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# **GOLDEN ARROW RESOURCES CORPORATION**

*(An Exploration Stage Company)*

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED

MARCH 31, 2005 and 2004

*(Unaudited - Prepared by Management)*

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**MANAGEMENT'S COMMENTS ON UNAUDITED  
INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

The accompanying unaudited interim consolidated financial statements of Golden Arrow Resources Corporation for the three months ended March 31, 2005 have been prepared by management and are the responsibility of the Company's management. These statements have not been reviewed by the Company's external auditors.

**GOLDEN ARROW RESOURCES CORPORATION**  
*(An Exploration Stage Company)*  
**INTERIM CONSOLIDATED BALANCE SHEETS**  
*(Unaudited - Prepared by Management)*

	<b>March 31, 2005</b>	<b>December 31, 2004</b>
	\$	\$
<b>A S S E T S</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	2,537,298	2,590,269
Amounts receivable and prepaids	109,417	44,546
Marketable securities (Note 4)	<u>565,715</u>	<u>575,340</u>
	3,212,430	3,210,155
<b>EQUIPMENT</b> (Note 5)	3,116	3,116
<b>MINERAL PROPERTIES AND DEFERRED COSTS</b> (Note 6)	<u>7,124,363</u>	<u>7,084,507</u>
	<u><u>10,339,909</u></u>	<u><u>10,297,778</u></u>
<b>L I A B I L I T I E S</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	20,538	42,959
<b>FUTURE INCOME TAX LIABILITY</b> (Note 9)	<u>1,115,212</u>	<u>1,114,599</u>
	<u>1,135,750</u>	<u>1,157,558</u>
<b>S H A R E H O L D E R S '   E Q U I T Y</b>		
<b>SHARE CAPITAL</b> (Notes 7)	2,000,028	1,854,161
<b>CONTRIBUTED SURPLUS</b> (Notes 1 and 7)	11,868,925	11,868,925
<b>DEFICIT</b> (Note 1)	<u>(4,664,794)</u>	<u>(4,582,866)</u>
	<u>9,204,159</u>	<u>9,140,220</u>
	<u><u>10,339,909</u></u>	<u><u>10,297,778</u></u>

APPROVED BY THE BOARD OF DIRECTORS

“Joseph Grosso”, Director

“Arthur Lang”, Director

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

**GOLDEN ARROW RESOURCES CORPORATION**  
*(An Exploration Stage Company)*  
**INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2004 AND 2005**  
*(Unaudited - Prepared by Management)*

	2005 \$	2004 \$
<b>EXPENSES</b>		
Administrative and management services	-	22,744
Bank charges and interest	1,643	-
Corporate development and investor relations	3,000	30,542
Depreciation	-	1,466
General exploration	28,112	-
Office and sundry	7,022	5,944
Printing	1,073	5,598
Professional fees	14,790	51,738
Rent, parking and storage	8,404	7,428
Salaries and employee benefits	42,037	44,110
Telephone and utilities	2,968	3,233
Transfer agent and regulatory fees	4,639	-
Travel and accommodation	-	10,597
Cost recoveries	-	(7,249)
	<u>113,688</u>	<u>176,152</u>
<b>LOSS BEFORE OTHER ITEMS</b>	<u>(113,688)</u>	<u>(176,152)</u>
<b>OTHER EXPENSE (INCOME)</b>		
Foreign exchange gain	20,369	25,325
Gain on options and disposition of mineral properties	-	299,369
Gain on disposition of marketable securities	290	75,479
Interest and other income	11,101	-
	<u>31,760</u>	<u>400,173</u>
<b>INCOME (LOSS) FOR THE PERIOD</b>	(81,928)	224,021
<b>DEFICIT - BEGINNING OF PERIOD</b>	<u>(4,582,866)</u>	<u>(4,276,678)</u>
<b>DEFICIT - END OF PERIOD</b>	<u>(4,664,794)</u>	<u>(4,052,657)</u>
<b>BASIC AND DILUTED LOSS PER COMMON SHARE</b>	<u>(0.01)</u>	<u>0.05</u>
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING</b>	<u>7,681,548</u>	<u>4,144,837</u>

