
GOLDEN ARROW RESOURCES CORPORATION

(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2006 and 2005

(Expressed in Canadian Dollars)

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of the Company have been prepared by management in accordance with accounting principles generally accepted in Canada, and contain estimates based on management's judgement. Management maintains an appropriate system of internal controls to provide reasonable assurance that transactions are authorized, assets safeguarded, and proper records maintained.

The Audit Committee of the Board of Directors has met with the Company's independent auditors to review the scope and results of the annual audit, and to review the financial statements and related financial reporting matters prior to submitting the financial statements to the Board for approval.

The Company's independent auditors, PricewaterhouseCoopers LLP, are appointed by the shareholders to conduct an audit in accordance with generally accepted auditing standards in Canada and their report follows.

"Joseph Grosso"

Joseph Grosso
President

"Art Lang"

Art Lang
Chief Financial Officer

April 19, 2007

Auditors' Report

To the Shareholders of Golden Arrow Resources Corporation

We have audited the consolidated balance sheets of Golden Arrow Resources Corporation as at December 31, 2006 and 2005 and the consolidated statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2006 and 2005 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(signed) PricewaterhouseCoopers LLP

Chartered Accountants

Vancouver, British Columbia

April 19, 2007

GOLDEN ARROW RESOURCES CORPORATION
(An Exploration Stage Company)
CONSOLIDATED BALANCE SHEETS
AS AT DECEMBER 31
(Expressed in Canadian Dollars)

	2006	2005
	\$	\$
A S S E T S		
CURRENT ASSETS		
Cash and cash equivalents (Note 12)	622,834	850,965
Short-term investments (Note 4)	1,078,251	1,000,000
Other receivables and prepaids (Note 8b)	137,562	144,075
Marketable securities (Note 3)	549,861	683,715
	<u>2,388,508</u>	<u>2,678,755</u>
MINERAL PROPERTIES AND DEFERRED COSTS (Note 5)	<u>7,172,472</u>	<u>7,562,064</u>
	<u><u>9,560,980</u></u>	<u><u>10,240,819</u></u>
L I A B I L I T I E S		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	116,990	127,326
FUTURE INCOME TAX LIABILITY (Note 9)	<u>829,350</u>	<u>1,132,823</u>
	<u>946,340</u>	<u>1,260,149</u>
S H A R E H O L D E R S ' E Q U I T Y		
SHARE CAPITAL (Note 6)	2,347,138	2,000,028
CONTRIBUTED SURPLUS (Note 7)	12,219,252	12,219,252
DEFICIT	<u>(5,951,750)</u>	<u>(5,238,610)</u>
	<u>8,614,640</u>	<u>8,980,670</u>
	<u><u>9,560,980</u></u>	<u><u>10,240,819</u></u>

NATURE OF OPERATIONS (Note 1)

COMMITMENTS (Note 5)

CONTINGENCY (Note 11)

APPROVED BY THE BOARD OF DIRECTORS

“Joseph Grosso”, Director

“Arthur Lang”, Director

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

GOLDEN ARROW RESOURCES CORPORATION
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(Expressed in Canadian Dollars)

	2006 \$	2005 \$
EXPENSES		
Corporate development and investor relations	110,928	24,159
General exploration	339,038	157,509
Office and sundry (Note 8)	56,302	34,236
Printing	8,398	3,817
Professional fees	35,240	40,244
Rent, parking and storage (Note 8)	67,908	61,269
Salaries and employee benefits (Note 8)	159,479	125,719
Stock-based compensation (Notes 6 and 7)	-	350,327
Telephone and utilities (Note 8)	7,647	6,662
Transfer agent and regulatory fees	21,948	26,697
Travel and accommodation	13,874	5,952
	<u>820,762</u>	<u>836,591</u>
LOSS BEFORE OTHER ITEMS	<u>(820,762)</u>	<u>(836,591)</u>
OTHER EXPENSE (INCOME)		
Foreign exchange	5,353	(23,778)
Gain on options and disposition of mineral properties (Note 5)	(126,000)	(118,000)
Write-down of mineral properties (Note 5)	716,249	-
Gain on disposition of marketable securities	(461,226)	(289)
Write-down of marketable securities	66,644	-
Interest and other income	(66,918)	(38,780)
	<u>134,102</u>	<u>(180,847)</u>
LOSS BEFORE INCOME TAXES	<u>(954,864)</u>	<u>(655,744)</u>
FUTURE INCOME TAXES RECOVERED (Note 9)	<u>241,724</u>	<u>-</u>
NET LOSS	<u>(713,140)</u>	<u>(655,744)</u>
DEFICIT - BEGINNING OF YEAR	<u>(5,238,610)</u>	<u>(4,582,866)</u>
DEFICIT - END OF YEAR	<u>(5,951,750)</u>	<u>(5,238,610)</u>
 BASIC AND DILUTED LOSS PER COMMON SHARE	 <u>\$(0.09)</u>	 <u>\$(0.08)</u>
 WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	 <u>8,033,446</u>	 <u>7,763,461</u>

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

GOLDEN ARROW RESOURCES CORPORATION
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(Expressed in Canadian Dollars)

	2006	2005
	\$	\$
CASH PROVIDED FROM (USED FOR)		
OPERATING ACTIVITIES		
Net loss for the year	(713,140)	(655,744)
Items not affecting cash		
Depreciation	-	3,116
Stock -based compensation	-	350,327
Gain on options and disposition of mineral properties	(126,000)	(118,000)
Write-down of mineral properties	716,249	-
Gain on disposition of marketable securities	(461,226)	(289)
Write-down of mineral properties	66,644	-
Future income tax recovery	(241,724)	-
	<u>(759,197)</u>	<u>(420,590)</u>
Changes in non-cash working capital balances		
Other receivables and prepaids	6,513	(99,529)
Accounts payable and accrued liabilities	(10,336)	84,367
	<u>(763,020)</u>	<u>(435,752)</u>
INVESTING ACTIVITIES		
Expenditures on mineral properties and deferred costs	(388,406)	(459,333)
Increase in short-term investments	(78,251)	(1,000,000)
Net proceeds on sale of marketable securities	654,436	9,914
	<u>188,779</u>	<u>(1,449,419)</u>
FINANCING ACTIVITIES		
Issuance of common shares	<u>347,110</u>	<u>145,867</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(228,131)	(1,739,304)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>850,965</u>	<u>2,590,269</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>622,834</u></u>	<u><u>850,965</u></u>

SUPPLEMENTARY CASH FLOW INFORMATION (Note 12)

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

GOLDEN ARROW RESOURCES CORPORATION
(An Exploration Stage Company)
CONSOLIDATED SCHEDULE OF MINERAL PROPERTIES AND DEFERRED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Expressed in Canadian Dollars)

	<u>Argentina</u>					<u>Peru</u>	<u>Total</u>
	<u>Valle de Cura \$</u>	<u>Jujuy \$</u>	<u>Gualcamayo \$</u>	<u>Chubut \$</u>	<u>Other \$</u>	<u>Rio Tabaconas \$</u>	<u>\$</u>
Balance - beginning of year	2,108,984	39,768	271,989	716,249	220,359	4,204,715	7,562,064
Expenditures							
Acquisition costs	8,131	-	5,933	-	-	92,071	106,135
Assays	-	61,458	-	-	-	-	61,458
Environmental	1,297	11,308	-	-	649	-	13,254
Office	-	19,916	600	-	-	-	20,516
Salaries and contractors	809	85,351	809	-	-	39,062	126,031
Supplies and equipment	-	-	-	-	-	-	-
Transportation	-	16,252	76	-	-	2,710	19,038
Foreign value added tax	1,339	25,418	971	-	85	14,161	41,974
	11,576	219,703	8,389	-	734	148,004	388,406
Future income tax liability	237	46,796	648	-	123	(109,553)	(61,749)
Write-down of mineral properties	-	-	-	(716,249)	-	-	(716,249)
Balance - end of year	<u>2,120,797</u>	<u>306,267</u>	<u>281,026</u>	<u>-</u>	<u>221,216</u>	<u>4,243,166</u>	<u>7,172,472</u>

