampling in the north as well as detailed mapping and further sampling of southern alteration zone.

Durazno

The Durazno claim covers 5,600 hectares and is underlain by Ordovician limestone, Permian coarse sandstone and conglomerate and volcanoclastic rocks. A major thrust that strikes to the north-northwest repeats the Paleozoic sequence.

Stream sediment samples have identified a gold anomaly in an area underlain by limestone in the northeast corner of the Durazno claim. Copper, lead and zinc values are elevated and follow-up prospecting identified polymetallic sulphide stockwork and breccia-hosted veins hosted in limestone. Ongoing work will focus on detailed sampling and mapping of the northeastern sector of the claim.

A helicopter-borne aeromagnetic survey was conducted on the Pescado Gold Project in early 2008. The survey was being flown by New Sense Geophysics Limited and will comprise 1,870 line kilometres covering the entire 18,000ha property with 200m spaced lines. The Company plans to carry out IP geophysical surveys over targets on Pescado and to conduct further sampling and geological mapping on Durazno and Yanso.

Analyses for the samples collected at the Pescado Gold Project were performed by Alex Stewart Assayers. The technical information above has been reviewed by Dr. David A. Terry, P.Ge., director and Vice President Exploration, and a Qualified Person.

Valle de Cura

The Company has eight exploration properties in the Valle de Cura region. The Company continues to evaluate potential partners to advance the drill ready Rio de las Taguas and Poterillos properties and the other, earlier-stage exploration properties in the area.

Other

The Company has agreements with Amera Resources Corporation (“Amera”), a publicly traded company with common management and directors, whereby the Company optioned its Mogote Property in the NW San Juan Region of Argentina. Amera has exercised the option to and has earned a 51% interest in the Mogote Property. Amera has fulfilled the option requirements to issue a total of 1,650,000 of its common shares to the Company and to incur US \$1.25 million of expenditures.

During the 2007 period, Amera issued 900,000 of its common shares to the Company (initially recorded at fair value of \$333,000) as the final share issuance under the option agreement. On May 14, 2007, Amera gave notice to the Company that it will not incur the additional expenditures required in order to earn an additional 24% interest.

Amera carried out exploration drilling programs on the Mogote property in 2004 and 2005 to test the Filo Este and Filo Central targets. Wide intercepts of anomalous copper-gold mineralization were encountered in each drill program. No exploration work has been carried out on the Mogote Property in 2006 or 2007.

The Company has carried out minor surface exploration programs on its other two properties in northwestern San Juan in 2005. There are no current plans for further work on these two properties.

Jujuy Province

The Company currently has three properties in the province of Jujuy in northern Argentina: the Antiguyo Property (Antiguyo I and II), the San Jose Property and the Timon Cruz Property. These properties mainly cover lode and bulk tonnage gold targets hosted by folded Ordovician sediments. The properties lie within the Sierra Rinconada, a northeast-trending belt measuring 30km by 130km that has a long history of gold production dating back to Inca times. More concessions have been applied for and remain to be granted.

Antiguyo Gold Property, Jujuy

The Antiguyo I and II, together cover 5,643 hectares. In 2006 surface channel sampling, soil grid sampling and composite talus fines sampling programs were carried out on the southern portion of the property and reconnaissance sampling was carried out over the northern portion. Several high-grade gold-bearing quartz veins have been identified on the southern portion of the property. No work was carried out in 2007.

San Jose Gold Property, Jujuy

The San Jose gold property covers 1,985 hectares in the Sierra Rinconada. The property hosts high-grade gold quartz vein occurrences and stockwork-related bulk-tonnage style gold mineralization. Rock sampling, Phase I and II soil programs and Phase I and II trenching programs were carried out in 2006. With the results reported to date, the Company has now identified four significant zones along a 1.2km trend with bulk-tonnage gold grades on the project. A 2,200m drill program has been permitted and is currently underway at the time of writing.

