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# **GOLDEN ARROW RESOURCES CORPORATION**

*(An Exploration Stage Company)*

INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED  
JUNE 30, 2006 and 2005

*(Expressed in Canadian Dollars)*  
*(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 six months ended June 30, 2006 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)*  
*(Expressed in Canadian Dollars)*

	<b>June 30, 2006</b>	<b>December 31, 2005</b>
	\$	\$
<b>A S S E T S</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	2,269,325	1,850,965
Accounts receivable and prepaids	117,822	144,075
Marketable securities (Note 4)	490,505	683,715
	<u>2,877,652</u>	<u>2,678,755</u>
<b>MINERAL PROPERTIES AND DEFERRED COSTS (Note 5)</b>	<u>7,526,931</u>	<u>7,562,064</u>
	<u><u>10,404,583</u></u>	<u><u>10,240,819</u></u>
<b>L I A B I L I T I E S</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	45,202	127,326
<b>FUTURE INCOME TAX LIABILITY</b>	<u>1,075,320</u>	<u>1,132,823</u>
	<u>1,120,522</u>	<u>1,260,149</u>
<b>S H A R E H O L D E R S '   E Q U I T Y</b>		
<b>SHARE CAPITAL (Note 6)</b>	2,299,138	2,000,028
<b>CONTRIBUTED SURPLUS</b>	12,219,252	12,219,252
<b>DEFICIT</b>	<u>(5,234,329)</u>	<u>(5,238,610)</u>
	<u>9,284,061</u>	<u>8,980,670</u>
	<u><u>10,404,583</u></u>	<u><u>10,240,819</u></u>

**NATURE OF OPERATIONS** (Note 1)

**COMMITMENTS** (Note 5)

**CONTINGENCY** (Note 9)

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**  
*(Unaudited - Prepared by Management)*  
*(Expressed in Canadian Dollars)*

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>EXPENSES</b>				
Corporate development and investor relations	21,018	15,500	33,657	19,000
General exploration	26,310	71,118	89,872	99,231
Office and sundry	23,324	10,392	33,343	22,130
Printing	3,941	1,618	7,633	2,691
Professional fees	14,646	13,028	24,948	26,904
Rent, parking and storage	15,109	19,262	33,458	32,245
Salaries and employee benefits	39,856	30,912	66,211	47,411
Telephone and utilities	1,353	1,202	3,199	4,598
Transfer agent and regulatory fees	6,258	13,832	11,552	18,471
	<u>151,815</u>	<u>176,864</u>	<u>303,873</u>	<u>272,681</u>
<b>LOSS BEFORE OTHER ITEMS</b>	<u>(151,815)</u>	<u>(176,864)</u>	<u>(303,873)</u>	<u>(272,681)</u>
<b>OTHER EXPENSE (INCOME)</b>				
Foreign exchange	6,120	32,968	7,845	12,599
Gain on disposition of marketable securities	(458,219)	-	(461,226)	(289)
Gain on disposition of properties	-	(40,000)	-	(40,000)
Interest and other income	(17,790)	(10,204)	(31,763)	(21,306)
Write-off of mineral properties (Note 5 (a))	176,990	-	176,990	-
	<u>(292,899)</u>	<u>(17,236)</u>	<u>(308,154)</u>	<u>(48,996)</u>
<b>INCOME (LOSS) FOR THE PERIOD</b>	141,084	(159,628)	4,281	(223,685)
<b>DEFICIT - BEGINNING OF PERIOD</b>	<u>(5,375,413)</u>	<u>(4,646,923)</u>	<u>(5,238,610)</u>	<u>(4,582,866)</u>
<b>DEFICIT - END OF PERIOD</b>	<u><u>(5,234,329)</u></u>	<u><u>(4,806,551)</u></u>	<u><u>(5,234,329)</u></u>	<u><u>(4,806,551)</u></u>
<b>BASIC AND DILUTED INCOME (LOSS) PER COMMON SHARE</b>	<u>0.02</u>	<u>(0.02)</u>	<u>0.00</u>	<u>(0.03)</u>
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING</b>	<u>7,974,056</u>	<u>7,790,267</u>	<u>7,882,668</u>	<u>7,735,910</u>

*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 CASH FLOWS**  
*(Unaudited – Prepared by Management)*  
*(Expressed in Canadian Dollars)*

