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# **GOLDEN ARROW RESOURCES CORPORATION**

*(An Exploration Stage Company)*

INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED  
MARCH 31, 2007 and 2006

*(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 three months ended March 31, 2007 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**

<i>(Unaudited)</i> <i>(Expressed in Canadian Dollars)</i>	<b>March 31,</b> <b>2007</b> \$	<b>December 31,</b> <b>2006</b> \$
<b>A S S E T S</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	1,659,952	622,834
Short-term investments (Note 3)	177,225	1,078,251
Other receivables, prepaids and deposits	191,158	137,562
Marketable securities (Note 4)	549,861	549,861
Subscription receivable (Note 6)	<u>250,250</u>	<u>-</u>
	2,828,446	2,388,508
<b>MINERAL PROPERTIES AND DEFERRED COSTS (Note 5)</b>	<u>7,322,561</u>	<u>7,172,472</u>
	<u><u>10,151,007</u></u>	<u><u>9,560,980</u></u>
<b>L I A B I L I T I E S</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	79,616	116,990
<b>FUTURE INCOME TAX LIABILITY</b>	<u>831,542</u>	<u>829,350</u>
	911,158	946,340
<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>	3,051,567	2,347,138
<b>WARRANTS (Note 6)</b>	297,534	-
<b>CONTRIBUTED SURPLUS</b>	12,219,252	12,219,252
<b>DEFICIT</b>	<u>(6,328,504)</u>	<u>(5,951,750)</u>
	<u>9,239,849</u>	<u>8,614,640</u>
	<u><u>10,151,007</u></u>	<u><u>9,560,980</u></u>
<b>NATURE OF OPERATIONS (Note 1)</b>		
<b>COMMITMENTS (Note 5)</b>		
<b>CONTINGENCY (Note 9)</b>		
<b>APPROVED BY THE BOARD OF DIRECTORS</b>		
<u>“Joseph Grosso”</u>	, Director	
<u>“Arthur Lang”</u>	, 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)*

*(Expressed in Canadian Dollars)*

	<b>Three Months Ended March 31,</b>	
	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
<b>EXPENSES</b>		
Corporate development and investor relations	27,060	12,639
General exploration	185,219	63,562
Office and sundry	18,786	9,727
Printing	8,433	3,692
Professional fees	12,025	10,302
Rent, parking and storage	14,003	18,349
Salaries and employee benefits	87,134	26,355
Telephone and utilities	2,096	1,846
Transfer agent and regulatory fees	6,167	5,494
Travel and accommodation	22,459	92
	<u>383,382</u>	<u>152,058</u>
<b>LOSS BEFORE OTHER ITEMS</b>	(383,382)	(152,058)
<b>OTHER INCOME (EXPENSE)</b>		
Foreign exchange	(6,749)	(1,725)
Gain on disposition of marketable securities	-	3,007
Interest and other income	13,377	13,973
	<u>6,628</u>	<u>15,255</u>
<b>LOSS FOR THE PERIOD</b>	(376,754)	(136,803)
<b>DEFICIT - BEGINNING OF PERIOD</b>	<u>(5,951,750)</u>	<u>(5,238,610)</u>
<b>DEFICIT - END OF PERIOD</b>	<u>(6,328,504)</u>	<u>(5,375,413)</u>
 <b>BASIC AND DILUTED LOSS PER COMMON SHARE</b>	<u>(0.04)</u>	<u>(0.02)</u>
 <b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING</b>	<u>8,379,155</u>	<u>7,790,267</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 CHANGES IN SHAREHOLDERS' EQUITY***(Unaudited)**(Expressed in Canadian Dollars)*

	<b>Three Months Ended March 31,</b>	
	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
<b>SHARE CAPITAL</b>		
Balance at beginning of period	2,347,138	2,000,028
Private placement	1,007,500	-
Warrant valuation	(297,534)	-
Share issue costs	<u>(5,537)</u>	<u>-</u>
Balance at end of period	<u>3,051,567</u>	<u>2,000,028</u>
<b>WARRANTS</b>		
Balance at beginning of period	-	-
Warrants issued	<u>297,534</u>	<u>-</u>
Balance at end of period	<u>297,534</u>	<u>-</u>
<b>CONTRIBUTED SUPRLUS</b>		
Balance at beginning and end of period	<u>12,219,252</u>	<u>12,219,252</u>
<b>DEFICIT</b>		
Balance at beginning of period	(5,951,750)	(5,238,610)
Loss for the period	<u>(376,754)</u>	<u>(136,803)</u>
Balance at end of period	<u>(6,328,504)</u>	<u>(5,375,413)</u>
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<u>9,239,849</u>	<u>8,843,867</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)*