Timon Cruz Gold Property, Jujuy

The Timon Cruz gold property covers 2,000 hectares in the Sierra de Rinconada. Gold mineralization in the district is commonly related to quartz veins hosted in a folded and faulted sequence of Ordovician rocks. In general, mineralization extends along the fold trend and seems to be located in first-order anticlines. Initial exploration work that included reconnaissance mapping, rock-sampling and soil sampling was carried out in 2006. The next phase of exploration work at Timon Cruz will involve extension of the soil grid, surface chip and channel rock sampling, and geologic and structural mapping of the claimed area.

Neuquen Province

In 2007, the company staked 100% interest in 3 cateos totaling 29,877 hectares in Neuquen Province. Only preliminary work has been carried out on these properties.

The Company’s Argentine-based exploration team is currently conducting exploration programs to assess a number of the properties currently in its portfolio and initiating generative programs to identify targets in high-potential mineral districts in Argentina such as western Jujuy. In addition the Company is currently evaluating a number of

potential acquisitions. The Company will continue to lever its exploration expenditures through joint-venturing projects with high quality partners.

Peru

Rio Tabaconas

The Company had previously declared force majeure, as allowed under the property option agreement, on the property payments for this project. The Company is maintaining these properties in good standing.

Effective April 1, 2007, the Company retained Gestora De Negocios e Inversiones (“GNI”) and its president, Augusto Baertl, to assist in reopening negotiations with the stakeholders in the local communities, the Church and the government. Based in Lima Peru, Mr. Baertl is well known in the mining and business communities in Peru and internationally, the Company is fortunate to have obtained his services. GNI will prepare and present a plan to the Company with their proposals to reopen the negotiations. The goal of resuming exploration activities on the project is a difficult one. The Company thinks that there may now be an opportunity for progress in preparing for the resumption of exploration work on the Rio Tabaconas project. It is the Company’s intention to work with the stakeholders to assure them that the project is to the benefit of all and will be managed in an environmentally and socially responsible manner.

Colombia

Effective June 30, 2007, the Company entered into a 50/50 joint venture with Amera to evaluate and acquire precious and base metal properties in Colombia. The joint venture has hired an operations manager and retained contract exploration personnel. In addition, the joint venture is in the process of evaluating a number of opportunities but has not acquired any mineral properties to date. The Company believes that Colombia represents an opportunity as it has high geological potential. Furthermore, the security and investment climate of the country has significantly improved in recent years.

Selected Quarterly Financial Information and Forth Quarter Discussion

The following selected consolidated financial information is derived from the unaudited consolidated interim financial statements of the Company. The information has been prepared in accordance with Canadian GAAP.

	Fiscal 2007				Fiscal 2008			
	Dec. 31 \$	Sep. 30 \$	Jun. 30 \$	March 31 \$	Dec. 31 \$	Sept. 30 \$	Jun. 30 \$	Mar. 31 \$
Revenues	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Net earnings (Loss)	(531,581)	(631,655)	(76,568)	(376,754)	(617,468)	(99,953)	141,084	(136,803)
Net Loss per Common Share Basic and Diluted	(0.04)	(0.04)	(0.01)	(0.04)	(0.08)	(0.01)	0.02	(0.02)

For the three months ended December 31, 2007, the Company recorded a net loss of \$531,581, an decrease in loss of \$85,887 from the \$617,468 loss incurred in the three months ended December 31, 2006. The decrease in loss is primarily a result of:

- Corporate development and investor increased by \$32,776 to \$40,814 in the 2007 period compared to \$8,038 in the 2006 period as a result of increased activities.
- General Exploration costs increased by \$220,043 as the Company continues to expense costs associated with exploration that are not related to specific projects or properties. The costs primarily relate to the Company’s exploration activities in South America.
- Office and sundry expenses increased by \$86,069 as a result of increased activities.
- Salaries and Employment benefits increased to \$30,144 to \$92,143 during the period compared to \$61,999 in 2006. Salaries include an allocation of fees from the Grosso Group Management Ltd. (“Grosso Group”) (see discussion in related parties section below).
- Interest income increased by \$52,066 to \$68,737 compared to \$16,671 as a result of a higher term deposit balance.

- Asset-backed commercial paper were written down by \$20,710 in the 2007 period compared to \$Nil in the 2006 period.
- There were no write-offs of mineral properties during 2007 compared to \$539,259 in 2006.