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>CASH PROVIDED FROM (USED FOR)</b>				
<b>OPERATING ACTIVITIES</b>				
Net income (loss) for the period	141,084	(159,628)	4,281	(223,685)
Items not affecting cash				
Gain on options and disposition of mineral properties	-	(40,000)	-	(40,000)
Write-off of mineral properties	176,990	-	176,990	-
Gain on sale of marketable securities	(458,219)	-	(461,226)	(289)
	<u>(140,145)</u>	<u>(199,628)</u>	<u>(279,955)</u>	<u>(263,974)</u>
Changes in non-cash working capital balances	(1,939)	69,440	(55,871)	(35,109)
	<u>(142,854)</u>	<u>(130,188)</u>	<u>(335,826)</u>	<u>(299,083)</u>
<b>INVESTING ACTIVITIES</b>				
Expenditures on mineral properties and deferred costs	(175,942)	(87,622)	(199,360)	(127,479)
Purchase of equipment	-	(11,007)	-	(11,007)
Net proceeds on sale of marketable securities	647,720	-	654,436	9,914
	<u>471,778</u>	<u>(98,629)</u>	<u>455,076</u>	<u>(128,572)</u>
<b>FINANCING ACTIVITIES</b>				
Issuance of common shares	299,110	-	299,110	145,867
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	628,804	(228,817)	418,493	(281,788)
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD</b>	<u>1,640,521</u>	<u>2,537,298</u>	<u>1,850,965</u>	<u>2,590,269</u>
<b>CASH AND CASH EQUIVALENTS - END OF PERIOD</b>	<u><u>2,269,325</u></u>	<u><u>2,308,481</u></u>	<u><u>2,269,325</u></u>	<u><u>2,308,481</u></u>
<b>CASH AND CASH EQUIVALENTS IS COMPRISED OF:</b>				
Cash	1,269,325	1,308,481	1,269,325	1,308,481
Term deposit	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
	<u><u>2,269,325</u></u>	<u><u>2,308,481</u></u>	<u><u>2,269,325</u></u>	<u><u>2,308,481</u></u>

*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 SIX MONTHS ENDED JUNE 30, 2006**  
*(Unaudited – Prepared by Management)*  
*(Expressed in Canadian Dollars)*

	<u>Argentina</u>					<u>Peru</u>	<u>Total</u>	
	<u>Chubut</u>	<u>Valle de</u>	<u>NW San</u>	<u>Gualcamayo</u>	<u>Jujuy</u>	<u>Rio</u>	<u>Total</u>	
	\$	Cura	Juan	\$	\$	Tabaconas	\$	
		\$	\$	\$	\$	\$	\$	
Balance - beginning of period	716,249	2,108,984	57,683	271,989	39,768	162,676	4,204,715	7,562,064
Expenditures								
Acquisition costs	-	8,184	14,544	5,616	-	-	71,033	99,377
Assays	-	-	-	-	19,200	-	-	19,200
Office	-	-	-	570	9,158	-	-	9,728
Salaries and contractors	1,067	812	-	440	39,993	-	6,235	48,547
Supplies and equipment	-	-	-	-	418	-	-	418
Transportation	-	-	-	110	7,235	-	1,610	8,955
Foreign value added tax	34	546	882	409	4,611	-	6,653	13,135
	1,101	9,542	15,426	7,145	80,615	-	85,531	199,360
Future income tax liability	(74,529)	1,351	2,184	1,012	11,416	-	1,063	(57,503)
Write-off of mineral properties	(176,990)	-	-	-	-	-	-	(176,990)
Balance - end of period	<u>465,831</u>	<u>2,119,877</u>	<u>75,293</u>	<u>280,146</u>	<u>131,799</u>	<u>162,676</u>	<u>4,291,309</u>	<u>7,526,931</u>

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

**GOLDEN ARROW RESOURCES CORPORATION**  
*(An Exploration Stage Company)*  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2006**  
*(Unaudited - Prepared by Management)*  
*(Expressed in Canadian Dollars)*

**1. NATURE OF OPERATIONS**

The Company is in the process of exploring its mineral properties and evaluating other mineral properties in South America. 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 Company has not generated any revenues from its operations to date and consequently is considered to be in the exploration stage. 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 may 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.

**2. 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 IMA were issued one share of Golden Arrow for every ten shares of IMA held.