*(Expressed in Canadian Dollars)*

	<b>Three Months Ended March 31,</b>	
	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
<b>CASH PROVIDED FROM (USED FOR)</b>		
<b>OPERATING ACTIVITIES</b>		
Net loss for the period	(376,754)	(136,803)
Items not affecting cash		
Gain on sale of marketable securities	-	(3,007)
	(376,754)	(139,810)
Changes in non-cash working capital balances	(341,220)	(53,932)
	(717,974)	(193,742)
<b>INVESTING ACTIVITIES</b>		
Expenditures on mineral properties and deferred costs	(147,897)	(23,418)
Decrease (Increase) in short-term investments	901,026	(1,000,000)
Net proceeds on sale of marketable securities	-	6,716
	753,129	(1,016,702)
<b>FINANCING ACTIVITIES</b>		
Issuance of common shares and warrants	1,007,500	-
Share issue costs	(5,537)	-
	1,001,963	-
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	1,037,118	(1,210,444)
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD</b>	622,834	1,850,965
<b>CASH AND CASH EQUIVALENTS - END OF PERIOD</b>	1,659,952	640,521
<b>CASH AND CASH EQUIVALENTS ARE COMPRISED OF:</b>		
Cash	1,456,666	461,224
Money market investments	203,286	179,297
	1,659,952	640,521

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

**GOLDEN ARROW RESOURCES CORPORATION**  
*(An Exploration Stage Company)*  
**CONSOLIDATED SCHEDULE OF MINERAL PROPERTIES AND DEFERRED COSTS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2007**

*(Unaudited)*  
*(Expressed in Canadian Dollars)*

	Argentina				Peru	Total
	Valle de Cura \$	Jujuy \$	Gualcamayo \$	Other \$	Rio Tabaconas \$	\$
Balance - beginning of period	2,120,797	306,267	281,026	221,216	4,243,166	7,172,472
Expenditures						
Acquisition costs	29,257	-	-	-	10,550	39,807
Assays	-	197	-	-	-	197
Environmental	-	11,198	-	-	-	11,198
Office	-	6,493	-	-	62	6,555
Salaries and contractors	-	21,728	-	-	36,571	58,299
Transportation	-	15,108	-	-	3,954	19,062
Foreign value added tax	4,114	7,201	-	-	1,464	12,779
	33,371	61,925	-	-	52,601	147,897
Future income tax liability	-	1,891	-	-	301	2,192
Balance - end of period	2,154,168	370,083	281,026	221,216	4,296,068	7,322,561

*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 THREE MONTHS ENDED MARCH 31, 2007**  
*(Unaudited – 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.

The Company considers that it has adequate resources to maintain its core operations for the balance of the 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. 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.

*New accounting policies*

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

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

**GOLDEN ARROW RESOURCES CORPORATION**  
*(An Exploration Stage Company)*  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2007**  
*(Unaudited – Expressed in Canadian Dollars)*

**2. SIGNIFICANT ACCOUNTING POLICIES** (continued)

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

The Company has designated its financial instruments as follows:

- (i) Cash and short-term investments are classified as “*Available-for-sale*”. Due to their short-term nature, their carrying value is equal to their fair value.
- (ii) Marketable securities are classified as “*Available-for-sale*”. The fair value is obtained by reference to the closing quoted market price on the balance sheet date.
- (iii) Other receivables, prepaids and deposits and subscription receivable are classified as “*Loans and Receivables*”. These financial assets are recorded at values that approximate their amortized cost using the effective interest method.
- (iv) Accounts payable and accrued liabilities are classified as “*Other Financial Liabilities*”. These financial liabilities are recorded at values that approximate their amortized cost using the effective interest method.

As a result of adopting Section 3855, on January 1, 2007:

- interest accrued from short-term investments in the amount of \$6,870 was reclassified from other receivables, prepaids and deposits to short-term investments
  - interest accrued from cash and cash equivalents in the amount of \$380 was reclassified from other receivables, prepaids and deposits to cash and cash equivalents
- (b) Section 1530, *Comprehensive Income*, introduces a new financial statement “Statement of Comprehensive Income” and provides guidance for the reporting and display of other comprehensive income. Comprehensive income represents the change in equity of an enterprise during a period from transactions and other events arising from non-owner sources including gains and losses arising on translation of self-sustaining foreign operations, gains and losses from changes in fair value of available for sale financial assets and changes in the fair value of the effective portion of cash flow hedging instruments. The Company has not recognized any adjustments through other comprehensive income for the three months ended March 31, 2007.
  - (c) Section 3865, *Hedges* specifies the criteria under which hedge accounting may be applied, how hedge accounting should be performed under permitted hedging strategies and the required disclosures. This standard did not have an impact on the Company for the three months ended March 31, 2007.

*Comparative Figures*

Certain of the prior period comparative figures have been reclassified to conform to the current period’s presentation.