Selected Annual Financial Information

The following selected consolidated financial information is derived from the audited consolidated financial statements and notes thereto. The information has been prepared in accordance with Canadian GAAP.

	Years Ended December 31		
	2007 \$	2006 \$	2005 \$
Total Assets	15,476,627	9,560,980	10,240,819
Long Term Financial Liabilities	-	-	-
Total Revenues	-	-	-
General and Administrative Expenses	2,161,469	820,762	836,591
Net Loss	(1,616,558)	(713,140)	(655,744)
Net Loss per Common Share Basic and Diluted	(0.13)	(0.09)	(0.08)

Summary of Financial Results

For the year ended December 31, 2007, the Company reported a consolidated loss of \$1,616,558 (\$0.13 per share), an increase of \$903,418 from the loss of \$713,140 (\$0.09 per share) for the year ended December 31, 2006. The increase in the loss in 2007, compared to 2006 amount, was due to a number of factors of which \$1,340,707 can be attributed to increases in operating expenses partially offset by a \$679,013 increase in other income items.

The Company's operating expenses for the year ended December 31, 2007 were \$2,161,469, an increase of \$1,340,707 from \$820,762 in 2006.

Notable changes in the operating expenses are:

- (i) Administrative and management services increased by \$29,668 primarily as a result of fees paid for the services of IMA's CEO in 2007 for consulting services (see discussion in related parties section below).
- (ii) Corporate development and investor relations increased by \$180,916 primarily as a result of the Company's increased costs associated with advertising and attendance at investor conferences.
- (iii) General exploration increased by \$455,318, as the Company continues to expense costs associated with exploration that are not related to specific projects or properties. The costs primarily relate to the Company's exploration activities in South America.
- (iv) Office and sundry increased by \$103,050 as a result of increased activity levels in 2007. The office and sundry expense is primarily comprised of an allocation of fees from the Grosso Group (see discussion in related parties section below).
- (v) Salaries increased by \$197,145 to \$356,624 in 2007 as a result of increased activity levels in 2007. The salaries expense is primarily comprised of an allocation of fees from the Grosso Group (see discussion in related parties section below).
- (vi) Stock-based compensation of \$283,035 is the estimated fair value of 738,000 stock options granted to employees, directors and consultants during 2007. No stock options were granted in 2006. Stock-based compensation is accounted for at fair value as determined by the Black-Scholes option pricing model using amounts that are believed to approximate the volatility of the trading price of the Company's stock, the expected lives of awards of stock-based compensation, the fair value of the Company's stock and the risk-free interest rate.
- (vii) Travel and accommodation increased \$96,144 as a result of increased exploration related travel as well as increased travel to investor conferences.

- (viii) Gain on disposition of mineral properties was \$333,000 in the 2007 period compared to \$126,000 in the 2006. The gain in 2007 represents the fair value of 900,000 shares of Amera the Company received in respect of the option on its Mogote Property.
- (ix) Interest income increased by \$109,245 to \$176,163 compared to \$66,918 as a result of a higher term deposit balance through out the year.

During the year ended December 31, 2007 the Company capitalized significant expenditures on the following properties: \$1,177,680 on the Poncha property, \$230,323 on the Jujuy properties, \$112,534 on the Neuquen property, \$33,230 on the Valle de Cura properties, \$165,682 on the Gualcamayo property, \$363,629 on the Rio Tabaconas property, and \$16,482 on other properties in Argentina.

Liquidity and Capital Resources

The Company's cash position at December 31, 2007 was \$289,842 compared to \$622,834 at December 31, 2006, with working capital of \$5,665,180 compared to \$2,271,518 at December 31, 2006. Short-term investments balance increased to \$5,091,243 at December 31, 2007 from \$1,078,251 at December 31, 2006. Total assets increased by \$5,915,647 to \$15,476,627 at December 31, 2007 from \$9,560,980 at December 31, 2006. This increase is primarily due to a private placement during the year that resulted in the increase in short-term investments and funded the exploration expenditures incurred in 2007 which were capitalized to mineral properties and deferred costs.