During the period ended June 30, 2005 the Company received \$145,867 from IMA from the exercise of IMA's warrants that resulted in the issue of the Company's shares as required by the terms of the Reorganization. As all warrants that were outstanding as of the effective date of the Reorganization were exercised by March 31, 2005 and the Company has no obligations for the issue of its shares on the exercise of IMA's warrants.

**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 within 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.

**GOLDEN ARROW RESOURCES CORPORATION***(An Exploration Stage Company)***NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS****FOR THE SIX MONTHS ENDED JUNE 30, 2006***(Unaudited - Prepared by Management)**(Expressed in Canadian Dollars)***4. MARKETABLE SECURITIES**

At June 30, 2006, marketable securities had a quoted market value of \$532,752 (December 31, 2005 - \$1,072,045). The Company holds these marketable securities as a result of entering into option and sale agreements for certain of its mineral property holdings.

**5. MINERAL PROPERTIES AND DEFERRED COSTS**

	June 30, 2006			December 31, 2005		
	Acquisition Costs \$	Deferred Exploration Costs \$	Total \$	Acquisition Costs \$	Deferred Exploration Costs \$	Total \$
Argentina						
Chubut	27,483	438,348	465,831	36,502	679,747	716,249
Valle de Cura	543,728	1,576,149	2,119,877	535,544	1,573,440	2,108,984
NW San Juan	21,707	53,586	75,293	7,163	50,520	57,683
Gualcamayo	25,984	254,162	280,146	20,368	251,621	271,989
Jujuy	39,768	92,031	131,799	39,768	-	39,768
Other	13,503	149,173	162,676	13,503	149,173	162,676
	672,173	2,563,449	3,235,622	652,848	2,704,501	3,357,349
Peru						
Rio Tabaconas	968,064	3,323,245	4,291,309	897,031	3,307,684	4,204,715
	<u>1,640,237</u>	<u>5,886,694</u>	<u>7,526,931</u>	<u>1,510,111</u>	<u>6,051,953</u>	<u>7,562,064</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 Provinces of San Juan, Jujuy and Chubut in Argentina. As of June 30, 2006, the Company must make further payments with respect to option agreements on the properties totalling US \$140,000 (US \$70,000 payment is due in 2006 and US \$70,000 in 2007).

The Company has also agreed to pay net smelter return royalties ("NSR") of up to US \$7,000,000 once commercial production is achieved on the Valle de Cura properties. The US\$7,000,000 was calculated based on the following:

3 Properties - up to US \$1,000,000 in NSR each

5 Properties - up to US \$800,000 in NSR each

On June 29, 2006 the Chubut provincial government announced a 36 month metallic mining suspension in western Chubut Province which directly effects the Company's Laguna de los Toros, Costa and Corcovado properties. The Company wrote off the carrying value of \$176,990 of these properties during the period ended June 30, 2006.

**GOLDEN ARROW RESOURCES CORPORATION**

*(An Exploration Stage Company)*

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE SIX MONTHS ENDED JUNE 30, 2006**

*(Unaudited - Prepared by Management)*

*(Expressed in Canadian Dollars)*

**5. 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. The Company is now in the process of renegotiating the option agreement on Rio Tabaconas project and starting July 2006 commenced paying US\$3,000 per month to the optionor. Force majeure is still in effect as at June 30, 2006.

- (c) The Company has agreements with Amara Resources Corporation (“Amara”), a publicly traded company with common management and directors, whereby the Company optioned its Mogote Property in the NW San Juan Region of Argentina. Amara 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 Amara 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. Amara 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 450,000 shares of Amara with an ascribed value of \$203,000.

On April 8, 2004, Amara 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 (issued) of Amara (with an ascribed value of \$279,000) and conducting an additional US \$3 million of exploration expenditures over a three year period ending May 20, 2007.

During the period ended June 30, 2006, the Company re-negotiated the certain terms of its Mogote property option agreement with Amara, the US\$1,000,000 property expenditures required by May 30, 2006 are now extended to May 30, 2007 and the US\$1,000,000 property expenditures required by May 30, 2007 are now extended to May 30, 2008. In return for granting of the extension, 10% of any payments in terms of cash or stock received by the Amara from a third party who enters into an agreement regarding the Mogote property, will be paid to the Company.