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

GOLDEN ARROW RESOURCES CORPORATION
(An Exploration Stage Company)
CONSOLIDATED SCHEDULE OF MINERAL PROPERTIES AND DEFERRED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Expressed in Canadian Dollars)

	<u>Argentina</u>					<u>Peru</u>	<u>Total</u>
	<u>Valle de Cura \$</u>	<u>Jujuy \$</u>	<u>Gualcamayo \$</u>	<u>Chubut \$</u>	<u>Other \$</u>	<u>Rio Tabaconas \$</u>	<u>\$</u>
Balance - beginning of year	2,018,983	-	155,978	671,510	188,305	4,049,731	7,084,507
Expenditures							
Acquisition costs	88,018	1,864	20,368	36,502	3,381	123,202	273,335
Assays	-	-	11,210	-	3,000	-	14,210
Office	-	801	8,453	2,413	6,386	2,096	20,149
Salaries and contractors	-	17,652	45,315	4,507	12,752	13,284	93,510
Supplies and equipment	-	5,705	2,813	331	1,618	-	10,467
Transportation	-	12,787	15,167	-	1,259	3,090	32,303
Foreign value added tax	1,983	959	2,328	986	555	8,549	15,359
	90,001	39,768	105,654	44,739	28,950	150,221	459,333
Future income tax liability	-	-	10,358	-	3,103	4,763	18,224
Balance - end of year	<u>2,108,984</u>	<u>39,768</u>	<u>271,989</u>	<u>716,249</u>	<u>220,359</u>	<u>4,204,715</u>	<u>7,562,064</u>

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

GOLDEN ARROW RESOURCES CORPORATION
(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS

Golden Arrow Resources (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 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.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The consolidated financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles ("Canadian GAAP").

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 include assessment of carrying values of mineral properties and deferred costs for impairment. Actual results may differ from these estimates.

Principles of Consolidation

These consolidated financial statements include the accounts of the Company and all of its subsidiaries. The principal subsidiaries are IMPSA Resources (BVI) Inc. (100%), Inversiones Mineras Australes Holdings (BVI) Inc. (100%), IMPSA Resources Corporation (80.69%), Inversiones Mineras Australes SA (100%) and Minera IMP - Peru S.A.C. (100%). All inter-company transactions and balances have been eliminated.

Cash and Cash Equivalents and Short-term Investments

Cash and cash equivalents include cash and money market investments, maturing less than 3 months from the date of initial investment. Short-term investments include term deposits and money market investments maturing between 3 and 12 months from the date of initial investment

Marketable Securities

Marketable securities are carried at the lower of cost or market.

GOLDEN ARROW RESOURCES CORPORATION
(An Exploration Stage Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Mineral Properties and Deferred Costs

Direct costs related to the acquisition and exploration of mineral properties held or controlled by the Company, are deferred on an individual property basis until the viability of a property is determined. Administration costs and general exploration costs are expensed as incurred. When a property is placed in commercial production, deferred costs will be depleted using the units-of-production method. 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 then the costs are written-off, or if its carrying value has been impaired, then the costs are written down to fair value.

The Company accounts for foreign value added taxes paid as part of mineral properties and deferred costs. The recovery of these taxes will commence on the beginning of foreign commercial operations. Should these amounts be recovered they would be treated as a reduction in carrying costs of mineral properties and deferred costs.

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. From time to time, the Company acquires or disposes of properties pursuant to the terms of option agreements. Options are exercisable entirely at the discretion of the optionee and, accordingly, are recorded as mineral property costs or recoveries when the payments are made or received. After costs are recovered, the balance of the payments is recorded as a gain on option or disposition of mineral property.

Asset Retirement Obligations

Asset retirement obligations are recognized when a legal or constructive obligation arises. This liability is recognized at the fair value of the asset retirement obligation. When the liability is initially recorded the Company capitalizes the cost by increasing the carrying amount of the related long-lived assets. Over time the liability is accreted to its present value each period, and the capitalized cost is amortized over the useful life of the related asset. Upon settlement of the liability, the Company may incur a gain or loss. As at December 31, 2006 the Company does not have any asset retirement obligations.

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment when changes in circumstances suggest their carrying value has become impaired. Management considers assets to be impaired if the carrying value exceeds the estimated undiscounted future projected cash flows to result from the use of the asset and its eventual disposition. If impairment is deemed to exist, the assets will be written down to fair value. Fair value is generally determined using a discounted cash flow analysis.

GOLDEN ARROW RESOURCES CORPORATION
(An Exploration Stage Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Translation of Foreign Currencies

The Company's foreign operations are integrated and are translated using the temporal method. Under this method, the Company translates monetary assets and liabilities denominated in foreign currencies at period-end rates. Non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at average rates in effect during the period except for depreciation which is translated at historical rates. The resulting gains or losses are reflected in the operating results in the period of translation.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash and cash equivalents, short-term investments and other receivables. The Company limits its exposure to credit loss by placing its cash and cash-equivalents with major financial institutions.

Fair Values of Financial Instruments

The fair value of the Company's financial instruments consisting of cash and cash equivalents, short-term investments, other receivables and accounts payable and accrued liabilities approximate their carrying values due to the short-term nature of those instruments. As of December 31, 2006, the market value of marketable securities was \$549,861 (2005 - \$1,072,045).

Income Taxes

The Company uses the liability method of accounting for future income taxes. Under this method of tax allocation, future income tax liabilities and assets are recognized for the estimated tax consequences attributable to differences between the amounts reported in the consolidated financial statements and their respective tax bases, using substantively enacted tax rates and laws that are expected to be in effect in the periods in which the future income tax assets or liabilities are expected to be settled or realized. The effect of a change in income tax rates on future income tax liabilities and assets is recognized in income in the period that the change occurs. The amount of future income tax assets recognized is limited to the amount that is more likely than not to be realized.

Loss Per Share

Loss per share is calculated based on the weighted average number of common shares issued and outstanding during the year. In years when a loss is incurred, the effect of potential issuances of shares under options and warrants would be anti-dilutive and therefore basic and diluted losses per share are the same. Information regarding securities that could potentially dilute basic earnings per share in the future is presented in Note 6.

Stock Based Compensation

The Company has an employee stock option plan. The Company recognizes an expense arising from stock options granted to both employees and non-employees using the fair value method. The fair value of option grants is generally established at the date of grant using a Black Scholes option pricing model and the expense is recognized over the vesting period.

GOLDEN ARROW RESOURCES CORPORATION
(An Exploration Stage Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Variable Interest Entities

Effective January 1, 2005, the Company adopted Accounting Guideline AcG-15, Consolidation of Variable Interest Entities, which requires consolidation of entities in which the Company expects to receive or absorb the majority of the entity's expected losses, expected residual returns or both. The Company has determined that it has no variable interest entities.

Comparative Figures

Certain of the prior year comparatives have been reclassified to conform with the current year's presentation.

3. MARKETABLE SECURITIES

At December 31, 2006, marketable securities had a quoted market value of \$549,861 (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.