**GOLDEN ARROW RESOURCES CORPORATION**  
*(An Exploration Stage Company)*  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2007**  
*(Unaudited – Expressed in Canadian Dollars)*

**3. SHORT-TERM INVESTMENTS**

As at March 31, 2007 and December 31, 2006, the Company held short-term investments comprised of the following:

	2007	
	Maturity	Fair Value \$
12 month term deposit		
- 4.0% annual interest rate		
- \$175,000 principal amount	December 4, 2007	177,225
		<u>177,225</u>
	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>478,251</u>
		<u>1,078,251</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.

**4. MARKETABLE SECURITIES**

At March 31, 2007, marketable securities had a quoted market value of \$549,861 (December 31, 2006 - \$549,861). The Company has designated its marketable securities as financial assets available-for-sale and accordingly, changes to their fair value are recorded in other comprehensive income in the period they occur (see Note 2). The Company holds these marketable securities as a result of entering into option and sale for certain of its mineral property holdings in Argentina.

**5. MINERAL PROPERTIES AND DEFERRED COSTS**

	March 31, 2007			December 31, 2006		
	Acquisition Costs \$	Deferred Exploration Costs \$	Total \$	Acquisition Costs \$	Deferred Exploration Costs \$	Total \$
Argentina						
Valle de Cura	572,932	1,581,236	2,154,168	543,675	1,577,122	2,120,797
Jujuy	1,864	368,219	370,083	1,864	304,403	306,267
Gualcamayo	26,301	254,725	281,026	26,301	254,725	281,026
Other	18,802	202,414	221,216	18,802	202,414	221,216
	<u>619,899</u>	<u>2,406,594</u>	<u>3,026,493</u>	<u>590,642</u>	<u>2,338,664</u>	<u>2,929,306</u>
Peru						
Rio Tabaconas	999,652	3,296,416	4,296,068	989,102	3,254,064	4,243,166
	<u>1,619,551</u>	<u>5,703,010</u>	<u>7,322,561</u>	<u>1,579,744</u>	<u>5,592,728</u>	<u>7,172,472</u>

**GOLDEN ARROW RESOURCES CORPORATION**  
*(An Exploration Stage Company)*  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2007**  
*(Unaudited – Expressed in Canadian Dollars)*

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

(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 March 31, 2007, the Company must make further payments with respect to option agreements on the properties totalling US \$120,000 (US \$50,000 payment is due on July 31, 2007 and US \$70,000 payment due on December 31, 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

(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 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 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. In 2006, the Company renegotiated the option agreement on Rio Tabaconas project and starting July 2006 commenced paying US\$3,000 per month to the optionor. The force majeure is still in effect as at March 31, 2007.

(c) Mogote Property, Argentina

The Company has agreements with Amera Resources Corporation ("Amera"), a publicly traded company with common management and directors, whereby the Company optioned its Mogote Property in the NW San Juan Region of Argentina. Amera has the option to earn a 51% interest in the 8,009 hectare Mogote Property by issuing a total of 1,650,000 common shares of Amera to the Company and by incurring US \$1.25 million of expenditures, including work programs and underlying option payments, all over a five year period ending July 1, 2007 (the final underlying option payment was paid on June 6, 2005). Amera has reimbursed the Company for past payments made and expenditures which had been incurred by the Company on the Mogote Property.

**GOLDEN ARROW RESOURCES CORPORATION**  
(An Exploration Stage Company)

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE THREE MONTHS ENDED MARCH 31, 2007**

*(Unaudited – Expressed in Canadian Dollars)*

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

As at March 31, 2007, Amera had incurred the full amount of expenditures required to earn its initial 51% interest in the Mogote property and had issued 750,000 shares to the Company (the shares had an ascribed value of \$329,000). Amera must issue a further 900,000 shares to the Company by July 1, 2007 in order to fulfill all requirements to earn this 51% interest.

The Company and Amera entered into a further agreement on the Mogote property on April 8, 2004 which was subsequently revised in May 2006. Under the agreement Amera can earn an additional 24% interest in the Mogote property, for a total 75% interest, by issuing 300,000 common shares to the Company (issued) and conducting an additional US \$3 million of exploration expenditures. On May 14, 2007, Amera gave notice to the Company that it will not incur the additional expenditures required in order to earn the additional 24% interest.

(d) Poncha Project, Argentina

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 11 for additional discussion).

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.