As the Company is an exploration stage company, revenues are limited to interest earned on cash held with the Company's financial institutions. For the year ended December 31, 2007 the Company recorded interest income of \$176,163 compared to \$66,918 in the year ended December 31, 2006.

The Company has invested in short term investments primarily in term deposits with the Bank of Montreal but has \$207,102 invested in asset backed commercial paper ("ABCP"). This investment was to mature on September 13, 2007 but has been rolled over under the provisions of the "Montreal Accord". At the date of the MD&A there are no effective secondary markets for ABCP, but it is expected that the Company will have several options in the future including holding the investment to realize on the underlying assets. The fair value of the Company's investment in the Trust was determined based on the management's judgment using available information and expectation of the assumptions market participants would use in pricing such ABCP as at the balance sheet date. The Company reviewed information including that provided by the Pan Canadian Investors Committee. In estimating fair value, the Company used a valuation approach based on the high likelihood of successful restructuring of the investment. It is estimated that the \$207,102 of ABCP which the Company has invested is represented by assets that will, on restructuring, be replaced by senior long-term floating rate notes. These senior notes are expected to obtain a AA credit rating. Based on this assessment of fair value as at December 31, 2007, the Company recorded in income an impairment loss of \$20,710 related to this investment in 2007, representing a 10% valuation allowance of the original principal amount.

On April 9, 2008 Canaccord Capital Corporation ("Canaccord") announced the Canaccord Relief Program, a repurchase plan that offers the Company the opportunity to sell the ABCP at par. This program is dependent on the successful restructuring of the ABCP market as has been proposed by the Pan-Canadian Investor Committee. Due to the uncertainties that the restructuring faces the Company has decided to continue to value this investment at 90% of the principal amount until the restructuring is complete.

The Company has financed its operations through the sale of its equity securities. On March 22, 2007, the Company completed a non-brokered private placement financing of 1,550,000 units at a price of \$0.65 per unit, for net proceeds of \$1,001,963 net of related share issue costs of \$5,537. Each unit consisted of one common share and one common share purchase warrant. Each warrant will entitle the holder to purchase one common share in the capital of the Company, exercisable at a price of \$0.80 during year one and \$1.00 during year two. The fair value assigned to the warrants was \$282,495. The warrants were valued using the Black-Scholes Pricing Model at \$0.18 per warrant on the following assumptions: dividend yield 0%, risk-free rate 4.0%, expected volatility 87% and expected life of 12 months.

In addition, on June 13, 2007 the Company completed a non-brokered private placement of 5,420,000 units at \$1.25 per unit, for net proceeds of \$6,367,844 net of \$407,156 in finder's fees and related issue costs. Each unit consisted

of one common share and one half of a common share purchase warrant. Each full warrant entitles the holder to purchase one common share in the capital of the Company, exercisable at a price of \$1.50 during year one and \$1.90 during year two. The fair value assigned to the warrants was \$600,058. The warrants were valued using the Black-Scholes Pricing Model at \$0.18 per warrant on the following assumptions: dividend yield 0%, risk-free rate 4.0%, expected volatility 68% and expected life of 12 months.

During the year ended December 31, 2007, the Company received \$6,075 (2006 – Nil) from the exercise of stock options and \$45,120 (2006 - \$347,110) from the exercise of warrants. As at April 23, 2008, the Company had working capital of approximately \$4,061,000.

The Company will continue to rely on successfully completing additional equity financing and/or conducting joint venture arrangements for further exploration on its properties. There can be no assurance that the Company will be successful in obtaining the required financing or negotiating joint venture agreements. The failure to obtain such financing or joint venture agreements could result in the loss of or substantial dilution of its interest in its properties.

The Company may elect to acquire new projects, at which time additional equity financing may be required to fund overheads and maintain its interests in current projects, or may decide to relinquish certain of its properties. These decisions will be based on the results of ongoing exploration programs and the response of equity markets to the projects and business plans.

The Company does not know of any trends, demand, commitments, events or uncertainties that will result in, or that are reasonably likely to result in, its liquidity either materially increasing or decreasing at present or in the foreseeable future. Material increases or decreases in liquidity are substantially determined by the success or failure of the exploration programs or the acquisition of projects.