4. SHORT-TERM INVESTMENTS

As at December 31, 2006 and 2005, the Company held short-term investments comprised of the following:

	2006	
	Maturity	Principal \$
12 month term deposit		
- 4.0% annual interest rate	December 4, 2007	600,000
105 day money market investment		
- 3.5% annualized interest rate	January 11, 2007	478,251
		<u>1,078,251</u>
	2005	
	Maturity	Principal \$
12 month term deposit		
- 3.0% annual interest rate	December 12, 2006	<u>1,000,000</u>

All term deposits are fully redeemable in full or portion at the Company's option without penalty. Interest is paid on amounts redeemed subsequent to 30 days from the date of investment.

GOLDEN ARROW RESOURCES CORPORATION
(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

(Expressed in Canadian Dollars)

5. MINERAL PROPERTIES AND DEFERRED COSTS

	December 31, 2006			December 31, 2005		
	Acquisition Costs \$	Deferred Exploration Costs \$	Total \$	Acquisition Costs \$	Deferred Exploration Costs \$	Total \$
Argentina						
Valle de Cura	543,675	1,577,122	2,120,797	535,544	1,573,440	2,108,984
Jujuy	1,864	304,403	306,267	1,864	37,904	39,768
Gualcamayo	26,301	254,725	281,026	20,368	251,621	271,989
Chubut	-	-	-	36,502	679,747	716,249
Other	18,802	202,414	221,216	18,802	201,557	220,359
	<u>590,642</u>	<u>2,338,664</u>	<u>2,929,306</u>	<u>613,080</u>	<u>2,744,269</u>	<u>3,357,349</u>
Peru						
Rio Tabaconas	989,102	3,254,064	4,243,166	897,031	3,307,684	4,204,715
	<u>1,579,744</u>	<u>5,592,728</u>	<u>7,172,472</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 December 31, 2006, the Company must make further payments with respect to option agreements on the properties located in San Juan province totalling US \$145,000 due 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 affects the Company's Laguna de los Toros, Costa and Corcovado properties. In November 2006, the government announced that the area encompassed by the three year suspension of metallic mining had been enlarged. This ban on mining activity now encompasses all of the Company's properties in Chubut. Accordingly, the Company wrote off the carrying value of \$716,249 of these properties during the year ended December 31, 2006.

(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.

GOLDEN ARROW RESOURCES CORPORATION
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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5. MINERAL PROPERTIES AND DEFERRED COSTS (continued)

Under the terms of the option agreement, the Company has paid US \$185,000 and is 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 Tabacanos 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. In 2006, the Company renegotiated the option agreement on Rio Tabacanos project and starting July 2006 commenced paying US\$3,000 per month to the optionor. The force majeure is still in effect as at December 31, 2006.

- (c) The Company has agreements with Amera 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 750,000 shares (2005 – 450,000) of Amara with an ascribed value of \$329,000 (2005 - \$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.

As a result of the receipt of shares, during the year ended December 31, 2006, the Company realized a gain on options and disposition of mineral properties of \$126,000 (2005 – \$118,000).

During the year ended December 31, 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 the extension, 10% of any payments in terms of cash or stock received by Amara from a third party who enters into an agreement regarding the Mogote property, will be paid to the Company.

- (d) 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 the interest held by Teck Cominco in the 3,000 ha Poncha gold-copper project located in San Juan Province, Argentina (see note 13 for additional discussion).

GOLDEN ARROW RESOURCES CORPORATION
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

(Expressed in Canadian Dollars)

6. SHARE CAPITAL

Authorized: unlimited common shares without par value

Issued:	<u>December 31, 2006</u>		<u>December 31, 2005</u>	
	Shares	Amount \$	Shares	Amount \$
Balance, beginning of year	7,790,267	2,000,028	7,624,920	1,854,161
Issued during the year for:				
Exercise of warrants	433,888	347,110	-	-
Exercise of IMA warrants	-	-	165,347	145,867
Balance, end of year	<u>8,224,155</u>	<u>2,347,138</u>	<u>7,790,267</u>	<u>2,000,028</u>

- (a) During 2006, the Company received proceeds of \$347,110 from the issue of 433,888 common shares on the exercise of warrants.
- (b) During 2005 the Company received proceeds of \$145,867 from the issue of 165,347 common shares on the exercise of warrants issued prior to its Reorganization in 2004 (“IMA warrants” - see Note 6(d) below).
- (c) Stock options and stock based compensation

The Company grants stock options in accordance with the policies of the TSX Venture Exchange (“TSXV”). The stock options granted are subject to a four month hold period and are exercisable for a period of five years. A summary of the Company’s outstanding options at December 31, 2006 and 2005 and the changes for the years ending on those dates is presented below:

	<u>2006</u>		<u>2005</u>	
	Options Outstanding and Exercisable	Weighted Average Exercise Price \$	Options Outstanding and Exercisable	Weighted Average Exercise Price \$
Balance, Beginning of year	779,000	0.75	-	-
Granted	-	-	779,000	0.75
Cancelled / Forfeited	(30,000)	0.75	-	-
Balance, end of year	<u>749,000</u>	<u>0.75</u>	<u>779,000</u>	<u>0.75</u>

During fiscal 2006, the Company granted nil (2005 - 779,000) stock options to its directors, employees and consultants and recorded compensation expense of \$nil (2005 -\$350,327). At December 31, 2006 the Company had 749,000 stock options outstanding with an exercise price of \$0.75 and expiring September 23, 2010.

The fair value of stock options granted is estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions used for the grant made during the 2005 year:

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6. SHARE CAPITAL (continued)

Risk-free interest rate	3.4%
Estimated volatility	100%
Expected life	2.5 years
Expected dividend yield	0%

The fair value per share of stock options granted during fiscal 2005 calculated using the Black-Scholes option pricing model, was \$0.45 per option.

Option-pricing models require the use of estimates and assumptions including the expected volatility. Changes in the underlying assumptions can materially affect the fair value estimates and, therefore, existing models do not necessarily provide reliable measure of the fair value of the Company's stock options.

(d) Warrants

Pursuant to the terms of the Reorganization in 2004, 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 December 31, 2006 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 December 31, 2006 and 2005, and the changes for the years ending on those dates is presented below:

	2006 Number	2005 Number
Balance, beginning of year	3,674,900	3,842,296
Exercised	(433,888)	(165,347)
Expired	<u>(3,241,012)</u>	<u>(2,049)</u>
Balance, end of year	<u>-</u>	<u>3,674,900</u>

7. CONTRIBUTED SURPLUS

A continuity summary of contributed surplus is presented below:

	Years ended December 31,	
	2006	2005
	\$	\$
Balance, beginning of year	12,219,252	11,868,925
Contributed surplus as a result of stock options granted	<u>-</u>	<u>350,327</u>
Balance, end of year	<u>12,219,252</u>	<u>12,219,252</u>

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8. RELATED PARTY TRANSACTIONS

- (a) 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, Amera, Gold Point Energy Corp. and Astral Mining Corporation, 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 fiscal 2006, the Company incurred fees of \$281,410 (2005 - \$203,702) to the Grosso Group. As at December 31, 2006, \$40,533 (2005 - \$37,246) owing to the Grosso Group is included in accounts payable.

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 fees are equivalent to costs the Company would have incurred directly.

- (b) Included in other receivables, prepaids and deposits is an \$85,000 (2005 - \$85,000) unsecured deposit to the Grosso Group for the purchase of equipment and leasehold improvements and for operating working capital.
- (c) Included in accounts payable as at December 31, 2005 is \$6,952 due to a company controlled by a director. This balance was repaid in April 2006.