- (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**  
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**FOR THE SIX MONTHS ENDED JUNE 30, 2006**  
*(Unaudited - Prepared by Management)*  
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**6. SHARE CAPITAL**

Authorized: unlimited common shares without par value

Issued:	<u>June 30, 2006</u>		<u>December 31, 2005</u>	
	<u>Shares</u>	<u>Amount</u> \$	<u>Shares</u>	<u>Amount</u> \$
Balance, beginning of period	<u>7,790,267</u>	<u>2,000,028</u>	<u>7,624,920</u>	<u>1,854,161</u>
Issued during the period for:				
Exercise of warrants	373,888	299,110	-	-
Exercise of IMA's warrants	<u>-</u>	<u>-</u>	<u>165,347</u>	<u>145,867</u>
Balance, end of period	<u><u>8,164,155</u></u>	<u><u>2,299,138</u></u>	<u><u>7,790,267</u></u>	<u><u>2,000,028</u></u>

(a) Stock options and stock based compensation

The Company grants stock options in accordance with the policies of the TSX Venture Exchange ("TSXV"). At June 30, 2006 the Company has 779,000 stock options outstanding with the weighted average exercise price of \$0.75 and expiring September 23, 2010. There were no changes in the stock options outstanding and exercisable during the six months ended June 30, 2006.

(b) 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 June 30, 2006 the IMA warrants have either been exercised or expired.

At June 30, 2006 the Company has 3,301,012 warrants outstanding with the exercise price of \$0.80 and expiring November 16, 2006. During the period ended June 30, 2006, 373,888 warrants with exercise price of \$0.80 were exercised for proceeds of \$299,080.

**7. RELATED PARTY TRANSACTIONS**

Effective January 1, 2005 the Company engaged Grosso Group Management Ltd. ("Grosso Group") to provide services and facilities to the Company. The Grosso Group is a private company owned by the Company, IMA, Amara, Astral Mining Corporation and Gold Point Energy Corp., each of which owns one share. The Grosso Group provides its shareholder companies with geological, corporate development, administrative and management services. The shareholder companies pay monthly fees to the Grosso Group. The fee is based upon a reasonable 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 the six months ended June 30, 2006, the Company incurred fees of \$122,283 to the Grosso Group: \$120,474 was paid in monthly payments and \$1,809 is included in accounts payable, as a result of a review of the allocation of the Grosso Group costs to the member companies for the period. The fees the Company pays to the Grosso Group are allocated to various expense items that reflect the nature of the actual costs: rent, salaries, office and telephone. These

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*(Unaudited - Prepared by Management)*  
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**7. RELATED PARTY TRANSACTIONS (continued)**

fees are equivalent to costs the Company would have incurred directly. In addition, included in accounts receivable, prepaids and deposits is a \$85,000 deposit to the Grosso Group for the purchase of equipment and leasehold improvements and for operating working capital.

**8. 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:

	<b>June 30, 2006</b>			
	<b>Corporate Canada \$</b>	<b>Mineral Operations Argentina \$</b>	<b>Mineral Operations Peru \$</b>	<b>Total \$</b>
Current assets	2,849,151	19,693	8,808	2,877,652
Mineral properties and deferred costs	-	3,235,622	4,291,309	7,526,931
	<u>2,849,151</u>	<u>3,255,315</u>	<u>4,300,117</u>	<u>10,404,583</u>
	<b>December 31, 2005</b>			
	<b>Corporate Canada \$</b>	<b>Mineral Operations Argentina \$</b>	<b>Mineral Operations Peru \$</b>	<b>Total \$</b>
Current assets	2,561,060	106,013	11,682	2,678,755
Mineral properties and deferred costs	-	3,357,349	4,204,715	7,562,064
	<u>2,561,060</u>	<u>3,463,362</u>	<u>4,216,397</u>	<u>10,240,819</u>

**9. CONTINGENCY**

In March 2004, Aquiline Resources Inc. ("Aquiline") commenced an action against IMA seeking a constructive trust over IMA's Navidad properties and damages. On July 14, 2006 the Supreme Court of British Columbia released its judgment in Aquiline lawsuit against IMA. IMA was not successful in its defence and the court has found in Aquiline's favour. IMA has filed an appeal of this judgment. 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. Accordingly, no amounts related to this judgment have been accrued in these financial statements at June 30, 2006.

**10. SUBSEQUENT EVENT**

The Company received 300,000 shares of Amera under the terms of the Mogote property option agreement.