**6. SHARE CAPITAL**

Authorized: unlimited common shares without par value

Issued:	March 31, 2007		December 31, 2006	
	Shares	Amount \$	Shares	Amount \$
Balance, beginning of period	8,224,155	2,347,138	7,790,267	2,000,028
Issued during the period for:				
Private placement	1,550,000	1,007,500	-	-
Warrant valuation	-	(297,534)		
Share issue costs	-	(5,537)		
Exercise of warrants	-	-	433,888	347,110
Balance, end of period	9,774,155	3,051,567	8,224,155	2,347,138

(a) During the 3 months ended March 31, 2007, 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. The fair value assigned to the warrants was \$297,534. The warrants were valued using the Black-Scholes Pricing Model at \$0.19 per warrant on the following assumptions: dividend yield 0%, risk-free rate 4.0%, expected volatility 96% and expected life of 12 months.

**GOLDEN ARROW RESOURCES CORPORATION**  
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**6. SHARE CAPITAL (continued)**

At March 31, 2007, the Company has recorded a subscription receivable balance of \$250,250 relating to proceeds from this private placement which had not been received at the end of the period. These proceeds were received in April 2007 (see Note 11 below).

(b) Stock options and stock based compensation

The Company has established a rolling stock option plan (the "Plan"), in which the maximum number of common shares which can be reserved for issuance under the Plan is 10% of the issued and outstanding shares of the Company. The exercise price of the options is set at the Company's closing share price on the grant date, less allowable discounts in accordance with the policies of the TSX Venture Exchange.

At March 31, 2007 the Company has 749,000 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 three months ended March 31, 2007.

(c) Warrants

A summary of the number of common shares reserved pursuant to the Company's outstanding warrants and agents warrants outstanding at March 31, 2007 and the changes for the three months ended March 31, 2007 is as follows:

	<b>Number</b>	<b>Value (\$)</b>
Balance, beginning of period	-	-
Issued	<u>1,550,000</u>	<u>297,534</u>
Balance, end of period	<u><u>1,550,000</u></u>	<u><u>297,534</u></u>

Common shares reserved pursuant to warrants outstanding at March 31, 2007 are as follows:

<b>Number</b>	<b>Exercise Price \$</b>	<b>Expiry Date</b>
<u>1,550,000</u>	<u>0.80</u>	March 22, 2009

**7. RELATED PARTY TRANSACTIONS**

The Company engages 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, Astral Mining Corporation, Gold Point Energy Corp. and Blue Sky Uranium 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 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.

**GOLDEN ARROW RESOURCES CORPORATION**  
*(An Exploration Stage Company)*  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2007**  
*(Unaudited – Expressed in Canadian Dollars)*

**7. RELATED PARTY TRANSACTIONS (continued)**

During the three months ended March 31, 2007, the Company incurred fees of \$117,275 (2006 - \$54,444) to the Grosso Group: \$112,500 (2006 - \$60,237) was paid in monthly payments and \$4,775 is included in accounts payable and accrued liabilities (2006 - \$5,793 was included in other receivables, prepaids and deposits) as a result of a review of the allocation of the Grosso Group costs to the member companies for the period. In addition, included in other receivables, prepaids and deposits is an \$85,000 (2006 - \$85,000) deposit to the Grosso Group for the purchase of equipment and leasehold improvements and for operating working capital.

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.

**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:

	March 31, 2007			
	Corporate Canada \$	Mineral Operations Argentina \$	Mineral Operations Peru \$	Total \$
Current assets	2,607,312	83,165	137,969	2,828,446
Mineral properties and deferred costs	-	3,026,493	4,296,068	7,322,561
	<u>2,607,312</u>	<u>3,109,658</u>	<u>4,434,037</u>	<u>10,151,007</u>
	December 31, 2006			
	Corporate Canada \$	Mineral Operations Argentina \$	Mineral Operations Peru \$	Total \$
Current assets	2,297,912	79,758	10,838	2,388,508
Mineral properties and deferred costs	-	2,929,306	4,243,166	7,172,472
	<u>2,297,912</u>	<u>3,009,064</u>	<u>4,254,004</u>	<u>9,560,980</u>

**9. 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.

**GOLDEN ARROW RESOURCES CORPORATION**  
*(An Exploration Stage Company)*

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE THREE MONTHS ENDED MARCH 31, 2007**

*(Unaudited – Expressed in Canadian Dollars)*

**9. CONTINGENCY** (continued)

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 March 31, 2007.

**10. FINANCIAL INSTRUMENTS**

The Corporation's financial instruments are comprised of cash, short-term investments, marketable securities, other receivables, prepaids and deposits, subscription receivable and accounts payable and accrued liabilities.

The fair values of cash, short-term investments, other receivables, prepaids and deposits, subscription receivable and accounts payable and accrued liabilities approximate their carrying values due to the short-term nature of these instruments.

The fair value of marketable securities is obtained by reference to the closing quoted market price on the balance sheet date.

**11. SUBSEQUENT EVENTS**

Subsequent to March 31, 2007:

- (a) 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). To increase its interest to 65% Teck Cominco would need to spend a further US\$10,000,000. 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.