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.

9. INCOME TAXES

The recovery of income taxes shown in the consolidated statements of operations and deficit differs from the amounts obtained by applying statutory rates to the loss before provision for income taxes due to the following:

	2006 \$	2005 \$
Statutory tax rate	<u>34.12%</u>	<u>34.12%</u>
Loss before income taxes	<u>(954,864)</u>	<u>(655,744)</u>
Provision for (recovery of) income taxes based on statutory		
Canadian combined federal and provincial income tax rates	(325,800)	(223,740)
Non-deductible differences	(130,246)	-
Differences in foreign tax rates	(2,381)	4,848
Losses for which an income tax benefit has not been recognized	<u>216,703</u>	<u>218,892</u>
	<u>(241,724)</u>	<u>-</u>

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9. INCOME TAXES (continued)

Future income taxes reflect the net tax effects of differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's future tax assets and liabilities are as follows:

	2006	2005
	\$	\$
Future income tax assets		
Financing costs	43,973	43,076
Operating loss carryforwards	462,094	249,084
Resource deductions	724,826	352,697
Other	24,984	3,731
	1,255,877	648,588
Valuation allowance for future income tax assets	(1,176,324)	(648,588)
	79,553	-
Future income tax liabilities		
Mineral properties and deferred costs	908,903	1,132,823
Net future income tax liabilities	829,350	1,132,823

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 year ended December 31, 2006, the Company recorded a net reduction to the future income tax liability of \$223,920 (2005 – net increase of \$18,224) due to (i) the write-down of the Chubut area mineral properties (see Note 5 (a) above) and (ii) an adjustment for a change to the portion of mineral properties and deferred costs subject to the foreign tax rate and recorded a corresponding adjustment to mineral properties

The Company has Canadian capital loss carryforwards of \$1,675 and non-capital loss carryforwards of \$542,118 that may be available for tax purposes. The Company's capital losses do not expire and may be carried forward indefinitely. The Company's non-capital losses expire as follows:

Expiry Date	\$
2007	15,839
2008	4,767
2009	1,554
2010	358
2014	159,771
2015	226,067
2016	133,762
	542,118

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10. 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:

	December 31, 2006			Total
	Corporate Canada	Mineral Operations Argentina	Mineral Operations Peru	
	\$	\$	\$	\$
Current assets	2,297,912	79,758	10,838	2,388,508
Mineral properties and deferred costs	-	3,753,534	3,418,938	7,172,472
	<u>2,297,912</u>	<u>3,833,292</u>	<u>3,429,776</u>	<u>9,560,980</u>
	December 31, 2005			
	Corporate Canada	Mineral Operations Argentina	Mineral Operations Peru	Total
	\$	\$	\$	\$
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>

11. CONTINGENCY

In March 2004, Aquiline Resources Inc. ("Aquiline") commenced an action against IMA Exploration Inc ("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. On July 14, 2006 the court released its judgment on the claim and found in Aquiline's favour. IMA has filed an appeal of this judgment that was heard by the court in April 2007. The results of the appeal hearing have not been released as of the date of these financial statements.

The Company has 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 action have been accrued in these financial statements at December 31, 2006.

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12. SUPPLEMENTARY CASH FLOW INFORMATION

Cash and cash equivalents are comprised of the following:

	2006 \$	2005 \$
Cash and cash equivalents		
Cash	422,255	850,965
Money market investments with maturities from the date of acquisition of 3 months or less	200,579	-
	<u>622,834</u>	<u>850,965</u>

Non-cash investing activities were conducted by the Company as follows:

	2006 \$	2005 \$
Investing activities		
Proceeds on disposition of mineral properties	(126,000)	(118,000)
Acquisition of marketable securities	126,000	118,000
	<u>-</u>	<u>-</u>

13. SUBSEQUENT EVENTS

Subsequent to December 31, 2006:

- (a) the Company completed a non-brokered private placement financing of 1,550,000 units at a price of \$0.65 per unit. Each unit consists 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.
- (b) 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 the interest held by Teck Cominco in 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 will manage 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). The Agreement provides that Teck Cominco Limited may be required to make a Cdn\$750,000 private placement in the Company and under certain conditions Teck Cominco may contribute to a percentage of the payments to the underlying property owner. Also Teck Cominco reserves a 1% NSR royalty if it chooses not to exercise its initial back-in right. To increase its interest to 65% Teck Cominco would need to spend a further US\$10,000,000.

GOLDEN ARROW RESOURCES CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006

Introduction

The following management discussion and analysis and financial review, prepared as of April 19, 2007, should be read in conjunction with Golden Arrow Resources Corporation's (the "Company") audited consolidated financial statements and related notes for the years ended December 31, 2006 and 2005. 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 information included in this discussion may constitute forward-looking statements. Forward-looking statements are based on current expectations and entail various risks and uncertainties. These risks and uncertainties could cause or contribute to actual results that are materially different than those expressed or implied. The Company disclaims any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

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 and Peru. 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

The following properties, with the exception of the Jujuy properties referred to below, were transferred to the Company effective July 7, 2004 as a result of the Reorganization.

Argentina

Valle de Cura

The Company has eight exploration properties in the Valle de Cura region. In 2007, the Company plans to continue evaluating potential partners to advance the drill ready Rio de las Taguas and Porterillos properties and the other, earlier-stage exploration properties in the area. Cloudbreak Resources Ltd. had an option to earn up to a 75% interest in the Gollete property. However, on April 21, 2005 Cloudbreak Resources Ltd. notified the Company that it would not be continuing with this option. The Company plans to maintain its interest in the Gollete property while it evaluates future prospects for the property.

Jujuy

In early 2006 the Company carried out a regional generative program in the province of Jujuy in northern Argentina. As a result a total of 9 concessions covering more than 15,000 ha have been applied for. These properties mainly cover lode and bulk tonnage gold targets hosted by folded Ordovician sediments. On April 13, 2006 the Company announced that it has been granted a 100% interest in 3 of the concessions, the Antiguyo I and II (Antiguyo Property) and the San Jose property. On November 16, 2006 the Company announced that it had been granted the Timon Cruz Gold Property. The other properties remain to be granted. On the granted projects high-grade gold has been discovered in vein occurrences with the potential for disseminated bulk tonnage gold mineralization. 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. These properties have been the primary focus of the Company during the current reporting period.

Antiguyo Gold Property, Jujuy

The Antiguyo I and II, together cover 5,643 hectares in the Sierra Rinconada. Preliminary assay results from the Antiguyo Property included 384.49 g/t gold from a 2m surface channel sample of quartz vein material containing visible gold. The Company is very encouraged with these results for a project at such an early stage. Only the southern portion of the Antiguyo property has received reconnaissance exploration and sampling to date. A total of 24 rock samples were collected from vein and non-vein material; 10 of the samples contained no detectable gold; a summary of anomalous results for the other 14 samples from Antiguyo is provided in the Table below. Because coarse gold is suspected to be present, the coarse (-#200) and fine (+#200) fractions have been analyzed independently and a weighted average calculated.