Operating Cash Flow

Cash outflow from operating activities was \$1,775,642 for the year ended December 31, 2007 compared to \$763,020 during the year ended December 31, 2006. The increase in cash required for operating activities is a result of the increase in level in activities during the 2007 period and by the change in non-cash working capital balance.

Financing Activities

During the year ended December 31, 2007 the Company received \$7,782,500 from private placements less issue costs of \$412,693 compared to the receipt of \$nil in 2006. In addition, in 2007 the Company received \$6,075 (2006 – \$nil) from the exercise of stock options and \$45,120 (2006 – \$347,110) from the exercise of warrants.

Investing Activities

Investing activities consumed cash of \$5,978,352 for the year ended December 31, 2007 compared to cash generated in the amount of \$188,779 in 2006. In 2007, these investing activities included additions of \$1,849,501 to mineral properties and deferred costs, an increase of \$3,921,759 in short-term investments and an increase in ABCP of \$207,092. In 2006, the investing activities included additions of \$388,406 to mineral properties and deferred costs, a decrease of \$78,251 in short-term investments and proceeds of \$654,436 from the sale of marketable securities.

Related Party Transactions

The Company engages Grosso Group to provide services and facilities to the Company. The Grosso Group is a private company owned by the Company, IMA, Amera, Astral Mining Corporation (“Astral”) and Blue Sky Uranium Corp. (“Blue Sky”), each of which owns one share. The Grosso Group provides its shareholder companies with geological, corporate development, administrative and management services, office and sundry and rent, parking and storage. The shareholder companies pay monthly fees based upon a pro-rating of the Grosso Group’s costs including its staff and overhead costs among each shareholder company with regard to the mutually agreed average annual level of services provided to each shareholder company. During fiscal 2007, the Company incurred fees of \$481,352 (2006 - \$281,410): a total of \$470,403 (2006 - \$233,057) was paid in monthly payments and \$29,068 (2006 - \$48,352) is included in accounts payable and accrued liabilities as a result of a review of the allocation of the Grosso Group costs to the member companies for the period. In addition, included in amounts receivable, prepaids and deposits is an \$85,000 (2006 - \$85,000) deposit to the Grosso Group for the purchase of equipment and leasehold improvements and for operating working capital.

Effective May 1, 2007, the Company entered into an agreement with IMA to pay a monthly fee for the services provided by IMA's Chief Executive Officer who is also the Chief Executive Officer of the Company. The agreement may be terminated at any time by the Company upon 30 days written notice. For fiscal 2007, the Company paid \$25,000 to IMA for the services.

All of the related party transactions and balances in these consolidated financial statements arose in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Contractual Commitments

As of December 31, 2007, the Company had the following US dollar option payment and work expenditure commitments in relation to its mineral property projects:

	<u>Less than 1 year US\$</u>	<u>1 to 3 years US\$</u>	<u>Greater than 3 years US\$</u>	<u>Total US\$</u>
US dollar commitments				
Option payments	245,000	1,000,000	1,755,000	3,000,000
Work expenditures	-	2,550,000 *	-	2,550,000
	<u>245,000</u>	<u>3,550,000</u>	<u>1,755,000</u>	<u>5,550,000</u>

* As at December 31, 2007 the Company had incurred approximately US\$527,000 in exploration work expenditures on the Poncha property that can be applied toward the outstanding work expenditure commitment.

Note that the above schedule does not include expenditure commitments on the Company's Rio Tabaconas project in Peru which have been suspended while the project is under force majeure. The Company is paying US\$3,000 per month to the optionor while the force majeure is in effect.

Further details of the Company's option payments and expenditure commitments are disclosed in Note 6 to the Company's December 31, 2007 audited consolidated financial statements.

Critical Accounting Estimates

Reference should be made to the Company's significant accounting policies contained in Note 2 of the Company's consolidated financial statements for the years ended December 31, 2007 and 2006. These accounting policies can have a significant impact of the financial performance and financial position of the Company.

Recent Accounting Pronouncements

Effective January 1, 2007 the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA").