- (b) the Company received the subscription receivable balance of \$250,250 relating to proceeds from a private placement which was outstanding as at March 31, 2007.

**GOLDEN ARROW RESOURCES CORPORATION**  
*(An Exploration Stage Company)*  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2007**  
*(Unaudited – Expressed in Canadian Dollars)*

**11. SUBSEQUENT EVENTS** (continued)

- (c) the Company announced a non-brokered private placement financing of up to 4,500,000 units at a price of \$1.25 per unit, subject to regulatory approval. Each unit will consist of one common share and one half of a common share purchase warrant. Each full warrant will entitle the holder to purchase one common share in the capital of the Company, exercisable at a price of \$1.50 during year one and \$1.90 during year two. A finder's fee of 6% may be payable on part of the financing.

**GOLDEN ARROW RESOURCES CORPORATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2007**

**Introduction**

The following management discussion and analysis and financial review, prepared as of May 30, 2007, should be read in conjunction with the Company's unaudited interim consolidated financial statements for the three months ended March 31, 2007 and audited consolidated financial statements and related notes for the year ended December 31, 2006. 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](http://www.sedar.com).

**Forward Looking Statements**

Certain of the statements made and information contained herein is "forward- looking information" within the meaning of the Ontario Securities Act or "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934 of the United States. Forward-looking statements are subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking statements, including, without limitation, risks and uncertainties relating to foreign currency fluctuations; risks inherent in mining including environmental hazards, industrial accidents, unusual or unexpected geological formations, risks associated with the estimation of mineral resources and reserves and the geology, grade and continuity of mineral deposits; the possibility that future exploration, development or mining results will not be consistent with the Company's expectations; the potential for and effects of labour disputes or other unanticipated difficulties with or shortages of labour; the inherent uncertainty of future production and cost estimates and the potential for unexpected costs and expenses, commodity price fluctuations; uncertain political and economic environments; changes in laws or policies, foreign taxation, delays or the inability to obtain necessary governmental permits; and other risks and uncertainties, including those described under Risk Factors Relating to the Company's Business in each management discussion and analysis. Forward-looking information is in addition based on various assumptions including, without limitation, the expectations and beliefs of management, the assumed long term price of gold; that the Company can access financing, appropriate equipment and sufficient labour and that the political environment within Argentina and Peru will continue to support the development and operation of mining projects. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking statements. Accordingly, readers are advised not to place undue reliance on forward-looking statements.

**Overview**

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

The Company is a natural resource company engaged in the business of acquisition and exploration of mineral properties in Argentina 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. For a more detailed discussion of the acquisition and development of the Company's principal properties prior to January 1, 2007, reference should be made to the December 31, 2006 Management Discussion and Analysis.

### ***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.

#### *Jujuy*

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

#### *Antiguyo Gold Property, Jujuy*

The Antiguyo I and II, together cover 5,643 hectares. In 2006 surface channel sampling, soil grid sampling and composite talus fines sampling programs were carried out on the southern portion of the property and reconnaissance sampling was carried out over the northern portion. Several high-grade gold-bearing quartz veins have been identified on the southern portion of the property. The Company is currently evaluating potential drill targets on the property.

#### *San Jose Gold Property, Jujuy*

The San Jose gold property covers 1,985 hectares in the Sierra Rinconada. The property hosts high-grade gold quartz vein occurrences and stockwork-related bulk-tonnage style gold mineralization. Rock sampling, phase I and II soil programs and phase I and II trenching programs were carried out in 2006. With the results reported to date, the Company has now identified four significant zones along a 1.2km trend with bulk-tonnage gold grades on the project. Future exploration on the San Jose gold property will be oriented towards gaining better definition on the known zones and to refining drill targets. A 2500m drill program has been permitted and is scheduled to be carried out in Q3 2007.

#### *Timon Cruz Gold Property, Jujuy*

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

#### *Gualcamayo, San Juan*

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 airborne geophysical surveying and drilling programs in 2007. In addition the Company has a 1% NSR on Yamana Gold Inc.'s (formerly Viceroy Exploration Ltd.) Gualcamayo advanced stage project, which is well on the way to production.

### *Poncha, San Juan*

In April 2007, the Company entered into an option agreement with Teck Cominco Limited through its subsidiary Teck Cominco Argentina Ltd. ("Teck Cominco") to earn an undivided 100% interest in 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). To increase its interest to 65% Teck Cominco would need to spend a further US\$10,000,000. 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.

A 10-12 hole 3,000m diamond drill program is currently underway on the Poncha gold-copper project. Two diamond drill rigs have been mobilized to the project in order to facilitate a more rapid and cost-effective program.