Summary of Antiguyo I and II Rock Sample Results

Sample	Channel Length (m)	Description	Au Weighted Average (ppm) – (g/t)	Au (+200#) (Fine) (ppm)	Au (-200#) (Coarse) (ppm)
GA 1500	**	Altered sandstones, quartz veining and pyrite footwall of gold-rich vein	17.29	3.52	209.03
GA 1501	0.8	Bedding parallel, laminated and steep vein, visible gold	0.68	0.38	4.29
GA 1502	0.7	Hanging-wall, carbonaceous mudstone and quartz veins	0.02	0.02	0.03
GA 1504	2.0	Small, old working on BLPV, deformed sulfides 3-5%	0.05	0.05	0.03
GA 1505	1.5	BLPV and sulfides > 5%	0.10	0.10	0.01
GA 1506	2.0	Large NE-trending quartz vein outcropping over 30m strike length with fractures carrying dendritic gold in limonitized mm-scale fissures	384.49	146.54	2820.11
GA 1507	0.5	BLPV with 3% sulfides	0.09	0.09	0.09
GA 1508	**	Silicified sandstone with sulfides and sericite-pyrite	0.69	0.57	2.26
GA 1509	1.0	Fault related vein with saccaroidal-limonitic quartz	0.16	0.12	0.73
GA 1515	0.5	Bedding Laminated Parallel Vein	0.07	0.06	0.20
GA 1516	1.5	Silicified sandstones with 3 to 4% pyrite	0.01	0.01	0.00
GA 1518	**	Brecciated sandstone with strong limonite staining	0.02	0.02	0.00
GA 1519	0.4	BLPV in folded sequence	0.01	0.01	0.00
GA 1525	2.0	Sheared mudstone/sandstones with 3 to 5% pyrite	0.04	0.04	0.00

BLPV = Bedding Laminated Parallel Vein, ** = Composite Chip samples

On July 12, 2006 the Company reported results for the first phase of soil grid and composite talus fines sampling on the southern portion of the Antiguyo. Three approximately 1 km long areas of anomalous talus fines samples and a number of new gold in soil anomalies have been delineated along with soil anomalies related to known gold-bearing quartz veins. Phase I soil sampling comprised 301 samples collected over a 1,900m by 650m grid in the west-central portion of the Antiguyo 1 property where, 24 previously reported rock samples were collected. Soil analytical results ranged from <5 ppb up to 189 ppb gold. A total of 110 composite talus fines samples were also collected on the property to identify geochemically anomalous areas for follow-up prospecting and soil sampling; analytical results ranged from <5 ppb (~78% of the dataset) to 12 ppb gold.

Detailed geological mapping, surface rock channel sampling and further soil grid sampling is currently underway on the Company's Antiguyo gold property. Results will be reported when available.

Analyses of samples from the Antiguyo property were performed by Alex Stewart (Assayers) Argentina S.A. ("Alex Stewart"), an internationally recognized assay service provider, in Mendoza, Argentina. Exploration work reported on in this release was carried out under the supervision of the Company's Argentine Exploration Manager Diego Charchaflié, M.Sc., and Senior Geologist Gustavo Rodríguez, Ph.D. The technical information has been reviewed by Dr. David A. Terry, P.Geo., Vice President Exploration, a Qualified Person as defined in National Instrument 43-101.

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. 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 total of 10 samples were initially collected along strike over 1,400 metres of a veined alteration zone. Results released in April 2006 ranged from 18 ppb gold to 12.18 g/t gold, all but two having greater than 0.3 g/t gold (see Table below).

Summary of San Jose Rock Sample Results

Sample	Channel Length (m)	Description	Au Weighted Average (ppm) – (g/t)	Au (+200#) (Fine) (ppm)	Au (-200#) (Coarse) (ppm)
GA 1529	1.5	Carbonaceous metasedimentite and quartz veins with Aresenopyrte and Pyrite (5 to 7%)	0.29	0.19	2.04
GA 1530	0.4	Brecciated quartz vein	0.02	0.02	bd
GA 1531	1.0	Discordant quartz veins with Pyrite and Arsenopyrite (~3%)	1.04	0.53	15.83
GA 1532	1.0	Composite sample across old working on BLPV	5.03	1.03	51.66
GA 1533	0.5	Milky, comb textured quartz vein with strong hematite alteration	0.47	0.15	7.00
GA 1534	1.5	Fault related vein in an axial plane	0.02	0.02	bd
GA 1535	1.7	Quartz vein, deformed and oxidized (Hematite)	0.30	0.32	0.06
GA 1536	1.2	Fine quartz veins cutting carbonaceous pelites with ~5% Arsenopyrite	9.45	5.62	127.48
GA 1537	1.0	cm-scale, sulfide rich quartz veins in carbonaceous rocks with 5% Arsenopyrite	0.81	0.33	14.54
GA 1538	1.0	Brecciated, cm-scale, sulfide rich quartz veins in carbonaceous rocks with 5% Arsenopyrite	12.18	4.94	77.43

*bd = below detection, BLPV = Bedding Laminated Parallel Vein

The combined Phase I and II soil program consisted of 703 samples covering an area of nearly 200 hectares. At the San Jose gold property, soil samples with Au values above 40 ppb are considered anomalous. In detail, 5 independent anomalies result from contouring Au grades over 40 ppb and they roughly define an area of 1500m by 700m. Within each anomaly, grades higher than 100 and 500 ppb gold delineate continuous sub-areas of variable extent. The table below shows the grade distribution from the combined results.

Soil Sampling Grade Distribution

Grade	# Samples	%
X less than 5 ppb	242	34
5 less than X less than 40 ppb	275	39
X greater than 40 ppb	186	27
		100
X greater than 100	106	15
X greater than 500	29	4

Phase I and II trenching programs tested the above gold-in-soil anomalies in the core of the San Jose gold property. Phase I trenching program included 17 wide-spaced rock-saw trenches established within a 1.2km by 500m area centred over the anomalies. Phase II trenching was oriented towards evaluating un-sampled areas as well as to determining the lateral continuity of previously-defined mineralized zones. It included 22 trenches.

Phase I channel samples were collected over 255.1 linear metres of trenching; weighted-average grade of all samples was 0.53 g/t gold. A total of 222 samples, including 16 blanks and duplicates for quality control, were collected. The 206 rock sample results range from below detection level (0.01 ppm) to 9.63 g/t (ppm) gold. In phase II trenching program, a total 365 rock samples and 26 blanks and duplicates for quality control were analyzed. The samples represent 422.9 linear metres of channel sampling. Results range from below detection level (0.01 ppm) to 5.72 ppm gold. Highlights from the trench sampling performed in 2006 are summarized in the table below.

Highlights of Trench Results

Trench	Total Length (m)	Au Weighted Average (g/t)	Fine Fraction Au (g/t)	Coarse Fraction Au (g/t)
SJT01	14.0	0.89	0.78	2.06
including	5.5	1.66	1.47	4.18
SJT02	17.0	1.15	0.53	6.74
including	3.0	3.42	1.58	22.87
SJT04	7.0	1.39	0.98	17.21
SJT05	17.5	1.70	1.04	16.87
including	5.0	5.30	3.12	55.99
SJT07	9.0	0.87	0.93	0.51
SJT08	32.0	0.77	0.75	0.87
including	14.0	1.00	0.95	1.36
SJT09	22.0	0.45	0.23	1.99
including	9.0	0.90	0.41	4.02
SJT22	16.1	0.50	0.24	2.20
including	6.1	1.00	0.39	5.08
SJT23	23.0	0.99	0.54	4.30
including	2.5	1.65	1.21	4.34
including	9.5	0.85	0.47	4.05
SJT27	3.5	0.50	0.28	2.69
SJT31	10.0	1.70	1.45	3.11
including	5.0	2.51	2.57	2.14
SJT34	17.5	0.64	0.18	3.39
including	1.5	5.64	0.73	34.92

Sampling highlights reported in the above table are all from trenches located within the 100 ppb gold soil anomalies in areas of significant quartz veining. The distribution of gold mineralization appears to be structurally controlled as gold distribution is not restricted to a single lithological unit. The sandstone/mudstone contact and rhythmically bedded sequences of sandstone/mudstone are favourable locales for gold deposition. Quartz veinlet density and the concentration of disseminated sulphides directly corresponds to the gold grade of the sampled interval.