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**GOLDEN ARROW RESOURCES CORPORATION**  
*(An Exploration Stage Company)*  
**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2005 AND 2004**  
*(Unaudited - Prepared by Management)*

	<b>2005</b>	<b>2004</b>
	<b>\$</b>	<b>\$</b>
<b>CASH PROVIDED FROM (USED FOR)</b>		
<b>OPERATING ACTIVITIES</b>		
Net (loss) gain for the period	(81,928)	224,021
Items not affecting cash		
Depreciation	-	1,466
Gain on options and disposition of mineral properties	-	(299,369)
Write-down of marketable securities	-	-
Gain on sale of marketable securities	(290)	(75,479)
	<u>(82,218)</u>	<u>(149,362)</u>
Changes in non-cash working capital balances	<u>(86,678)</u>	<u>-</u>
	<u>(168,896)</u>	<u>(149,362)</u>
<b>INVESTING ACTIVITIES</b>		
Expenditures on mineral properties and deferred costs	(39,856)	(60,744)
Proceeds on sale of marketable securities	9,914	156,494
	<u>(29,942)</u>	<u>95,750</u>
<b>FINANCING ACTIVITIES</b>		
Issuance of common shares	145,867	-
Allocation of IMA equity	-	53,612
	<u>145,867</u>	<u>53,612</u>
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(52,971)</b>	<b>-</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD</b>	<b><u>2,590,269</u></b>	<b><u>31,908</u></b>
<b>CASH AND CASH EQUIVALENTS - END OF PERIOD</b>	<b><u><u>2,537,298</u></u></b>	<b><u><u>31,908</u></u></b>
<b>CASH AND CASH EQUIVALENTS IS COMPRISED OF:</b>		
<b>CASH</b>	<b>1,537,298</b>	<b>31,908</b>
<b>TERM DEPOSITS</b>	<b><u>1,000,000</u></b>	<b><u>-</u></b>
	<b><u><u>2,537,298</u></u></b>	<b><u><u>31,908</u></u></b>

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

**GOLDEN ARROW RESOURCES CORPORATION**  
*(An Exploration Stage Company)*  
**CONSOLIDATED SCHEDULE OF MINERAL PROPERTIES AND DEFERRED COSTS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2005**  
*(Unaudited - Prepared by Management)*

	<u>Argentina</u>					<u>Peru</u>	<u>Total</u>
	<u>Chubut</u>	<u>Valle de Cura</u>	<u>NW San Juan</u>	<u>Gualcamayo</u>	<u>Other</u>	<u>Rio Tabaconas</u>	<u>\$</u>
	\$	\$	\$	\$	\$	\$	\$
Balance - beginning of period	586,197	1,686,046	28,255	152,489	581,789	4,049,731	7,084,507
Expenditures							
Contractors	-	-	8,948	-	-	-	8,948
Communications	-	-	29	-	-	-	29
Option payments	-	-	-	-	-	20,858	20,858
Office	-	-	-	-	-	6,000	6,000
Supplies	-	-	1,569	-	-	-	1,569
Transportation	-	-	575	-	-	-	575
IVA	-	-	1,264	-	-	-	1,264
	-	-	12,385	-	-	26,858	39,243
Future income tax liability (Note 9)	-	-	613	-	-	-	613
Balance - end of period	586,197	1,686,046	41,253	152,489	581,789	4,076,589	7,124,363

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

# GOLDEN ARROW RESOURCES CORPORATION

(An Exploration Stage Company)

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2005

(Unaudited - Prepared by Management)

### 1. TRANSFER OF ASSETS

On July 7, 2004, IMA Exploration Inc. ("IMA") completed a corporate restructuring plan (the "Reorganization") which resulted in it transferring certain assets and liabilities to Golden Arrow Resources Corporation (the "Company"), a newly created company. The Reorganization was accomplished by way of a statutory plan of arrangement. Shareholders of the Company were issued one share of Golden Arrow Resources Corporation for every ten shares of IMA held.

On completion of the Reorganization IMA transferred to the Company:

- i) IMA's investment in its mineral properties, excluding the Navidad and Navidad Area properties, with related future income tax liabilities;
- ii) the assets and liabilities of IMPSA Resources (BVI) Inc., Inversiones Mineras Argentinas Holdings (BVI) Inc., both wholly-owned subsidiaries of the IMA, and IMPSA Resources Corporation, an 80.69% owned subsidiary of IMA;
- iii) certain marketable securities at their recorded values; and
- iv) cash and cash equivalents.