Teck Cominco has discovered a potentially large gold-mineralized hydrothermal system on the Poncha property with two target-types identified. A bulk tonnage gold-copper zone in a porphyry environment occurs on the northern part of the property; samples have assayed up to 7,200 ppm copper and 4.7 g/t gold, and a structural and breccia-related higher-grade gold target in an epithermal setting is located 2km to the south; grab samples have yielded up to 42.49 g/t gold. The current drill program will initially focus on the 2km by 2km southern gold target.

The work to date on the Poncha Project was carried out by Teck Cominco. All analytical work was carried out by Alex Stewart (Assayers) Argentina S.A., an internationally accredited assay laboratory. Dr. David A., Terry, P.Geo., a Qualified Person for Golden Arrow Resources Corporation has also reviewed the technical information.

### *Other*

The Company has agreements with Amera Resources Corporation ("Amera"), a publicly traded company with common management and directors, whereby the Company optioned its Mogote Property in the NW San Juan Region of Argentina. Amera has the option to earn a 51% interest in the 8,009 hectare Mogote Property by issuing a total of 1,650,000 common shares of Amera to the Company and by incurring US \$1.25 million of expenditures, including work programs and underlying option payments, all over a five year period ending July 1, 2007 (the final underlying option payment was paid on June 6, 2005). Amera has reimbursed the Company for past payments made and expenditures which had been incurred by the Company on the Mogote Property.

As at March 31, 2007, Amera had incurred the full amount of expenditures required to earn its initial 51% interest in the Mogote property and had issued 750,000 shares to the Company (the shares had an ascribed value of \$329,000). Amera must issue a further 900,000 shares to the Company by July 1, 2007 in order to fulfill all requirements to earn this 51% interest.

The Company and Amera entered into a further agreement on the Mogote property on April 8, 2004 which was subsequently revised in May 2006. Under the agreement Amera can earn an additional 24% interest in the Mogote property, for a total 75% interest, by issuing 300,000 common shares to the Company (issued) and conducting an additional US \$3 million of exploration expenditures. On May 14, 2007, Amera gave notice to the Company that it will not incur the additional expenditures required in order to earn the additional 24% interest.

Amera carried out exploration drilling programs on the Mogote property in 2004 and 2005 to test the Filo Este and Filo Central targets. Wide intercepts of anomalous copper-gold mineralization were encountered in each drill program.

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

The Company's Argentine-based exploration team is currently conducting exploration programs to assess a number of the properties currently in its portfolio and initiating generative programs to identify targets in high-potential mineral districts in Argentina such as western Jujuy. In addition the Company is currently evaluating a number of potential acquisitions. The Company will continue to lever its exploration expenditures through joint-venturing projects with high quality partners.

### **Peru**

#### *Rio Tabaconas*

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

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

### **Colombia**

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

### **Selected Quarterly Financial Information**

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.

	2007	2006				2005		
	March 31	Dec. 31	Sept. 30	Jun. 30	Mar. 31	Dec. 31	Sept. 30	Jun. 30
	\$	\$	\$	\$	\$	\$	\$	\$
Revenues	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Net (Loss) Income for the period	(376,754)	(617,468)	(99,953)	141,084	(136,803)	(41,778)	(390,281)	(159,628)
(Loss) income per Common Share - Basic and Diluted	(0.04)	(0.08)	(0.01)	0.02	(0.02)	(0.01)	(0.05)	(0.02)

### **Summary of Financial Results**

The Company reported a consolidated loss of \$376,754 (\$0.04 per share) during the three months ended March 31, 2007 an increase of \$239,951 from the loss of \$136,803 (\$0.02 per share) for the three months ended March 31, 2006. The increase in consolidated loss in the 2007 period is due to the number of factors of which \$231,324 can be attributed to an increase in operating expenses and an \$8,627 decrease in other income items.

## **Results of Operations**

The Company's operating expenses for three months ended March 31, 2007 were \$383,382 compared to \$152,058 in the period ended March 31, 2006. Significant expenditures were incurred in the following categories:

- (i) Salaries increased \$60,779 to \$87,134 in the 2007 period due to increases in staff and activity levels. The salary expense is comprised of an allocation of fees from Grosso Group Management Ltd. ("Grosso Group" – see discussion in related parties below).
- (ii) General exploration increased to \$185,219 in the 2007 period from \$63,562 in the 2006 period due to the increase of exploration activities in Argentina, Colombia and Peru.
- (iii) Corporate development and investor relations costs increased \$14,421 primarily due to increased participation in investor and industry conferences in the 2007 period.
- (iv) Office and sundry expenses increased \$9,059 to \$18,786 in the 2007 period from \$9,727 in the 2006 period as a result of increased activity levels in 2007. The office and sundry expense is primarily comprised of an allocation of fees from the Grosso Group.
- (v) Travel and accommodation expenses increased \$22,367 to \$22,459 in the 2007 as a result of increased exploration related travel as well as increased travel to investor and industry conferences.