In synthesizing data from the two phases of trenching completed on San Jose in 2006, four areas of particular interest are identified by the trench results.

Zone 1: Approximately 300m by 50m banana-shaped zone in the northwest part of the sampled area defined by trenches 01, 02, 04, 05, 31 and 34; shale and rhythmically bedded sandstone/mudstone host.

Zone 2: Approximately 200m long area in the southeast portion of the sampled area defined by trenches 9, 22 and 23; rhythmically bedded sandstone/mudstone host.

Zone 3: Open zone in the southwest portion of the sampled area defined by trenches 07 and 08; shale and rhythmically bedded sandstone/mudstone host.

Zone 4: Open zone in the northeast portion of the sampled area defined by trench 27; rhythmically bedded sandstone/mudstone host.

Future exploration on the San Jose gold property will be oriented towards gaining better definition on the known zones and to refining drill targets. In particular follow-up work must be done in the area of trench 22-23 and south of trench 21 (Zone 3) and in the area of trench 27 (Zone 4). Work will comprise additional rock-saw trenching as well as detailed compilation of the structural and geologic information.

Analyses for the soil samples from the San Jose gold property were performed by SGS Lakefield Research, in Santiago, Chile whereas that analyses for the rock samples were performed by Alex Stewart Assayers, in Mendoza, Argentina. Exploration work reported on in this release was carried out under the supervision of the Company's Argentine Exploration Manager Diego Charchaflié, M.Sc., and Senior Geologist Gustavo Rodríguez, Ph.D. The technical information has been reviewed by Dr. David A. Terry, P.Geo., Vice President Exploration, a Qualified Person as defined in National Instrument 43-101.

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. Mineralized bodies have diverse geometries relative to folds such as bedding-parallel laminated veins, straight-crosscutting brittle veins, fault-related veins or anticline-hinge "reefs". In general, mineralization extends along the fold trend and seems to be located in first-order anticlines.

On November 16, 2006 the Company reported the results from initial exploration work that included reconnaissance mapping (aimed at identifying favorable lithologic and structural settings), rock-sampling and soil sampling. At Timon Cruz, 10 rock samples from outcrop, old workings and mine dumps were collected. Rock samples were collected over a strike extent of approximately 1,500m parallel to the axial planes of two anticlines. Results are listed in the following table.

Summary of Timon Cruz Rock Sample Results

Sample	Type	Length (m)	Description	Au (+200#) ppm (Fine Fraction)	Au (-200#) ppm (Coarse Fraction)	Au Weighted Average (ppm)
GA 1558	Float		Selected quartz veins in dump of small open pit	1.24	2.71	1.36
GA 1559	Chip	1.5	Bleached shale mm-scale quartz veining and pyrite-arsenopyrite aggregates up to 6 cm across	0.08	0.27	0.09
GA 1560	Float		Carbonaceous shale, quartz veining and 5% sulfides	0.36	0.38	0.36
GA 1561	Chip	0.5	Small open pit carbonaceous shale and large pyrite-arsenopyrite cubes	0.19	0.18	0.19

Summary of Timon Cruz Rock Sample Results (continued)

Sample	Type	Length (m)	Description	Au (+200#) ppm (Fine Fraction)	Au (-200#) ppm (Coarse Fraction)	Au Weighted Average (ppm)
GA 1562	Chip	1.0	Sandstone with 3 to 5% sulfides and discordant quartz veins	0.20	0.12	0.19
GA 1563	Float		Black shales with 3 to 5% sulfides that form large aggregates, BLPV	0.44	0.33	0.44
GA 1564	Float		Carbonaceous shale with up to 7% arsenopyrite but without quartz veins	2.37	2.15	2.36
GA 1565	Chip	2.0	Saddle reef in the southern area, milky quartz and hematite	0.13	0.04	0.12
GA 1566	Mine Dump		Small underground old working, carbonaceous shale with high sulfide contents (5%) and quartz veins	9.35	24.53	9.84
GA 1567	Chip	0.4	BLPV (>40%) in the steeply dipping eastern limb	0.11	0.04	0.11

Notes: BLPV=Bedding, laminated parallel vein; sample results are calculated as the average between the fine and coarse fraction weighted by each fraction weight.

Since coarse gold is a common occurrence within the Sierra de Rinconada deposits, rock samples are processed as two sub-samples obtained after grinding and sieving the material through a 200 Tyler mesh (75 microns). Samples are reported as the weighted average of both fractions. Interestingly, at Timon Cruz the fine fraction has similar grades to the coarse fraction. This indicates that gold distribution is relatively homogeneous within the sampled intervals.

The first phase soil sampling comprised 206 samples collected every 50 m along 19 east-west lines spaced 100 m apart. The soil grid covered a 1,800m by 500m area located in the central portion of the Timon Cruz property where the rocks samples reported above were collected.

Soil samples ranged from <5 ppb (below detection limit) up to 428 ppb gold. Samples with values above the detection limit represent 41% of the samples. Approximately 10% of the soils have gold concentrations higher than 20 ppb. From the limited population of samples collected to date, the best rock sample results come from samples located close to soil anomalies. Two main anomalous areas were detected. In the northern portion of the grid a north-south oriented anomaly extends over approximately 1.0km in length and up to 250m in width. To the south a north-northwest oriented anomalous trend, also approximately 1km in length, is developed. Both anomalies have morphology consistent with a high-grade vein source rather than a wider disseminated body.

In the area of the soil grid on the Timon Cruz property the A-horizon is generally absent and the sampled material is a mixture of B and C horizons. The sampling procedure involved collecting approximately 1 kg of material finer than a Tyler mesh #9 (2.05mm) from 5-20cm below the surface in order to reduce the influence of aeolian transported particles. The sampled material is submitted to the lab, where it is dried and processed. Reported results are from material finer than a #80 Tyler mesh (0.18mm).

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. This work program will be carried out over the next several months.

Analyses for the Timon Cruz soil samples were performed by SGS Lakefield Research, an internationally recognized assay service provider, in Santiago, Chile whereas that analyses for the rock samples were performed by Alex Stewart in Mendoza, Argentina. Exploration work was carried out under the supervision of the Company's Argentine Exploration Manager Diego Charchaflí, M.Sc. and Senior Geologist Gustavo Rodríguez, Ph.D. The technical information has been reviewed by Dr. David A. Terry, P.Geol., Vice President Exploration, a Qualified Person as defined in National Instrument 43-101.

Gualcamayo

The Company has three exploration properties in the Gualcamayo area of San Juan. The Company has performed detailed and reconnaissance surface exploration programs on these properties in previous years and is planning on executing geophysical surveying and drilling programs in 2007. In addition the Company has a 1% NSR on the Yamana Gold Inc.'s (formerly Viceroy Exploration Ltd.) Gualcamayo advanced stage project, which is well on the way to production.

Chubut (Patagonia)

The Company has a 100% interest in a number of claims in western Chubut Province. Together they cover an area of approximately 86,000 hectares. All of the Chubut properties are in the exploration stage. On June 29, 2006 the Chubut provincial government announced a 36 month metallic mining suspension in western Chubut Province which directly affects the Company's Laguna de los Toros, Costa and Corcovado properties. In November 2006, it was reported that the Chubut government has enlarged the area of the suspension so that it now also covers the Las Bayas and Penascudo properties, the Company's only other properties in the province. As a result of this suspension the Company decided to write off the carrying value of these properties in the current year. The Penascudo project has been optioned out to Ballad Gold and Silver Ltd. who carried out a surface sampling program in 2004.