The aggregate value of the net assets transferred from IMA in 2004 was as follows:

	\$
Cash and cash equivalents	1,020,189
Marketable securities and other current assets and liabilities	548,841
Mineral properties and deferred cost and equipment	6,874,960
Future income tax liability	<u>(1,079,112)</u>
	<u>7,364,878</u>

Shareholders' equity has been recorded as follows:

	\$
Contributed Surplus	11,772,778
Deficit	<u>(4,407,910)</u>
	<u>7,364,878</u>

The Company's 2004 Balance Sheet includes the historic values that were transferred from IMA on July 7, 2004. The Company's Statement of Operations and Deficit for the three months ended March 31, 2004 includes an allocation of IMA's General and Administrative Expenses incurred prior to the Reorganization. The allocation was calculated on the basis of the ratio of the specific assets transferred to assets retained. Certain "Other Income and Expense" items have been reported on the basis of the nature of the income or expense. Prior to the spin-off of assets from IMA to the Company, funding provided by IMA related to the Company's activities is reflected as contributed surplus. Management cautions readers of the financial statements that the allocation of expenses does not necessarily reflect future General and Administrative expenses.

## GOLDEN ARROW RESOURCES CORPORATION

(An Exploration Stage Company)

### NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2005

(Unaudited - Prepared by Management)

#### 2. NATURE OF OPERATIONS

The Company is in the process of exploring its mineral properties in South America and evaluating other mineral properties. The Company presently has no proven or probable reserves and on the basis of information to date, it has not yet determined whether these properties contain economically recoverable ore reserves. The amounts shown as mineral properties and deferred costs represent expenditures incurred to date, less amounts amortized and/or written off, and do not necessarily represent present or future values. The underlying value of the mineral properties and deferred costs are entirely dependent on the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain the necessary financing to complete development, and future profitable production.

The Company considers that it has adequate resources to maintain its core operations for the next fiscal year but currently does not have sufficient working capital to fund all of its planned exploration and development work. The Company will continue to rely on successfully completing additional equity financing.

#### 3. SIGNIFICANT ACCOUNTING POLICIES

The interim consolidated financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. The consolidated financial statements have, in management's opinion, been properly prepared using careful judgement with reasonable limits of materiality. These interim consolidated financial statements should be read in conjunction with the most recent annual consolidated financial statements. The significant accounting policies follow that of the most recently reported annual consolidated financial statements.

#### 4. MARKETABLE SECURITIES

	March 31, 2005			December 31, 2004		
	Shares	Recorded Value \$	Fair Value \$	Shares	Recorded Value \$	Fair Value \$
Ballard Gold & Silver Ltd.	407,000	60,000	105,820	417,500	62,625	62,625
Amera Resources Corporation	859,900	372,505	357,153	859,900	372,505	584,732
Cloudbreak Resources Ltd.	800,000	109,750	151,000	850,000	116,750	127,500
Other		23,460	219,007		23,460	201,553
		<u>565,715</u>	<u>832,980</u>		<u>575,340</u>	<u>976,410</u>

The Company holds these marketable securities as a result of entering into option and sale agreements for certain of its mineral property holdings.

**GOLDEN ARROW RESOURCES CORPORATION**

*(An Exploration Stage Company)*

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE THREE MONTHS ENDED MARCH 31, 2005**

*(Unaudited - Prepared by Management)*

**5. EQUIPMENT**

	<b>March 31, 2005</b>	<b>December 31, 2004</b>
	\$	\$
Office equipment	11,716	11,716
Less accumulated depreciation	<u>(8,600)</u>	<u>(8,600)</u>
	<u>3,116</u>	<u>3,116</u>