During the three months period ended March 31, 2007 the Company capitalized \$63,816 of expenditures on the Jujuy Properties, \$33,371 on the Valle de Cura properties, and 52,902 on the Rio Tabaconas property.

## **Liquidity and Capital Resources**

The Company's cash position at March 31, 2007, was \$1,659,952 compared to \$622,834 at December 31, 2006, with working capital of \$2,748,830 compared to \$2,271,518 at December 31, 2006. Short-term investments balance decreased to \$177,225 at March 31, 2007 from \$1,078,251 at December 31, 2006. The subscription receivable of \$250,250 that was outstanding as of March 31, 2007 from the March private placement was received in April 2007. There was no subscription receivable balance outstanding as of December 31, 2006. Total assets increased \$590,027 to \$10,151,007 at March 31, 2007 from \$9,560,980 at December 31, 2006. This increase is primarily due to the increase in the cash, the subscription receivable balance, and the exploration expenditures incurred in the 2007 period which were capitalized to mineral properties and deferred costs and is partially offset by the decrease in short-term investments.

As the Company is an exploration stage company, revenues are limited to interest earned on cash held with the Company's financial institutions. In the period ended March 31, 2007 the Company recorded interest income of \$13,377 compared to \$13,973 in the period ended March 31, 2006.

The Company has financed its operations through the sale of its equity securities. On March 22, 2007, the Company completed a non-brokered private placement financing of 1,550,000 units at a price of \$0.65 per unit. 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. The fair value assigned to the warrants was \$297,534. The warrants were valued using the Black-Scholes Pricing Model at \$0.19 per warrant on the following assumptions: dividend yield 0%, risk-free rate 4.0%, expected volatility 96% and expected life of 12 months.

In addition, on May 14, 2007 the Company announced a non-brokered private placement financing of up to 4,500,000 units at a price of \$1.25 per unit, subject to regulatory approval. Each unit will consist of one common share and one half of a common share purchase warrant. Each full warrant will entitle the holder to purchase one common share in the capital of the Company, exercisable at a price of \$1.50 during year one and \$1.90 during year two. The Company expects the private placement to be completed on May 31, 2007. The proceeds will be used to advance exploration on projects in Argentina and for general working capital. The placement securities will be issued subject to a four-month hold period. A finder's fee of 6% may be payable on part of the financing.

During the three months ended March 31, 2007, the Company received \$Nil (2006 - \$Nil) from the exercise of warrants and options. As at May 30, 2007, the Company had working capital of approximately \$2,000,000.

The Company considers that it has adequate resources to maintain its core operations for the balance of the 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.

### **Operating Cash Flow**

Cash outflow from operating activities was \$717,974 for three months ended March 31, 2007 compared to \$193,742 during the period ended March 31, 2006. Increase in cash required for operating activities is a result of increase in level in activities during the 2007 period and the change in non-cash working capital balance.

### **Financing Activities**

During the three months ended March 31, 2007 the Company received \$1,007,500 from a private placement less share issue costs of \$5,537 compared to the receipt of \$Nil in the 2006 period.

### **Investing Activities**

Investing activities generated cash of \$753,129 for the period ended March 31, 2007, compared to \$1,016,702 of cash used in 2006. In 2007, these investing activities included additions of \$147,897 to mineral properties and deferred costs and reduction of \$901,026 from short-term investments. In 2006, these investing activities included additions of \$23,418 to mineral properties and deferred costs and additions of \$1,000,000 to short-term investments.

### **Related Party Transactions**

The Company engages 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, Astral Mining Corporation, Gold Point Energy Corp. and Blue Sky Uranium 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 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 three months ended March 31, 2007, the Company incurred fees of \$117,275 (2006 - \$54,444) to the Grosso Group: \$112,500 (2006 - \$60,237) was paid in monthly payments and \$4,775 is included in accounts payable and accrued liabilities (2006 - \$5,793 was included in other receivables, prepaids and deposits) as a result of a review of the allocation of the Grosso Group costs to the member companies for the period. In addition, included in other receivables, prepaids and deposits is an \$85,000 (2006 - \$85,000) deposit to the Grosso Group for the purchase of equipment and leasehold improvements and for operating working capital.

### **Contractual Commitments**

Details of the Company’s option payments and expenditure commitments are disclosed in Note 5 to the Company’s March 31, 2007 interim consolidated financial statements.

### **Critical Accounting Estimates**

Reference should be made to the Company's significant accounting policies contained in Note 2 of the Company's consolidated financial statements for the years ended December 31, 2006, 2005 and 2004. These accounting policies can have a significant impact of the financial performance and financial position of the Company.