Other

The Company has three exploration properties in the northwestern corner of San Juan Province. Amera Resources Corporation ("Amera") has option agreements with the Company whereby Amera can earn up to a 75% interest in the Mogote property. Amera has issued a total of 750,000 shares to December 31, 2006. Amera must complete total work expenditures of US \$4,250,000 by July 1, 2007, with a minimum of US \$1,250,000 by March 31, 2006 (completed) and issue a further 900,000 shares. During the year ended December 31, 2006, the Company renegotiated the certain terms of its Mogote property option agreement with Amera, 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 Amera from a third party who enters into an agreement regarding the Mogote property, will be paid to the Company.

Amera carried out exploration drilling programs in March 2004 and in January-February 2005 to test the Filo Este and Filo Central targets. Wide intercepts of anomalous copper-gold mineralization were encountered in each drill program. The Company has carried out minor surface exploration programs on its other two properties in northwestern San Juan during the first quarter of 2005. There are no current plans for further work on these two 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.

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 the interest held by Teck Cominco in 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. Additional details of the agreement are available in the Company's April 10, 2007 news release posted on the SEDAR website (www.sedar.com) and on the Company's website.

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 in anticipation of returning to the project in 2007.

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,		
	2006 \$	2005 \$	2004 \$
Total Assets	9,560,980	10,240,819	10,297,778
Long Term Financial Liabilities	Nil	Nil	Nil
Total Revenues	Nil	Nil	Nil
General and Administrative Expenses	820,762	836,591	544,511
Net Loss for the year	(713,140)	(655,744)	(306,188)
Net Loss per Common Share Basic and Diluted	(0.09)	(0.08)	(0.06)

In 2006, total assets decreased by \$679,839 primarily due to decreased cash and cash equivalents and a reduction in mineral properties and deferred costs as a result of the write-off of the Company's Chubut properties. In 2005, total assets decreased by \$56,959 primarily as a result of a decrease in cash and cash equivalents offset by an increase in mineral properties and deferred costs. For the year ended December 31, 2006, the Company reported a net loss of \$713,140 (\$0.09 per share), an increase in loss of \$57,396 from the \$655,744 loss (\$0.08 per share) for the year ended December 31, 2005, mainly due to the write-off of mineral properties and deferred costs of \$716,249 partially offset by the gain on disposition of marketable securities of \$461,226 and the future income tax recovery of \$241,724. For the year ended December 31, 2005, the \$349,556 increase in loss from the \$306,188 loss (\$0.06 per share) for the year ended December 31, 2004, was mainly due to the recording of \$350,327 non-cash stock based compensation expense for the stock options granted during 2005.

Selected Quarterly Financial Information

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.

	2006				2005			
	Dec. 31 \$	Sept. 30 \$	Jun. 30 \$	Mar. 31 \$	Dec. 31 \$	Sept. 30 \$	Jun. 30 \$	Mar. 31 \$
Revenues	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Net (Loss) Income for the period	(617,468)	(99,953)	141,084	(136,803)	(41,778)	(390,281)	(159,628)	(64,057)
(Loss) income per Common Share - Basic and Diluted	(0.08)	(0.01)	0.02	(0.02)	(0.01)	(0.05)	(0.02)	0.01

The fluctuations between the quarterly losses are mainly due to the following:

- Increase in Q4 2006 Net Loss compared to Q3 2006 Net Loss is primarily a result of a write-off of mineral properties and deferred costs of \$464,647 and the write-down of marketable securities of \$66,644 partially offset by the FIT recovery of \$241,724 in Q4.
- Increase in Q3 2006 Net Loss compared to Q2 2006 Net income is primarily a result of increased general exploration and travel costs partially offset by a gain on optioning of mineral properties of \$126,000 in Q3. In addition, Q2 2006 Net Income includes a \$458,219 gain on disposition of marketable securities which is partially offset by a write-off of mineral properties and deferred costs of \$251,602.
- Increase in Q1 2006 Net Loss compared to Q4 2006 Net Loss is primarily due to increased general and administrative expenses due to increased operating activities.
- During Q4 2005 higher general exploration costs and increased salaries were offset by foreign exchange gains recorded during the period.
- Increase in Q3 2005 Net Loss is mainly due to the recording of \$350,327 non-cash stock based compensation expense for the stock options granted during the period.
- Increase in Net Loss in Q2 compared to Q1 2005 is mainly due to the increase in general exploration costs of \$71,118 due to the increase in general exploration activities in Peru and Argentina and a \$32,968 foreign exchange loss in the period.

The selected quarterly financial information is derived from the unaudited consolidated interim financial statements of the Company.

Results of Operations

The Company reported a consolidated loss of \$713,140 (\$0.09 per share) during 2006. In 2005 a loss of \$655,744 (\$0.08 per share) was reported. The increase in consolidated loss in the year ended December 31, 2006, is mainly due to the write-off of mineral properties and deferred costs of \$716,249 partially offset by the gain on disposition of marketable securities of \$461,226 and the future income tax recovery of \$241,724.

The Company's operating expenses for fiscal 2006 were \$820,762 compared to \$836,591 in fiscal 2005. Significant expenditures were incurred in the following categories:

- General exploration costs were \$339,038 in 2006 compared to \$157,509 in 2005 due to increased activities in the Jujuy area.
- Corporate development and investor relations of \$110,928 in 2006 increased by \$86,769 from \$24,159 in 2005 as a result of additional fees paid for public relations advisory services and for attendance at industry conferences.
- Salaries and employee benefits were \$159,479 in 2006 compared to \$125,719 in 2005. The increases in salaries and employee benefits are a result of increased activities occurring in fiscal 2006. Salaries and employee benefits expense are an allocation of fees paid to Grosso Group Management Ltd. (the "Grosso Group").
- Office and sundry costs increased \$22,066 to \$56,302 in 2006 from \$34,236 in 2005 a result of increased activities. Office and sundry costs include an allocation of fees paid to the Grosso Group.
- Rent, parking and storage of \$67,908 in 2006 compared to \$61,269. Rent, parking and storage is primarily comprised of fees paid to the Grosso Group.
- The Company incurred \$Nil stock-based compensation in 2006 compared to \$350,327 in 2005 as no stock options were issued in the current year. Stock-based compensation is the estimated fair value of stock options granted to employees, directors and consultants in the period.

Other items resulted in a net expense of \$134,102 in the 2006 period, a net increase of \$314,949 from the other income items of \$180,847 in the 2005 period. The increase in other expense items was mainly due to the \$716,249 mineral property write-down and the \$66,644 marketable securities write-down, partially offset by the \$461,226 gain on the disposition of marketable securities and the \$126,000 gain on the optioning of properties. Additionally, the Company earned interest income during 2006 of \$66,918 compared to \$38,780 in 2005 as a result of increases in funds on deposit and short-term investments.

A future income tax recovery of \$241,724 was recorded in 2006 as a result of the write-down of the Chubut area mineral properties and the recognition of a portion of the Company's tax loss carryforwards.

During the year ended December 31, 2006 the Company capitalized \$266,499 of expenditures on the Jujuy properties, \$11,813 on the Valle de Cura properties and \$9,037 on the Gualcamayo properties in Argentina and capitalized a net of \$38,451 on the Rio Tabaconas properties in Peru.