- (a) Section 3855, *Financial Instruments – Recognition and Measurement* and Section 3861, *Financial Instruments – Disclosure and Presentation*, prescribe the criteria for recognition and presentation of financial instruments on the balance sheet and the measurement of financial instruments according to prescribed classifications. These sections also address how financial instruments are measured subsequent to initial recognition and how the gains and losses are recognized.

The Company is required to designate its financial instruments into one of the following five categories: held for trading; available-for-sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments are to be initially measured at fair value. Financial instruments classified as held for trading or available-for-sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

The Company has designated its financial instruments as follows:

- (i) Cash and short-term investments are classified as “*Available-for-sale*”, and recorded at fair value with changes in fair value recorded in the statement of other comprehensive income.
 - (ii) Marketable securities are classified as “*Available-for-sale*”, and recorded at fair value with changes in fair value recorded in the statement of other comprehensive income. The fair value of marketable securities is obtained by reference to the closing quoted market price on the balance sheet date.
 - (iii) Amounts receivable and deposits are classified as “*Loans and Receivables*”. These financial assets are recorded at values that approximate their amortized cost using the effective interest method.
 - (iv) Accounts payable and accrued liabilities are classified as “*Other Financial Liabilities*”. These financial liabilities are recorded at values that approximate their amortized cost using the effective interest method.
- (b) Section 1530, *Comprehensive Income*, introduces a new financial statement “Statement of Comprehensive Income” and provides guidance for the reporting and display of other comprehensive income. Comprehensive income represents the change in equity of an enterprise during a period from transactions and other events arising from non-owner sources including gains and losses arising on translation of self-sustaining foreign operations, gains and losses from changes in fair value of available-for-sale financial assets and changes in the fair value of the effective portion of cash flow hedging instruments. This standard did not impact the Company at transition date. As a result of Sections 3855 and 1530, the Company has recorded an unrealized loss of \$467,079 on its available-for-sale marketable securities in comprehensive income for the year ended December 31, 2007.
- (c) Section 3865, *Hedges*, specifies the criteria under which hedge accounting may be applied, how hedge accounting should be performed under permitted hedging strategies and the required disclosures. This standard did not impact the Company for the year ended December 31, 2007.

Use of Estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Significant areas requiring the use of management estimates relate to the determination of environmental obligations and assessment of carrying values of mineral properties and deferred costs. Actual results may differ from these estimates.

Mineral Properties and Deferred Costs

Consistent with the Company’s accounting policy disclosed in Note 2 of the annual consolidated financial statements, direct costs related to the acquisition and exploration of mineral properties held or controlled by the Company have been capitalized on an individual property basis. For certain acquisitions and related payments for mineral property interests, the Company records a future income tax liability and a corresponding adjustment to the related asset carrying amount if the expenditures do not have the corresponding tax basis. It is the Company’s policy to expense any exploration associated costs not related to specific projects or properties. Management of the Company periodically reviews the recoverability of the capitalized mineral properties. Management takes into consideration various information including, but not limited to, results of exploration activities conducted to date, estimated future metal prices, and reports and opinions of outside geologists, mine engineers and consultants. When it is determined that a project or property will be abandoned or its carrying value has been impaired, a provision is made for any expected loss on the project or property. For the year ended December 31, 2007, no impairment of long-lived assets was identified.

Financial Instruments

The fair value of accounts receivables and deposits and accounts payable and accrued liabilities approximate their carrying values due to the short-term nature of those instruments.

The fair value of marketable securities is obtained by reference to the closing quoted market price on the balance sheet date. As at December 31, 2007, the fair value of the Company's marketable securities was \$415,782.

Risk Factors

The Company's operations and results are subject to a number of different risks at any given time including, but not limited to, the following:

Exploration Risk: Exploration for mineral resources is highly speculative in nature, involves many risks and frequently is nonproductive. The cost of conducting programs may be substantial and there can be no assurance that the Company's efforts to identify resources will be successful.

Metal Price Risk: The Company's portfolio of properties has exposure predominantly to changes in gold prices. The price of gold greatly affects the value of the Company and the potential value of its properties and investments.

Financial Markets: The Company is dependent on the equity markets as its sole source of operating working capital and the Company's capital resources are largely determined by the strength of the junior resource markets and by the status of the Company's projects in relation to these markets, and its ability to compete for the investor support of its projects.