### **Recent Accounting Pronouncements**

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

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

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

The Company has designated its financial instruments as follows:

- (i) Cash and short-term investments are classified as "*Available-for-sale*". Due to their short-term nature, their carrying value is equal to their fair value.
  - (ii) Marketable securities are classified as "*Available-for-sale*". The fair value is obtained by reference to the closing quoted market price on the balance sheet date.
  - (ii) Other receivables, prepaids and deposits and subscription receivable are classified as "*Loans and Receivables*". These financial assets are recorded at values that approximate their amortized cost using the effective interest method.
  - (iii) Accounts payable and accrued liabilities are classified as "*Other Financial Liabilities*". These financial liabilities are recorded at values that approximate their amortized cost using the effective interest method.
- (b) Section 1530, *Comprehensive Income*, introduces a new financial statement "Statement of Comprehensive Income" and provides guidance for the reporting and display of other comprehensive income. Comprehensive income represents the change in equity of an enterprise during a period from transactions and other events arising from non-owner sources including gains and losses arising on translation of self-sustaining foreign operations, gains and losses from changes in fair value of available for sale financial assets
  - (c) Section 3865, *Hedges* specifies the criteria under which hedge accounting may be applied, how hedge accounting should be performed under permitted hedging strategies and the required disclosures. This standard did not have an impact on the Company for the three months ended March 31, 2007.

### **Use of Estimates**

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Significant areas requiring the use of management estimates relate to the determination of environmental obligations

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

### **Mineral Properties and Deferred Costs**

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

### **Financial Instruments**

The Corporation's financial instruments are comprised of cash, short-term investments, marketable securities, other receivables, prepaids and deposits, subscription receivable and accounts payable and accrued liabilities.

The fair values of cash, short-term investments, other receivables, prepaids and deposits, subscription receivable and accounts payable and accrued liabilities approximate their carrying values due to the short-term nature of these instruments.

The fair value of marketable securities is obtained by reference to the closing quoted market price on the balance sheet date. As at March 31, 2007, the fair value of the Company's marketable securities was \$549,861.

### **Risk Factors**

The Company's operations and results are subject to a number of different risks at any given time. These factors, include but are not limited to disclosure regarding exploration, additional financing, project delay, titles to properties, price fluctuations and share price volatility, operating hazards, insurable risks and limitations of insurance, management, foreign country and regulatory requirements, currency fluctuations and environmental regulations risks. Exploration for mineral resources involves a high degree of risk. The cost of conducting programs may be substantial and the likelihood of success is difficult to assess. For a more complete discussion of these risks and others, reference should be made to the December 31, 2006 Management's Discussion and Analysis.

### **Disclosure Controls and Procedures and Internal Control over Financial Reporting**

Management has designed disclosure controls and procedures, or has caused them to be designed under its supervision, to provide reasonable assurance that material information relating to the Company, is made known to management by others within those entities, particularly during the period in which the annual filings are being prepared. Management has also designed such internal control over financial reporting, or caused it to be designed under management's supervision, to provide reasonable assurance regarding the reliability of financial reporting and preparation of the financial statements for the three months ended March 31, 2007 in accordance with Canadian Generally Accepted Accounting Principles. There has been no change in the Company's disclosure controls and procedures or in the Company's internal control over financial reporting that occurred during the most recently completed quarter that has materially affected, or is reasonably likely to materially affect, the Company's disclosure controls and procedures or internal control over financial reporting.

### **Investor Relations**

Mr. Sean Hurd is the Company's Vice-President, Corporate Communications and coordinates investor relations activities.

On May 10, 2007, the Company announced that it had agreed, subject to regulatory approval, to appoint Athenos Consulting Ltd. ("Athenos") to provide assistance in the ongoing development and implementation of a shareholder's communication and development plan. The program will focus on shareholder communications, corporate development and helping to enhance and expand on the large shareholder base enjoyed by the Company at this time.

Athenos is based in London England and will be providing its services on a consulting basis. The Company will pay Athenos the sum of US\$5,000 per month for a term of 12 months, with the provision that either party can terminate the contract upon 30-day notice. The Company further confirms that Athenos shall be issued a share compensation package of 80,000 shares, released quarterly over the next 12 months.

The Company also maintains a website at [www.goldenarrowresources.com](http://www.goldenarrowresources.com).

### **Outstanding Share Data**

The Company's authorized share capital is an unlimited number of common shares without par value. As at March 31, 2007, there were 9,774,155 outstanding common shares and 794,000 stock options, which were outstanding and exercisable, with an exercise price of \$0.75 per share. In addition, on March 31, 2007, there were 1,550,000 warrants outstanding which expire on March 22, 2009 with an exercise price of \$0.80 per share.

There were no changes to the number of common shares, stock options or warrants outstanding between March 31, 2007 and May 30, 2007.