Liquidity and Capital Resources

The Company's cash position at December 31, 2006, was \$622,834 compared to \$850,965 at December 31, 2005. Short-term investments balance increased to \$1,078,251 at December 31, 2006 from \$1,000,000 at December 31, 2005. Marketable securities were \$549,861 at December 31, 2006 compared to \$683,715 at December 31, 2005. Total assets decreased by \$679,839 to \$9,560,980 at December 31, 2006 from \$10,240,819 at December 31, 2005 primarily due to decreased cash and cash equivalents and a reduction in mineral properties and deferred costs as a result of the write-off of the Company's Chubut properties.

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 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.

The Company has not nor does expect to engage in currency hedging to offset any risk of currency fluctuations.

Operating Cash Flow

Cash outflow from operating activities was \$763,020 for the year ended December 31, 2006 compared to \$435,752 for the year ended December 31, 2005 as a result of increased administrative activities.

Financing Activities

During fiscal 2006, the Company received \$347,110 from the issue of common shares on exercise of warrants. During fiscal 2005, the Company received \$145,867 from the issue of common shares on the exercise of warrants issued prior to its Reorganization in 2004 ("IMA warrants"). As at December 31, 2005, there were no further IMA warrants outstanding.

In March 2007, the Company received \$1,007,500 from the issuance of 1,550,000 units through a non-brokered private placement. Each unit consists of one common share and one common share purchase warrant.

Investing Activities

During fiscal 2006, \$388,406 (2005 - \$459,333) was expended by the Company on its mineral properties, an additional \$78,251 (\$2005 - \$1,000,000) was deposited in short-term investments and \$654,436 (2005 - \$9,914) was realized from the sale of marketable securities.

Related Party Transactions

The Company has certain common directors and officers with IMA and Amera.

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, Amera, Gold Point Energy Corp. and Astral Mining Corporation, 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 fiscal 2006, the Company incurred fees of \$281,410 (2005 - \$203,702) to the Grosso Group. As at December 31, 2006, \$40,533 (2005 - \$37,246) owing to the Grosso Group is included in accounts payable.

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 fees are equivalent to costs the Company would have incurred directly.

Included in other receivables, prepaids and deposits is an \$85,000 (2005 - \$85,000) unsecured deposit to the Grosso Group for the purchase of equipment and leasehold improvements and for operating working capital.

Contractual Commitments

As of December 31, 2006, the Company had the following option payment and expenditure commitments:

	Less than 1 year	1 to 3 years	Greater than 3 years	Total
Lirio Property, Other Properties, Argentina - Option Payment	US \$145,000	\$ -	\$ -	\$ -
Total	US \$145,000	\$ -	\$ -	\$ -

In addition to the above commitments, the Company is required to make payments of US \$1,315,000 to earn its 100% interest in the Rio Tabaconas property in Peru. On June 28, 2002, the Company suspended exploration activities on this property in response to the local community expressing its concerns with mineral exploration activities. Accordingly, the Company declared force majeure, as allowed under its option agreement, and has deferred payment of the remaining option payments until the force majeure is discontinued. Additionally, the Company currently is paying the optionor US\$3,000 per month as compensation during this waiting period.

Critical Accounting Policies

Reference should be made to the Company's significant accounting policies contained in Note 2 of the Company's December 31, 2006 and 2005 consolidated financial statements. These accounting policies can have a significant impact of the financial performance and financial position of the Company.

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. 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.

On June 29, 2006 the Chubut provincial government announced a 36 month metallic mining suspension in western Chubut Province which directly affects the Company's Laguna de los Toros, Costa and Corcovado properties. In November 2006, the government announced that the area encompassed by the three year suspension of metallic mining had been enlarged. This ban on mining activity now encompasses all of the Company's properties in Chubut. Accordingly, the Company wrote off the carrying value of \$716,249 of these properties during the year ended December 31, 2006. In fiscal 2005 no impairment of long-lived assets was identified.

Financial Instruments

The fair value of the Company's financial instruments consisting of cash and cash equivalents, short-term investments, other receivables and accounts payable and accrued liabilities approximate their carrying values due to the short-term nature of those instruments. As of December 31, 2006, the market value of marketable securities was \$549,861 (2005 - \$1,072,045).

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 and Peru. 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 Control and Procedures

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 will take whatever steps necessary to minimize the consequences thereof.

Internal Controls over Financial Reporting

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, 2006, 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. During fiscal 2006, the Company announced an investor relations agreement, with Investor Relations Services Group John Mullen & Partners ("IRS") to provide investor relations services in Europe, for a one year term. IRS, headquartered in Zurich, Switzerland, has extensive experience in dealing with German-speaking financial audiences of Europe. Additionally, in March 2007, the Company announced that it had entered into an agreement with Prosper Financial Inc. ("Prosper") to provide investor relations services. This agreement is subject to regulatory approval. Mr. Robert Miller of Prosper, will be responsible for the provision of these services to the Company. Prosper, based in Miami Florida, provides clients with innovative investor relations strategies, using telephone, e-mail and website information dissemination.

The Company also maintains a website at www.goldenarrowresources.com.

New Accounting Pronouncements in Canada

Financial Instruments

On January 27, 2005, the Canadian Institute of Chartered Accountants ("CICA") issued Section 3855 of the Handbook titled Financial Instruments - Recognition and Measurement. It expands Handbook Section 3860, Financial Instruments - Disclosure and Presentation, by prescribing when a financial instrument is to be recognized

on the balance sheet and at what amount. It also specifies how financial instrument gains and losses are to be presented. All financial instruments will be required to be classified in various categories. Held to maturity investments, loans and receivables are measured at amortized cost with amortization of premium, or discounts and losses or impairment included in current period interest income or expense. Held for trading financial assets and liabilities are measured at fair market value with all gains and losses included in net income in the period in which they arise. All available for sale financial assets are measured at fair market value with revaluation gains and losses included in other comprehensive income until the asset is removed from the balance sheet and losses due to impairment included in net income. All other financial liabilities are to be carried at amortized cost. This new Handbook Section will bring Canadian GAAP more in line with U.S. GAAP. The mandatory effective date is for fiscal years beginning on or after October 1, 2006. The Company intends to adopt this standard in its fiscal year ending December 31, 2007. The Company is currently reviewing the section to determine the potential impact, if any, on its consolidated financial statements

Comprehensive Income

Handbook Section 1530, Comprehensive Income, introduces a requirement to temporarily present certain gains and losses outside of income. Section 1530 defines comprehensive income as a change in value of net assets that is not due to owner activities. Assets that are classified as available for sale will have revaluation gains and losses included in other comprehensive income until the asset is removed from the balance sheet. The mandatory effective date is for fiscal years beginning on or after October 1, 2006. The Company intends to adopt this standard in its fiscal year ending December 31, 2007. The Company is currently reviewing the section to determine the potential impact, if any, on its consolidated financial statements.

Hedge Accounting

Handbook Section 3865, "Hedges" provides alternative treatments to Handbook Section 3855 for entities which choose to designate qualifying transactions as hedges for accounting purposes. The effective date of this section is for fiscal years beginning on or after October 1, 2006. The Company intends to adopt this standard in its fiscal year ending December 31, 2007. The Company does not currently have any hedging relationships.

Off Balance Sheet Arrangements

The Company does not have any off balance sheet arrangements.

Outstanding Share Data

The Company's authorized share capital is an unlimited number of common shares without par value. As at December 31, 2006, there were 8,224,155 outstanding common shares, nil outstanding warrants and 749,000 outstanding and exercisable stock options with an exercise price of \$0.75 per share.

As of April 19, 2007, there were 9,774,155 common shares, 794,000 stock options and 1,550,000 warrants outstanding.