Political Risk: Exploration is presently carried out in Argentina, Peru and Colombia. This exposes the Company to risks that may not otherwise be experienced if all operations were domestic. Political risks may adversely affect the Company's existing assets and operations. Real and perceived political risk in some countries may also affect the Company's ability to finance exploration programs and attract joint venture partners, and future mine development opportunities.

Currency Risk: Business is transacted by the Company in a number of currencies. Fluctuations in exchange rates may have a significant affect on the cash flows of the Company. Future changes in exchange rates could materially affect the Company's results in either a positive or negative direction.

Environmental Risk: The Company seeks to operate within environmental protection standards that meet or exceed existing requirements in the countries in which the Company operates. Present or future laws and regulations, however, may affect the Company's operations. Future environmental costs may increase due to changing requirements or costs associated with exploration and the developing, operating and closing of mines. Programs may also be delayed or prohibited in some areas. Although minimal at this time, site restoration costs are a component of exploration expenses.

Title Risk: Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

Disclosure Controls and Procedures and Internal Control over Financial Reporting

Disclosure controls and procedures are defined under Multilateral Instrument 52-109 - Certification of Disclosure Controls in Issuers' Annual and Interim Filings ("MI 52-109") as "... controls and other procedures of an issuer that are designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under provincial and territorial securities legislation is recorded, processed, summarized and reported within the time periods specified in the provincial and territorial securities legislation and include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in its annual filings, interim filings or other reports filed or submitted under provincial and territorial securities legislation is accumulated and communicated to the issuer's management, including its chief executive officers and chief financial officers (or persons who perform similar functions to a chief executive officer or a chief financial officer), as appropriate to allow timely decisions regarding required disclosure". The Company has conducted a review and evaluation of its disclosure controls and procedures, with the conclusion that it has an effective system of disclosure controls, and procedures as defined under MI 52-109. In reaching this conclusion, the Company recognizes that two key factors must be and are present:

- a) the Company is very dependant upon its advisors and consultants (principally its legal counsel) to assist in recognizing, interpreting, understanding and complying with the various securities regulations disclosure

requirements; and

- b) an active Board and management with open lines of communication.

The Company has a small staff with varying degrees of knowledge concerning the various regulatory disclosure requirements. The Company is not of a sufficient size to justify a separate department or one or more staff member specialists in this area. Therefore the Company must rely upon its advisors and consultants to assist it and as such they form part of the disclosure controls and procedures.

Proper disclosure necessitates that one not only be aware of the pertinent disclosure requirements, but one is also sufficiently involved in the affairs of the Company and/or receives the communication of information to assess any necessary disclosure requirements. Accordingly, it is essential that there be proper communication among those people who manage and govern the affairs of the Company, this being the Board of Directors and senior management. The Company believes this communication exists.

While the Company believes it has adequate disclosure controls and procedures in place, lapses in the disclosure controls and procedures could occur and/or mistakes could happen. Should such occur, the Company would take whatever steps necessary to minimize the consequences thereof.

Management is responsible for the design of internal controls over financial reporting within the Company in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles. Management has evaluated the design of the Company's internal controls and procedures over financial reporting as of the end of the period covered by the annual filings, and believes the design to be sufficient to provide reasonable assurance.

During the fiscal year ended December 31, 2007, there were no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Investor Relations

Mr. Sean Hurd is the Company's Vice-President, Corporate Communications and coordinates investor relations activities. Additionally the Company attends investment/trade conferences and updates its website (www.goldenarrowresources.com) on a continuous basis.

Outstanding Share Data

The Company's authorized share capital is an unlimited number of common shares without par value. As at December 31, 2007, there were 15,258,655 outstanding common shares and 1,478,900 stock options, which were outstanding and exercisable, with an exercise prices ranging from \$0.75 to \$1.00 per share. In addition, as at December 31, 2007, there were 4,203,600 warrants outstanding with exercise prices ranging from \$0.80 to \$1.90 per share.

As of April 23, 2008, there were 15,468,655 common shares, 1,523,900 stock options and 3,993,600 warrants outstanding.