**6. MINERAL PROPERTIES AND DEFERRED COSTS**

	<b>Acquisition Costs</b>	<b>March 31, 2005 Deferred Exploration Costs</b>	<b>Total</b>	<b>December 31, 2004 Total</b>
	\$	\$	\$	\$
Argentina				
Chubut	-	586,197	586,197	586,197
Valle de Cura	447,526	1,238,520	1,686,046	1,686,046
NW San Juan	3,782	37,471	41,253	28,255
Gualcamayo	-	152,489	152,489	152,489
Other	<u>11,639</u>	<u>570,150</u>	<u>581,789</u>	<u>581,789</u>
	3,034,776	12,998	3,047,774	3,034,776
Peru				
Rio Tabaconas	<u>800,687</u>	<u>3,275,902</u>	<u>4,076,589</u>	<u>4,049,731</u>
	<u>3,835,463</u>	<u>3,288,900</u>	<u>7,124,363</u>	<u>7,084,507</u>

(a) **Argentinean Properties**

The Company has either staked, fully paid or holds options to acquire 100% working interests in mineral properties, located in the San Juan Province and Chubut Province of Argentina. As of March 31, 2005, the Company must make final payments with respect to option agreements on the properties, totalling US \$170,000 in 2005.

**GOLDEN ARROW RESOURCES CORPORATION**

*(An Exploration Stage Company)*

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE THREE MONTHS ENDED MARCH 31, 2005**

*(Unaudited - Prepared by Management)*

**6. MINERAL PROPERTIES AND DEFERRED COSTS (continued)**

(b) Rio Tabaconas, Peru

The Company holds an option to acquire a 100% interest in three concessions, in the Cajamarca Department of San Ignacio Province in northern Peru. In addition, the Company owns ten concessions, which surround and overlie the optioned concessions. Collectively these are known as the Rio Tabaconas Project.

Under the terms of the option agreement, the Company has paid US \$185,000 and was required to make further payments of US \$1,315,000 for a total of US \$1,500,000. On June 28, 2002, the Company suspended further exploration activities at the Rio Tabaconas project. This decision was made in response to the local community expressing its concerns with mineral exploration activities. The Company has deferred any further exploration until an agreement with the local community has been finalized. As a result the Company declared force majeure, as allowed under its option agreement.

Accordingly, the Company and the optionor have deferred payment of the remaining option payments until the force majeure is discontinued. On August 1, 2003, the Company commenced paying US \$1,500 per month to the optionor as compensation during this waiting period.

(c) The Company has agreements with Amera Resources Corporation ("Amera"), a publicly-traded company with common management and directors, whereby the Company:

(i) optioned its Mogote Property in the NW San Juan Region of Argentina. Amera has the option to earn a 51% interest in the 8,009 hectare Mogote Property by issuing a total of 1,650,000 common shares of Amera to the Company and by incurring US \$1.25 million of expenditures, including work programs and underlying option payments, all over a five year period ending July 1, 2007. Amera has reimbursed the Company for past payments made and expenditures which had been incurred by the Company on the Mogote Property. To date the Company has received 200,000 shares of Amera with an ascribed value of \$85,000.

On April 8, 2004, Amera entered into a further agreement whereby it can earn an additional 24% interest, for a total 75% interest, after earning the initial 51% interest, by issuing 300,000 shares of Amera (with a value of \$279,000) and conducting an additional US \$3 million of exploration expenditures over a three year period ending May 20, 2007.

(ii) sold a 100% undivided interest in three mineral properties, comprising 24,280 hectares (the "Chubut Properties"), located in Chubut Province, Argentina, for 500,000 common shares of Amera for a recorded amount of \$225,000. In addition, in the event that a decision is made to place the Chubut Properties into commercial production, Amera will pay the Company a bonus of US\$250,000 and a 3% net smelter returns royalty.

(d) The Company has signed and will continue to sign joint venture agreements for certain of its properties with other junior exploration companies. The Company normally receives shares in these companies as compensation along with their commitments for exploration expenditures.

**GOLDEN ARROW RESOURCES CORPORATION**

*(An Exploration Stage Company)*

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE THREE MONTHS ENDED MARCH 31, 2005**

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**7. SHARE CAPITAL**

Authorized: unlimited common shares without par value

Issued:	<u>March 31, 2005</u>		<u>December 31, 2004</u>	
	Shares	Amount \$	Shares	Amount \$
Balance, beginning of period	<u>7,624,920</u>	<u>1,854,161</u>	<u>4,144,837</u>	<u>-</u>
Issued during the period for:				
Private placements	-	-	3,239,000	2,040,570
Finance fees	-	-	20,000	12,600
Exercise of warrants	165,347	145,867	221,083	107,544
Less: share issue costs	<u>-</u>	<u>-</u>	<u>-</u>	<u>(306,553)</u>
Balance, end of period	<u><u>7,790,267</u></u>	<u><u>2,000,028</u></u>	<u><u>7,624,920</u></u>	<u><u>1,854,161</u></u>

(a) Warrants

Pursuant to the terms of the Reorganization the Company was required to issue one common share on the exercise of every ten IMA warrants which were outstanding on the date of the Reorganization. As of March 31, 2005 the IMA warrants have either been exercised or expired.

A summary of the number of common shares reserved pursuant to the Company's outstanding warrants as at March 31, 2005, and the changes for the three months ended March 31, 2005, is as follows:

	Number
Balance, beginning of period	3,862,296
Granted	-
Exercised	(165,347)
Expired	<u>(2,049)</u>
Balance, end of period	<u><u>3,694,900</u></u>

Common shares reserved pursuant to warrants outstanding at March 31, 2005 are as follows:

Number	Exercise Price \$	Expiry Date
<u><u>3,694,900</u></u>	0.80	November 16, 2005

# GOLDEN ARROW RESOURCES CORPORATION

(An Exploration Stage Company)

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2005

(Unaudited - Prepared by Management)

### 8. RELATED PARTY TRANSACTIONS

Effective January 1, 2005, the Company engaged the Grosso Group to provide services and facilities to the Company. On May 13, 2005, an administrative services agreement among the Company and the Grosso Group was finalized. The Grosso Group is a private company owned by the Company, IMA, Amera and Gold Point Exploration Ltd., each of which will own one share. The Grosso Group will provide its shareholder companies with geological, corporate development, administrative and management services. During the three months ended March 31, 2005, the Company paid fees of \$60,237 (plus an additional deposit of \$20,079) to the Grosso Group.

### 9. INCOME TAXES

Future Income Tax Liabilities

For certain acquisitions and other payments for mineral property interests, the Company records a future income tax liability and a corresponding adjustment to the related asset carrying amount. During the period ended March 31, 2005, the Company recorded a future income tax liability of \$613 and a corresponding adjustment to mineral properties.

	March 31, 2005 \$	December 31, 2004 \$
Future income tax liabilities	<u>1,115,212</u>	<u>1,114,599</u>

### 11. SEGMENTED INFORMATION

The Company is involved in mineral exploration and development activities, which are conducted principally in Argentina and Peru. The Company is in the exploration stage and, accordingly, has no reportable segment revenues or operating results.

The Company's total assets are segmented geographically as follows:

	March 31, 2005			
	Corporate Canada \$	Mineral Operations Argentina \$	Mineral Operations Peru \$	Total \$
Current assets	3,183,416	10,804	18,210	3,212,430
Equipment	-	-	3,116	3,116
Mineral properties and deferred costs	<u>3,183,416</u>	<u>3,047,774</u>	<u>4,076,589</u>	<u>7,124,363</u>
	<u>3,183,416</u>	<u>3,058,578</u>	<u>4,097,915</u>	<u>10,339,909</u>

**GOLDEN ARROW RESOURCES CORPORATION**

*(An Exploration Stage Company)*

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE THREE MONTHS ENDED MARCH 31, 2005**

*(Unaudited - Prepared by Management)*

**11. SEGMENTED INFORMATION (continued)**

	December 31, 2004			
	Corporate Canada	Mineral Operations Argentina	Mineral Operations Peru	Total
	\$	\$	\$	\$
Current assets	3,194,871	1,289	13,955	3,210,155
Equipment	-	-	3,116	3,116
Mineral properties and deferred costs	-	3,034,776	4,049,731	7,084,507
	<u>3,194,871</u>	<u>3,036,065</u>	<u>4,066,802</u>	<u>10,297,778</u>

**12. CONTINGENCY**

In March 2004, Aquiline Resources Inc. ("Aquiline") commenced an action against IMA seeking a constructive trust over IMA's Navidad properties and damages. As a condition of the Reorganization the Company became a party to this action. The Company received an indemnification from IMA that will compensate for any payment or cost the Company might have to pay in the event of an award against IMA and/or the Company.